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*AF Capital*

**LTS** CHALLENGE 2023

Hermès Investment Rationale

# Investment Thesis



## Unbounded growth possibilities

*A growing and changing consumer base can leverage the company's returns*

## Distinctive market positioning

*Strong consumer advantage facilitates value creation*

## Derisking with Customer Loyalty

*The ability of lock-in clients creates future growth potential from current attention*

**RMS: BUY!**

Current Price

**€ 1,812.4**

21,3%  
Upside

16.5%  
IRR

Target Price

**€ 2,198.7**

# A Dive into Luxury Markets

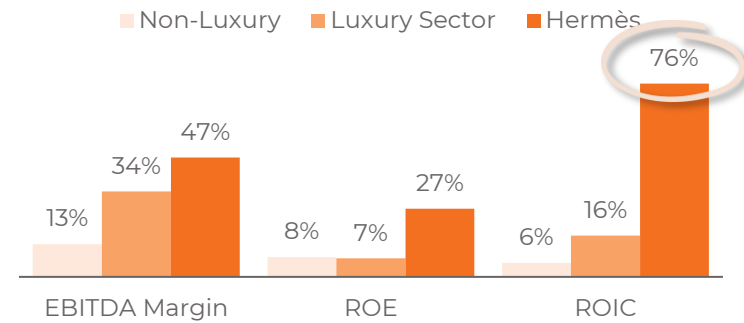
The luxury sector deals with high-end and premium products, which provide **more than just functionality**. It offers unique and prestigious experiences to those seeking status



## I. Highly profitable

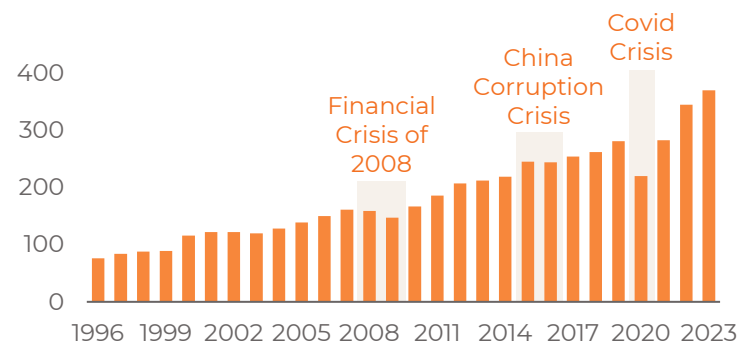
### 1 High margins and returns

Profitability metrics by fashion segment (in %)



### 2 Resilience

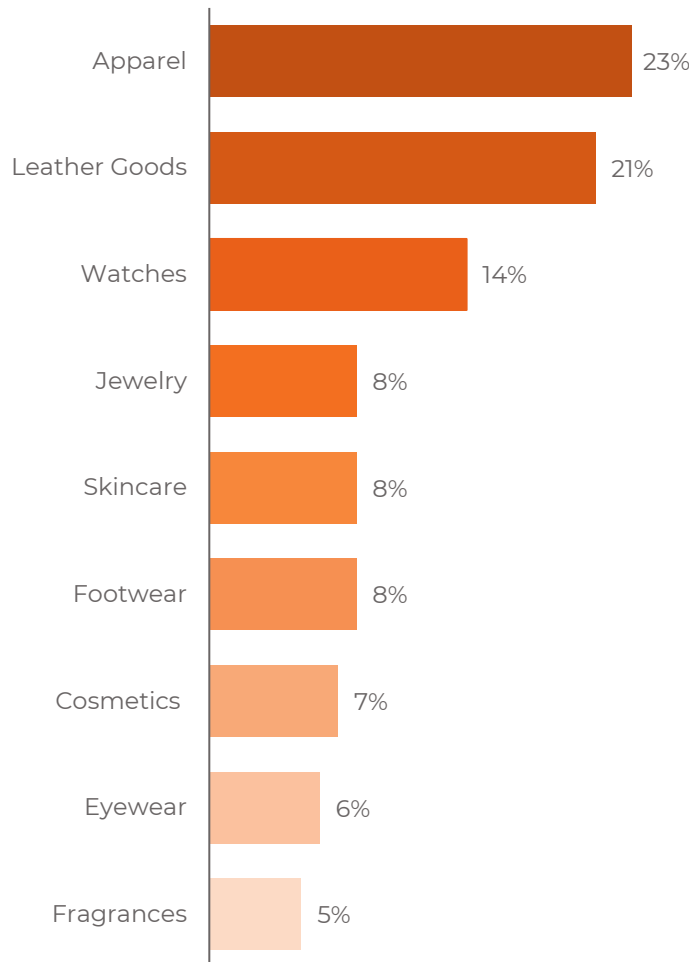
Personal luxury goods revenue (in € billions)



### 3 High demand

## II. Wide range of subsectors

Worldwide luxury revenue share

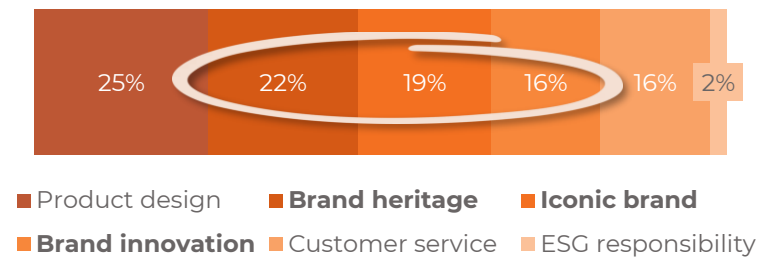


## III. Notably concentrated

Main companies' revenues



Key driving factors in brand choice

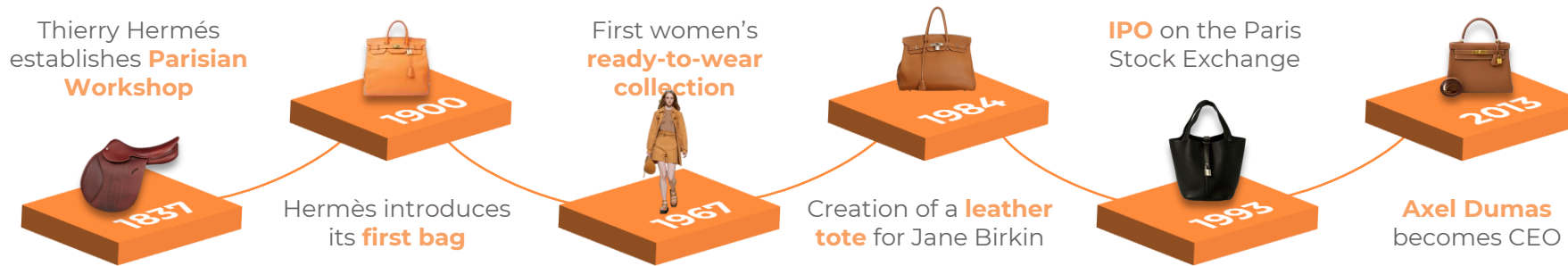


# Astonishing Orange

Established in 1837, the company **started by selling saddles and equestrian accessories**, but now is one of the **most distinguished and acclaimed leather goods manufacturer**



## I. From saddles to handbags



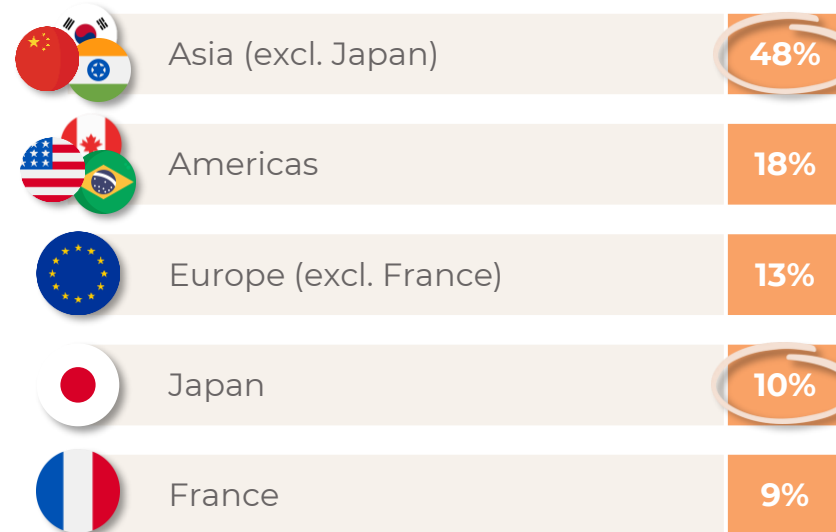
## II. Diversified Portfolio

*Hermès métiers and how much they represent of the revenue*



## II. Revenue concentrated in Asia

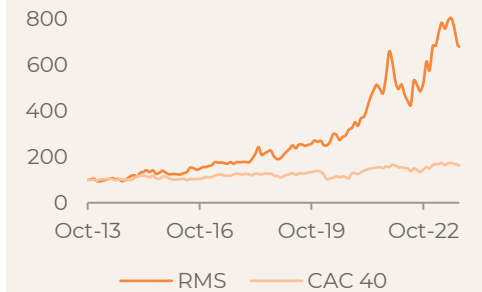
*Revenue by region (in billion €) and how much they represent*



## Snapshot of Hermès

Hermès is a renowned French luxury goods manufacturer, originally founded as a harness workshop and now known for its leather goods and silk scarves.

**10-year return** (10/2013 = 100)



## Key Financials

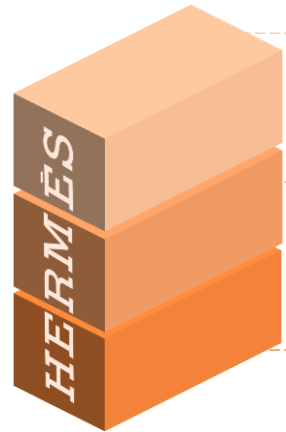
Stores	300
Revenue	€ 13.5 Bi
EBITDA margin	46.8%
Net Cash	€ 7.4 Bi
FCFF Yield	1.72%
Market Cap	€ 186 Bi
EV/EBITDA LTM	30x

# Playing the Hermès Game

Hermès **diverges from other luxury brands** by its **unique strategy of limiting its sales** and selecting the clients who have access to certain pieces, while **paying close attention to its production** and becoming **more ESG-friendly**



## I. Integrated Supply Chain



### Supply

The business is **55% vertically integrated** in order to guarantee top quality materials

### Manufacture

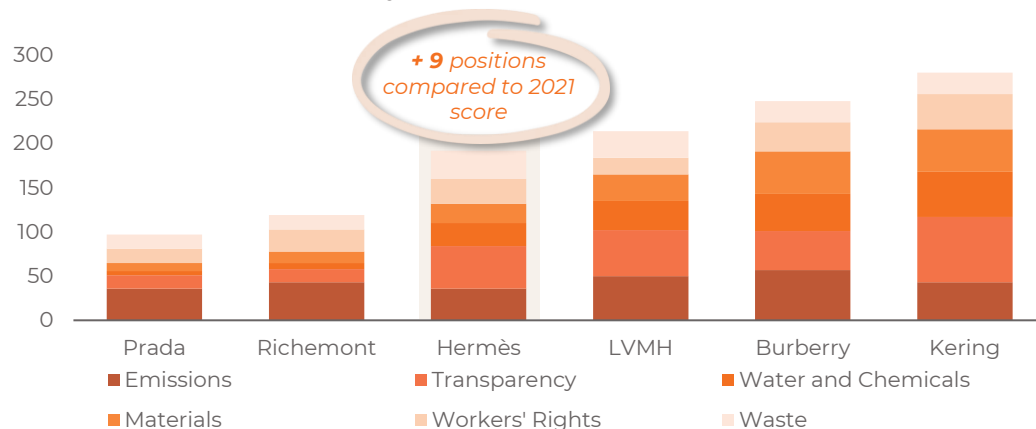
Products are **handmade** by Hermès' **in-house trained artisans**  
"1 bag 1 artisan"

### Distribution and Sales

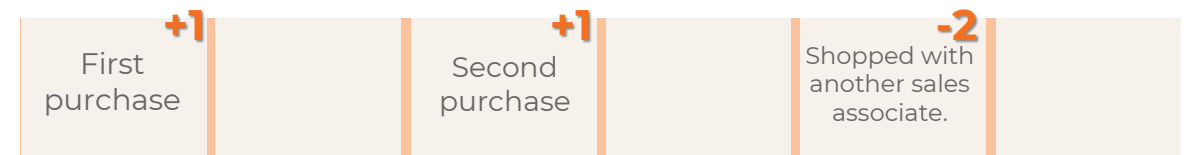
The product reaches final clients through Hermès' **own stores, consessionaires and e-commerce**

## II. ESG Practices

Business of Fashion's sustainability score and variation from 2021



## III. 'Hermès Game': how to get the bag of your dreams



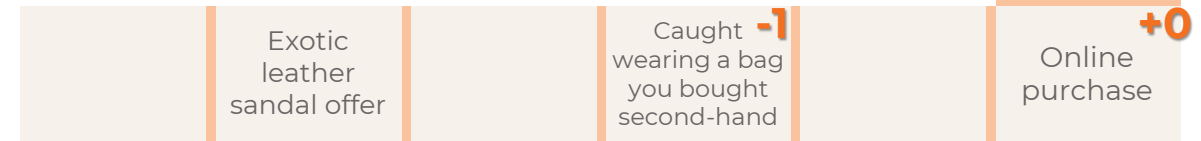
### What Hermès says...

5 out of 5 sales associates we interviewed claimed bags are offered through a **waiting list**



Visit to Hermès' Cidade Jardim Store

**+3**  
First piece of jewelry!

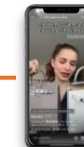


### What consumers say...

You got your first bag offer

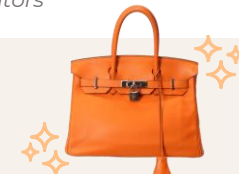
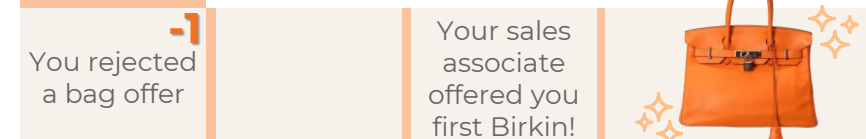


Sandra Raffaelli  
Secondhand Business Owner



Tiktok creators

"You have to be a **loyal and frequent customer** to get the bag"

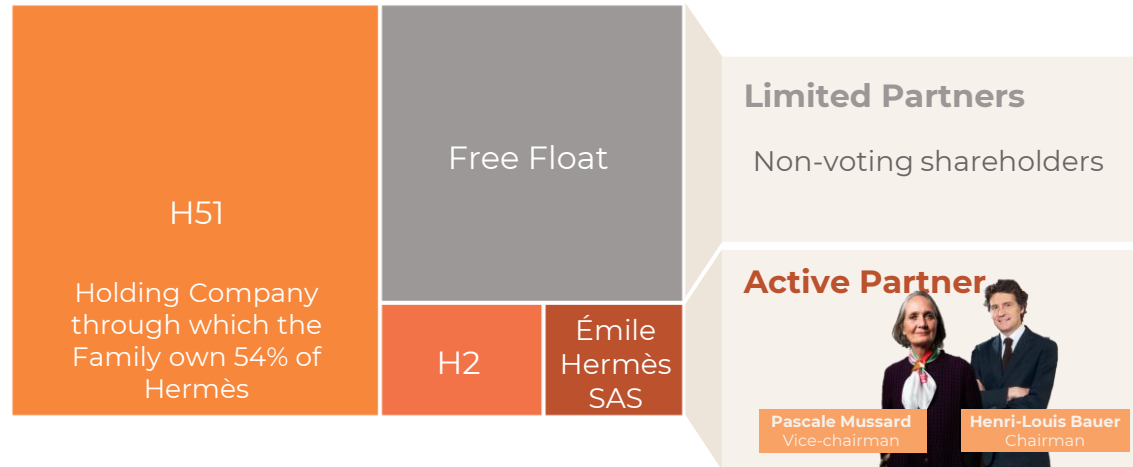


# Keeping it in the Family



The Hermès Family has a **'Fort Knox' type of family culture**, being able to keep the control of the company for almost 200 years. However, **minority shareholders are not negatively exposed** by that governance model

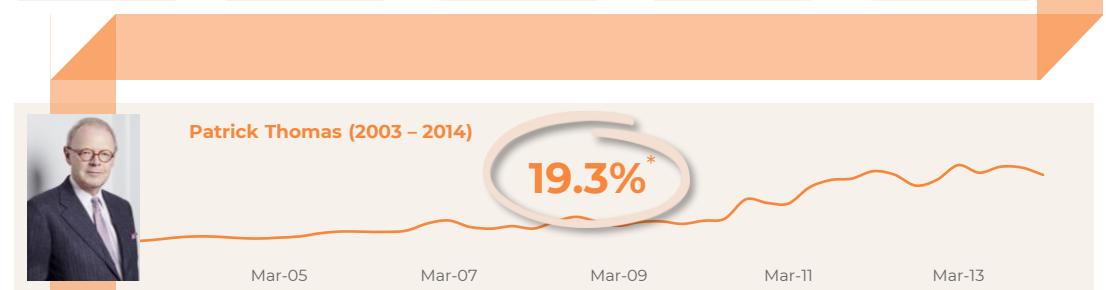
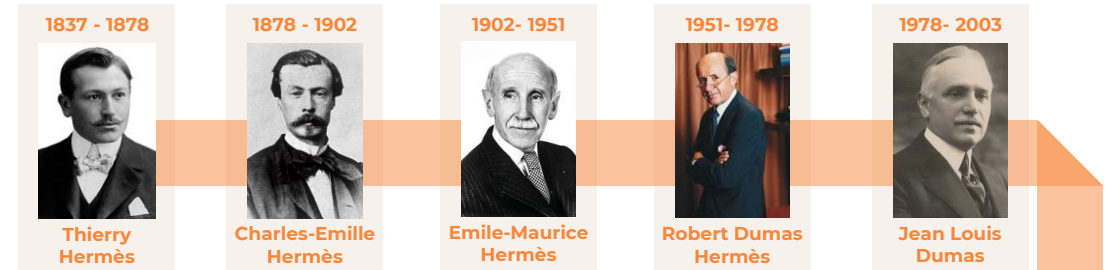
## I. Shareholders and Board



### Compensation

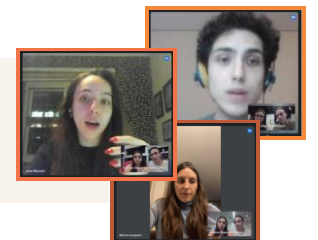


## II. Management



\* Average annual shareholder return

Former employees in Brazil claimed culture was very **linked to the brand's french heritage**



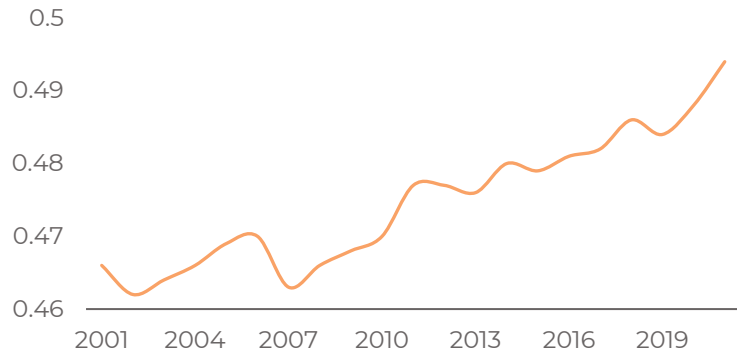
# New Customers Landscape

Wealth concentration combined with the developing markets and entrance of new generation in the market is **broadening and changing the customer base of the luxury industry**

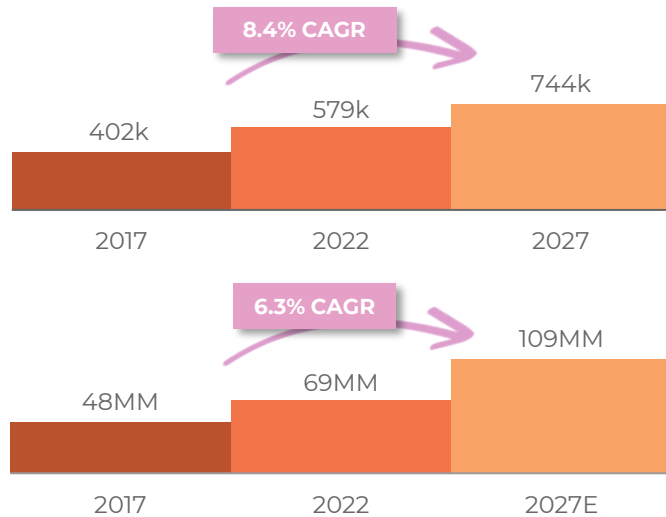


## I. Concentration of Wealth

Gini coefficient

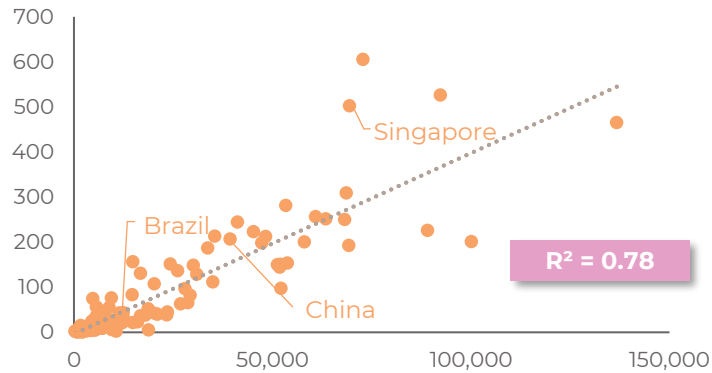


Number of Ultra High and High Net Worth Individuals

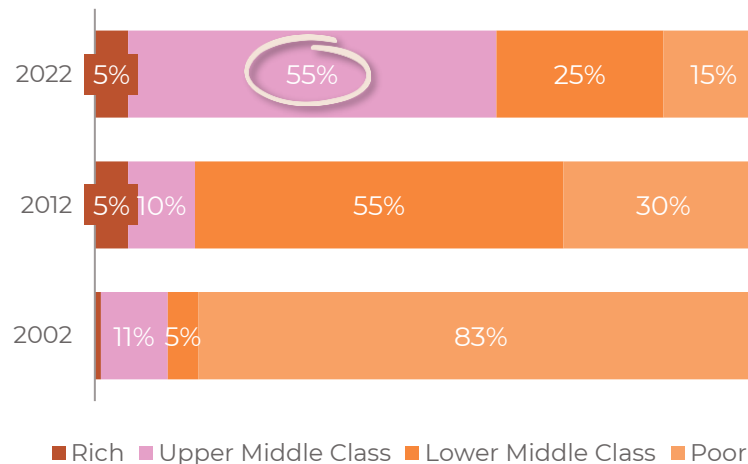


## II. Development of Emerging Markets

GDP x Luxury expenditure (USD per Capita)

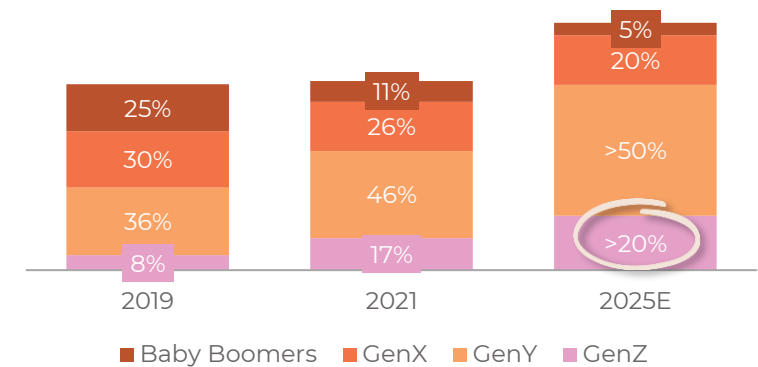


China's population segmented by income

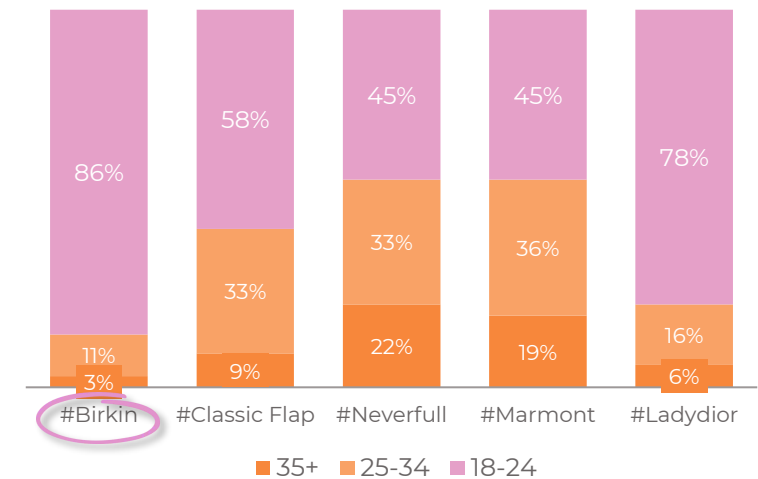


## III. Gen Z and Changing Preferences

Personal luxury goods market by generation



Tiktok videos views by age



# Elusive Exclusivity

Maintaining overall exclusivity while still expanding sales is a pretty hard task for luxury brands. However, Hermès manages to do both successfully



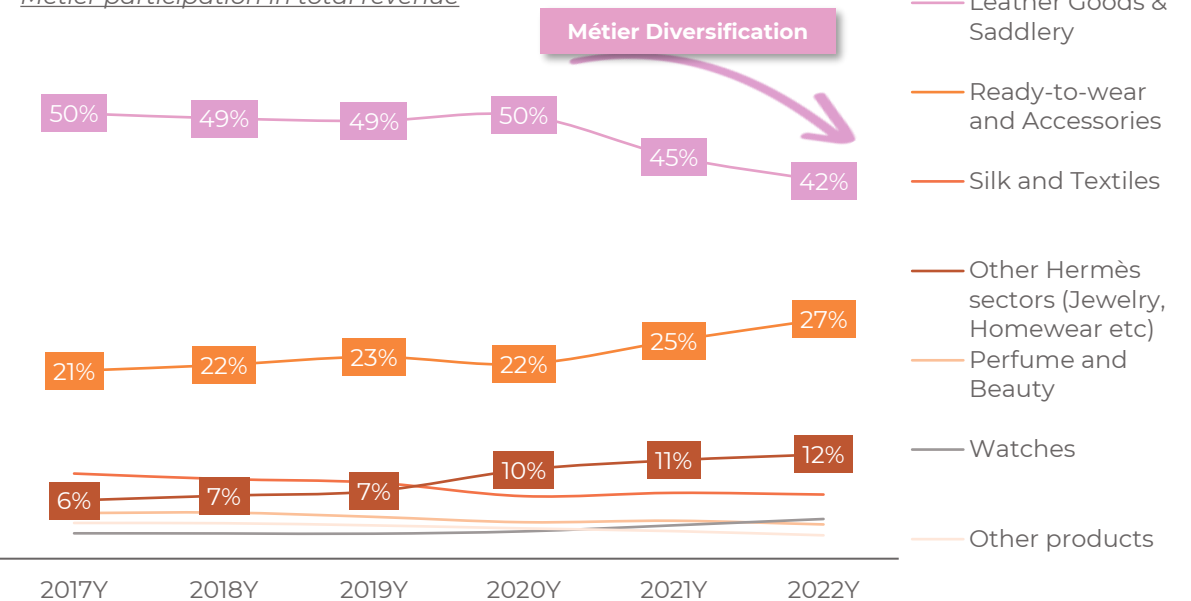
## I. Exclusive vs Entry-level products

Hermès' products prices vs exclusivity



## II. Revenue Diversification

Métier participation in total revenue



## III. Prices as a limitation





# The Allure of Hermès



The **culture of exclusivity and heritage**, combined seamlessly by Hermès, creates a high demand around the brand, enabling the company to **add more value to investors** and **grow faster** than other players

## I. High Demand

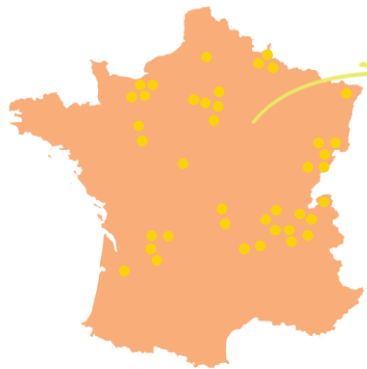
### 1 Brand heritage



Only store out of 10 from other brands visited that had references to brand's history

### 2 Quality-focused

Production sites in France



In-house trained artisans '1 bag 1 artisan rule'

"Rising production dilutes fashion's integrity"

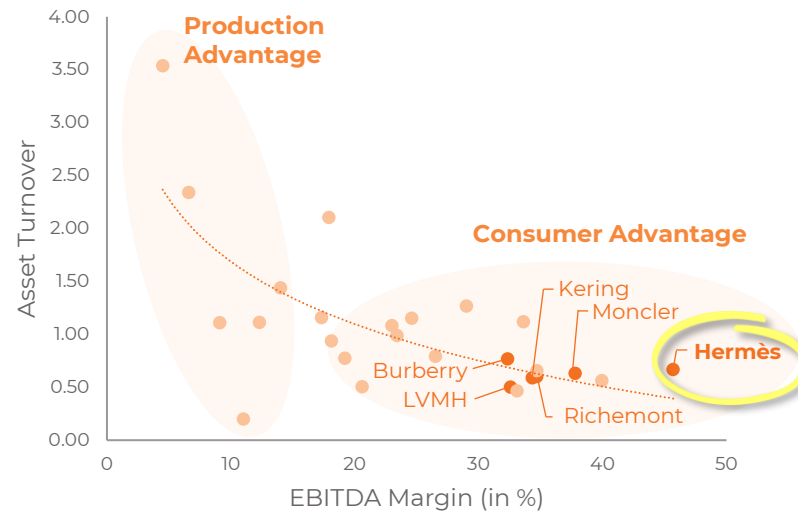
Anna Wintour  
Vogue Editor



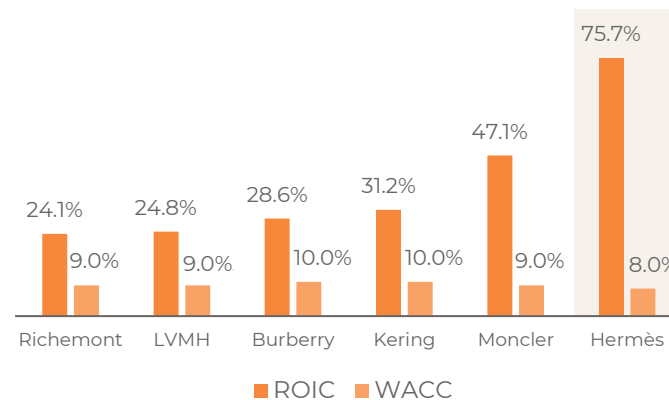
### 3 Exclusivity through Hermès Game

## II. Consumer Advantage and Value Creation

Asset turnover x EBITDA margin of different companies

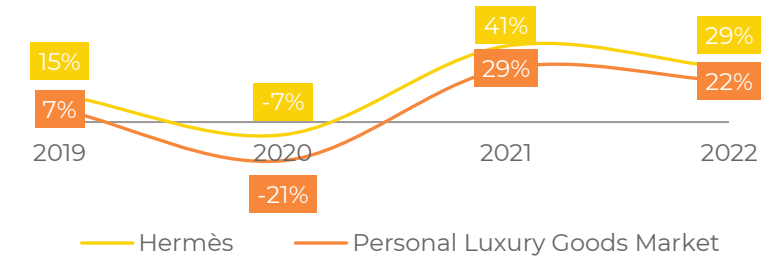


Return on invested capital x Cost of capital



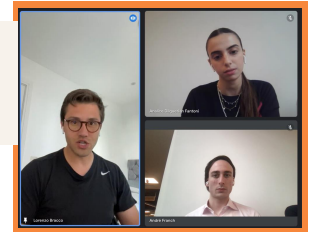
## III. Higher Growth

Year on year sales growth

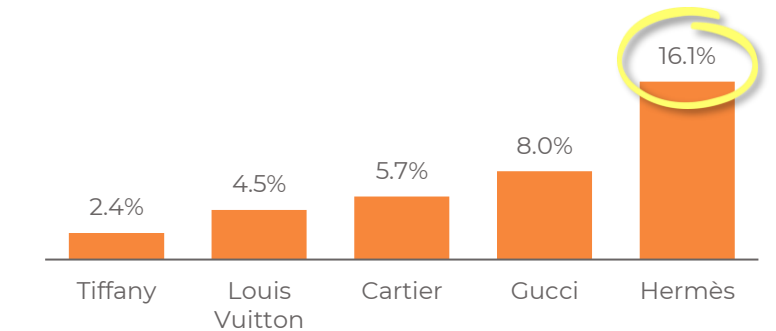


"Hermès has control over its demand and is able spread the sales across periods of time"

Lorenzo Bracco  
Luxury Analyst at Citi (London, UK)



Brand equity growth 10-year CAGR



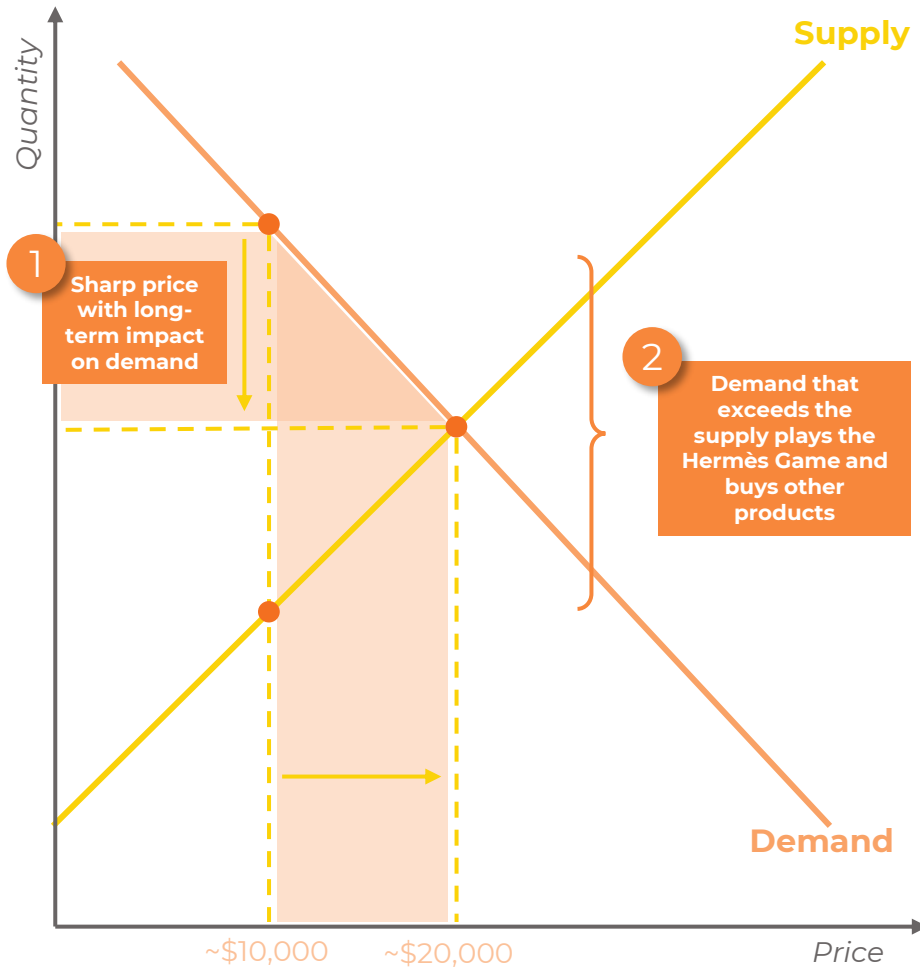
# The Strategy Behind the Pricing



The difference between retail and secondary market prices shows the Hermès has **still much space to grow**. But this spread has a **positive impact on the desire for the brand**

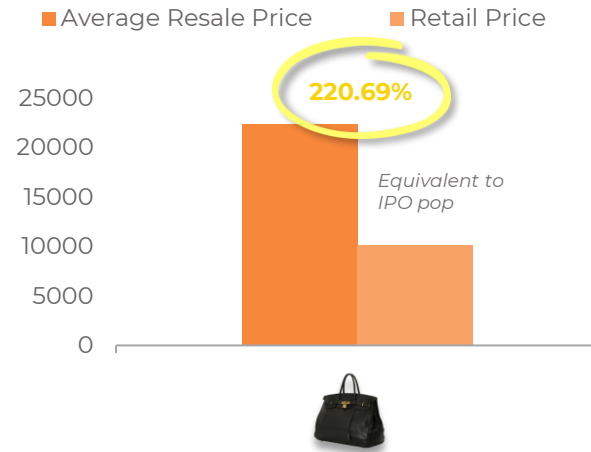
## I. Underpricing

Birkin Bag supply and demand



## II. Birkin Bags as an Investment

Retail vs Second-hand pricing and retention

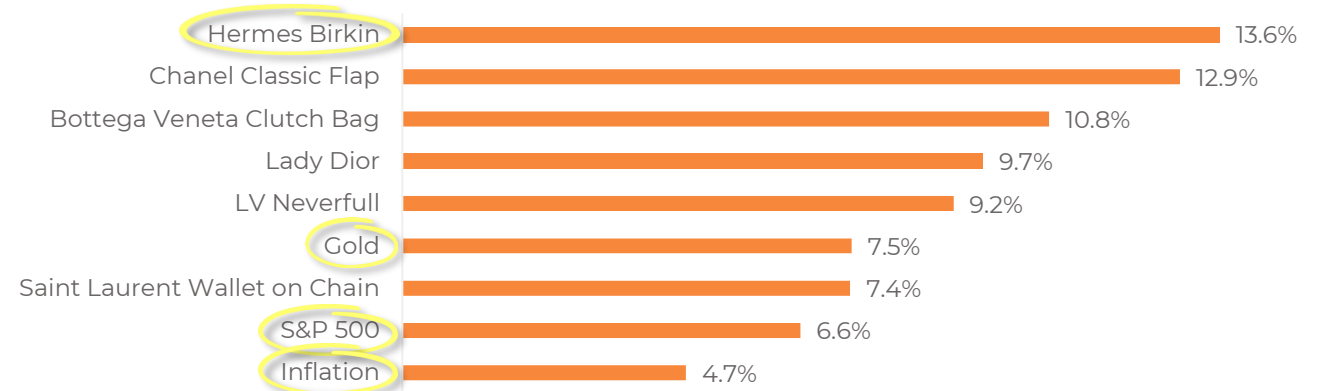


“Investment Banks slightly underprice shares they issue, aiming to have it increase in value the same day of the IPO”

Antonio Ferraz  
Former Banker at JP Morgan (NY)

## III. Incredible Pricing Power

Annual price change (from 2015 to 2023)

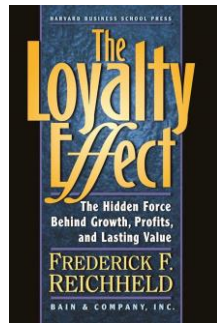


# Customers as the Most Valuable Assets



Loyal customers are the **cornerstone of any successful business**, by investing in building and maintaining relationships, they can **thrive and navigate challenges more resiliently**

## I. Economics of Loyalty Guarantee Growing Profit per Customer



### Profit-per-customer effect

- Higher Revenues** → A customer spending tends to increase over time
- Cost Savings** → As customers learn more about the brand, They require less help
- Price Premiums** → Loyal customers are willing to pay higher prices

## II. Confirmation from Brazil's Louis Vuitton CEO



“Relationship is what moves this luxury market. My client may like other brands, but **I win them over with the relationship**”

Daniela Gontijo  
Brazil, Colombia, Chile and Peru Country Manager at Louis Vuitton

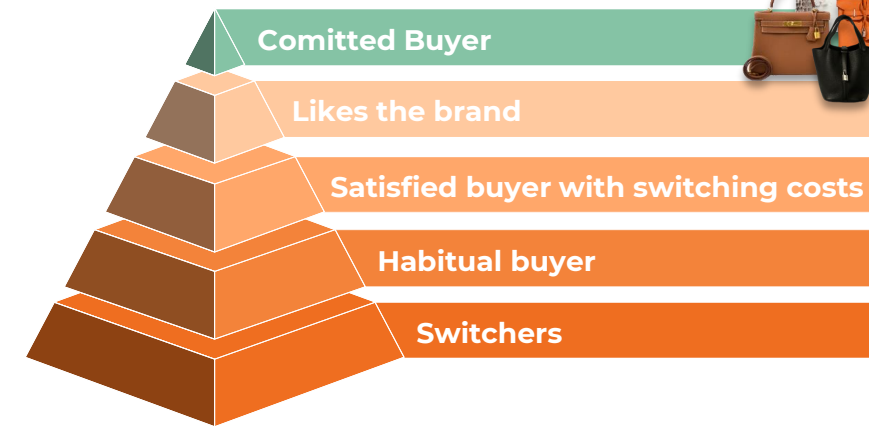
## III. Customers are Hermès' Number 1 Focus

Most-said word in Hermès' half-year press conference



## IV. Building Relationships the Other Way Around

David Aaker's Brand Loyalty Pyramid



‘Hermès Game’ Winner: gets whatever pieces they desire

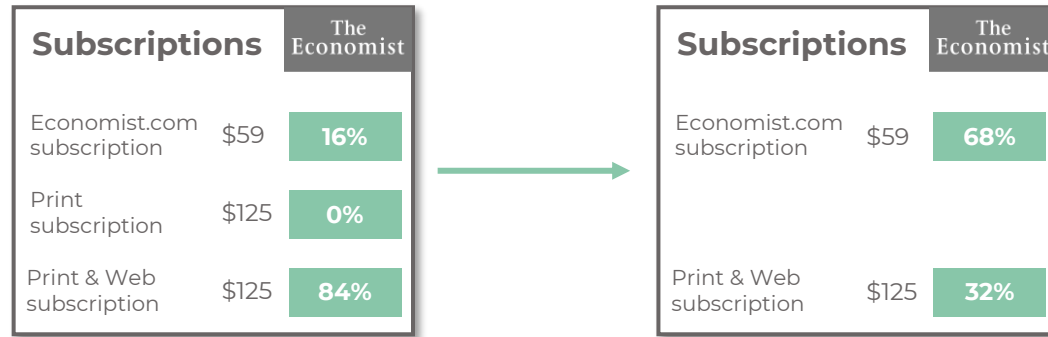
# Clients are Tied with an Hermès Bow



The strategy of relationship building combined with the **ability of not losing sales to the secondary market** and Hermès' **growing attention recently** is a reason to believe a **sales will keep having a robust growth** in the following years

## I. Retail vs Second-hand Market

Subscriptions to The Economist magazine



Second-hand:



Birkin Bag

~ € 20,000

Retail:



Other Hermès items

~ € 10,000

Citi's estimates of the value a client has to spend at Hermès before being offered a bag is 10k

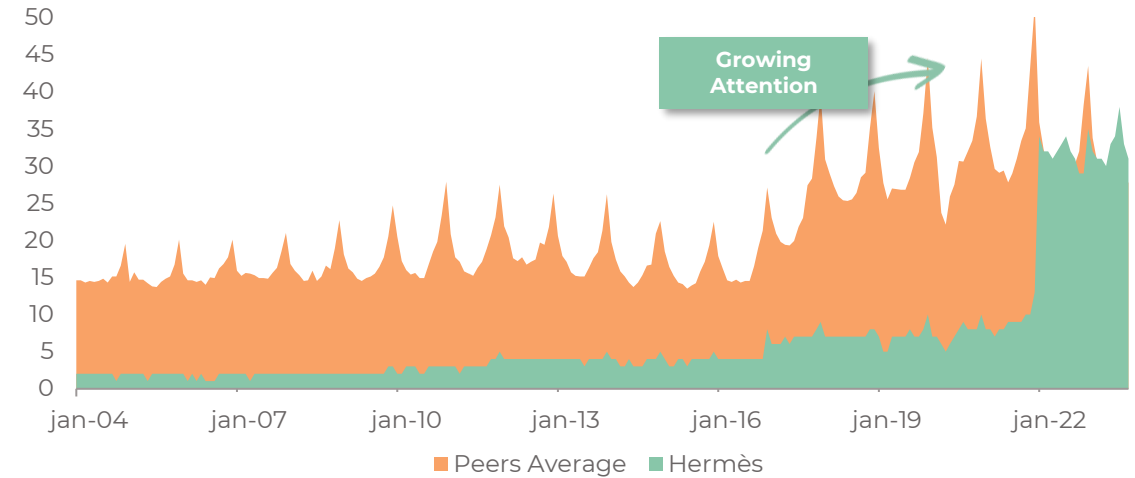


Birkin Bag + Other Hermès items

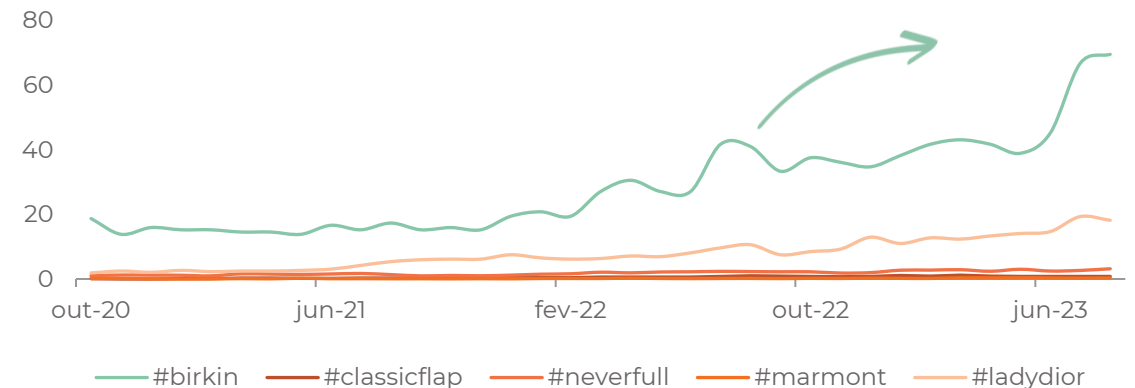
~ € 20,000

## II. Loyalty translates into sales across the years

Interest measured by Google searches



Views on tiktok videos with the hashtags (in millions)



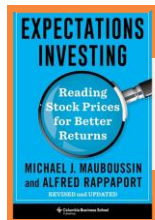
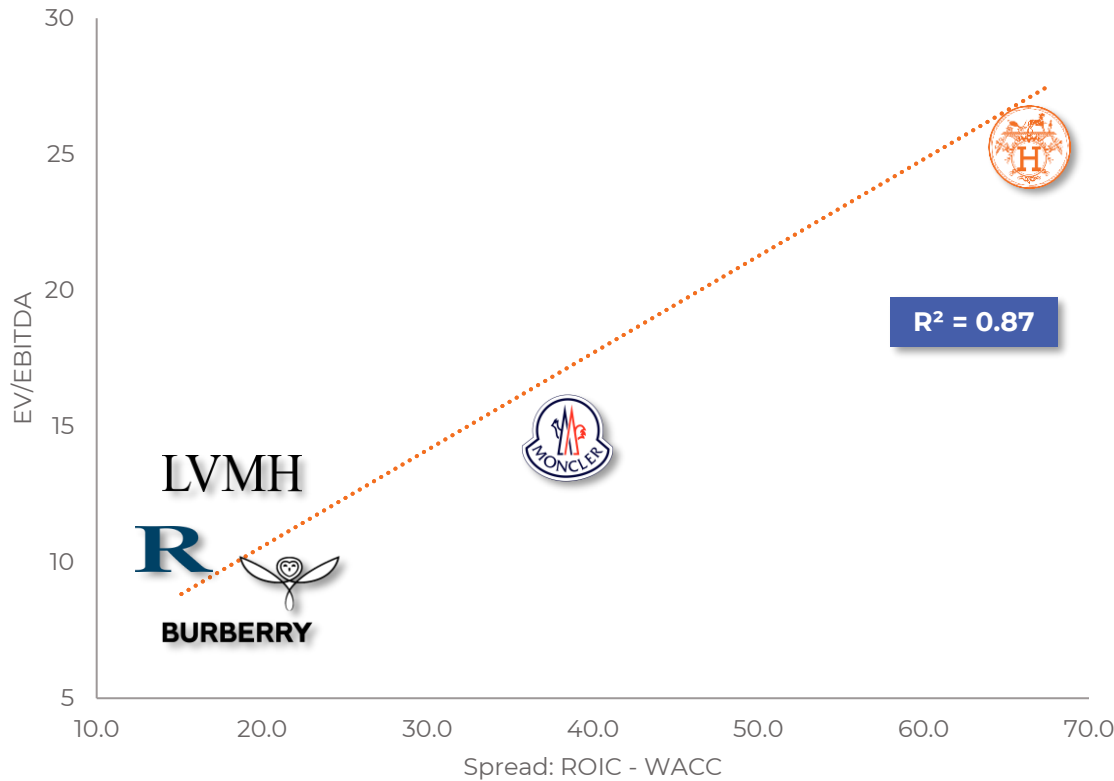
# Current Stock Price Breakdown

Before looking into our perspectives, we started out by looking at **what is implicit in the current price of the stock** and **what would drive our recommendation**



## I. What Justifies the High Multiple

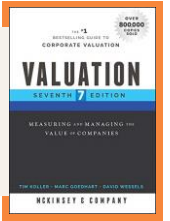
EV/EBITDA vs ROIC – WACC spread of luxury companies



"It is hard to know where expectations are likely to go tomorrow without knowing where they are today."

## II. Implicit Parameters in the Current Stock Price

$$\text{Continuing Value} = \frac{(\text{revenue} \cdot \text{noplat margin} \cdot (1 + g)) \cdot \left(1 - \frac{g}{\text{ROIC}}\right)}{\text{WACC} - g}$$



		NOPLAT Margin 2026-28				
		26%	28%	30%	32%	34%
NOPLAT Growth 2026-28	6.5%	1392	1445	1550	1585	1585
	6.7%	1469	1531	1656	1698	1698
	7.0%	1579	1657	1812	1864	1864
	7.2%	1757	1859	2063	2131	2131
	7.5%	2096	2245	2544	2644	2644

BUY

		NOPLAT Margin in Perpetuity				
		17%	22%	27%	32%	37%
NOPLAT Growth in Perpetuity	2%	1321	1430	1538	1647	1755
	3%	1390	1519	1648	1777	1906
	4%	1492	1652	1812	1972	2132
	5%	1662	1873	2084	2295	2505
	6%	1999	2311	2622	2934	3245

BUY

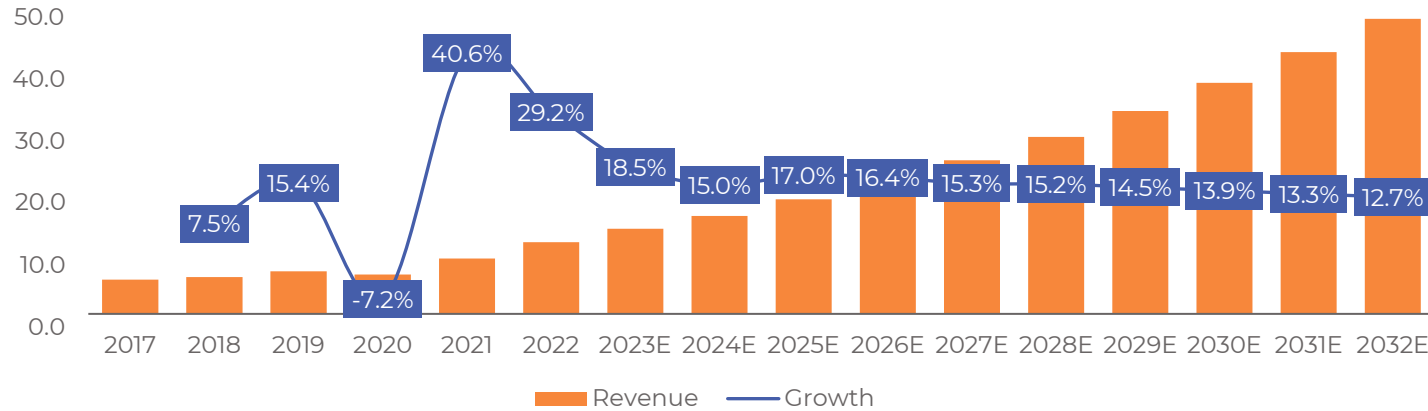
# From Cash Flows to Value



Based on our qualitative analysis, we **forecasted revenue growth, margins and the companies investments for the next 6 years**. Revenue was forecasted and **segmented into 3 different classes**. FCFE was discounted by a **8.06% WACC**

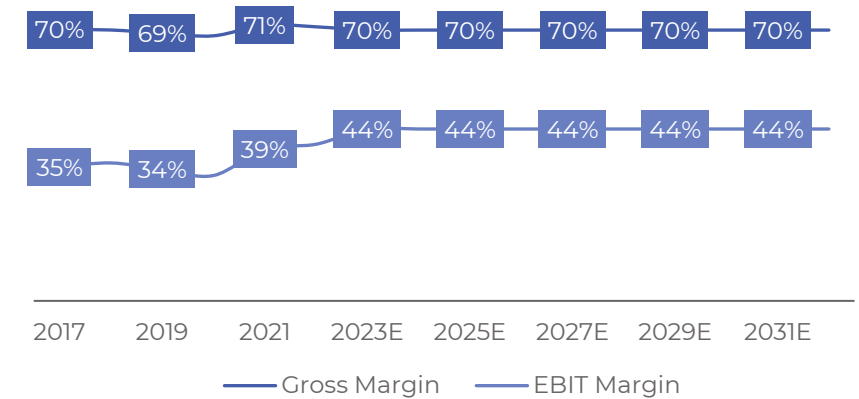
## I. Revenue

Revenue (in million €) and year over year growth



## III. Margins

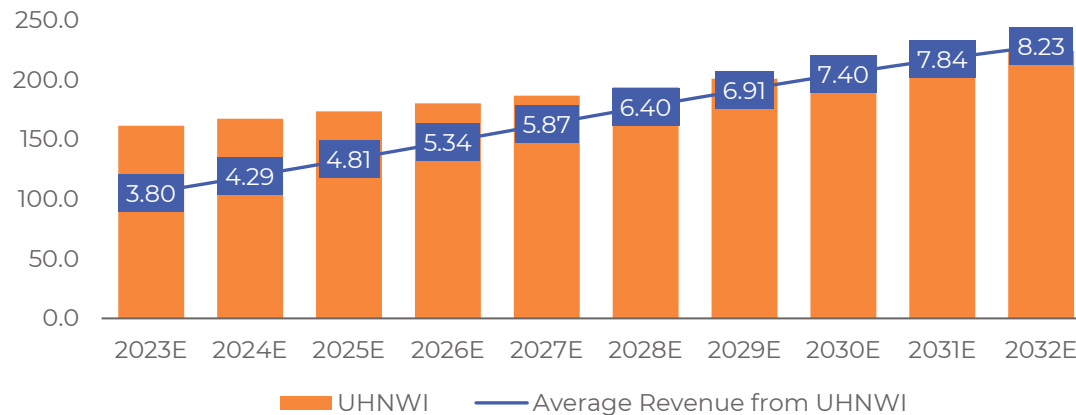
Historical and forecasted margins



## II. Revenue Build-up

### 1 Ultra High and High Net Worth Individuals

Average Revenue from UHNWI (in thousands of €) and UHNWI in Asia-Pacific (in thousands)

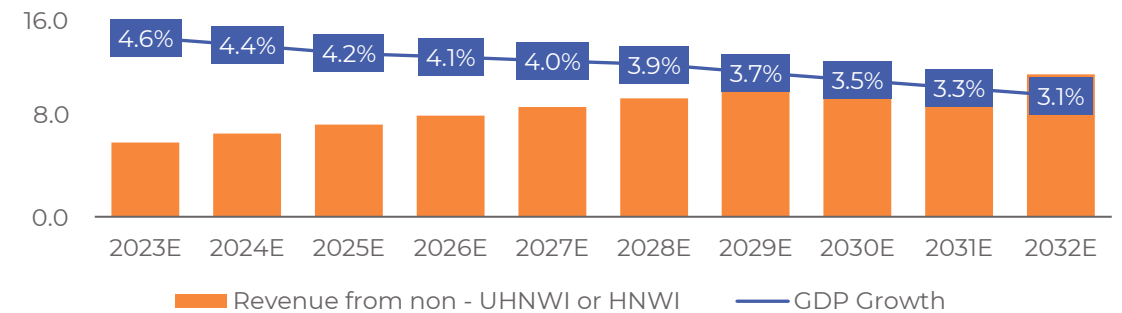


### 2 Others

#### Example for Asia-Pacific:

$$\text{Luxury Expenditure per Capita} = 0.006 * \text{GDP per Capita} - 12.95$$

Revenue from non - UHNWI and HNWI (in billion €) and GDP growth in Asia-Pacific



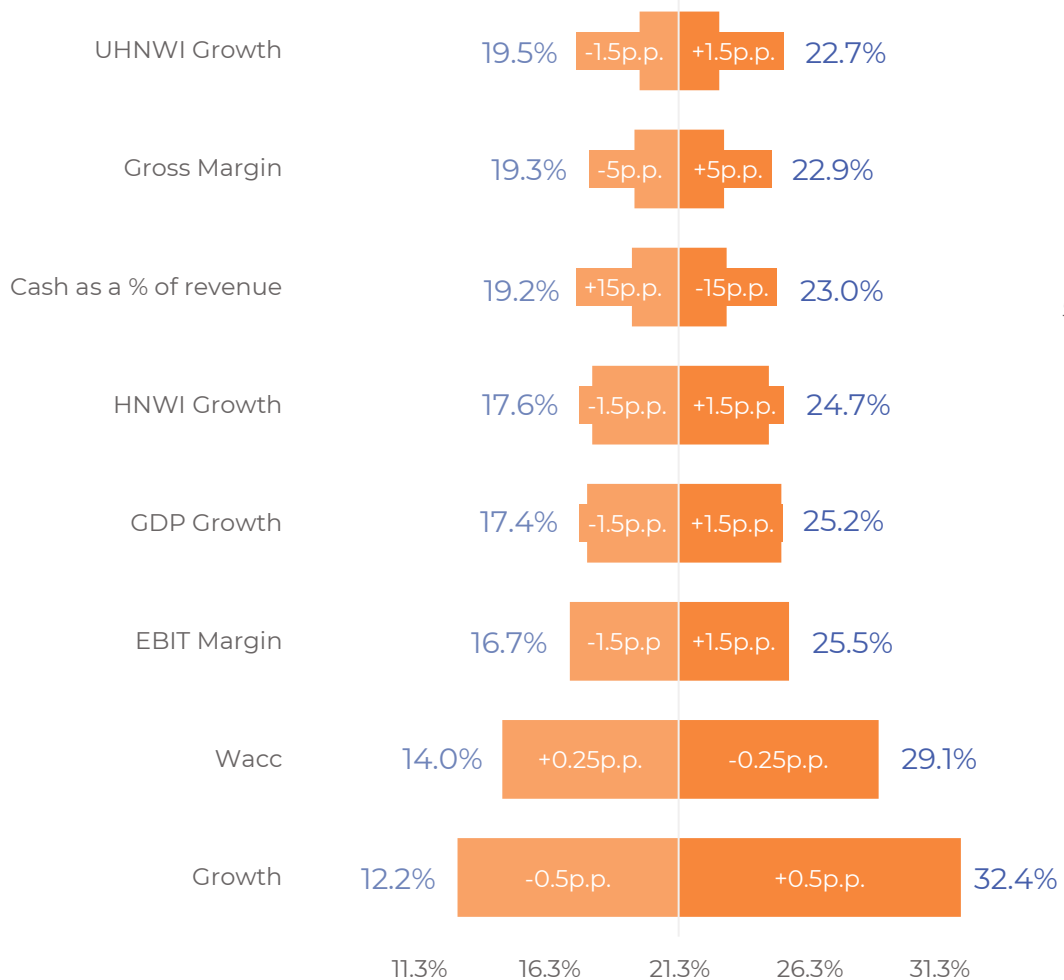
# Beyond the DCF

To avoid relying solely on our DCF, we **stress-tested the model** and performed an exit-multiple valuation to **also consider market factors into our price**



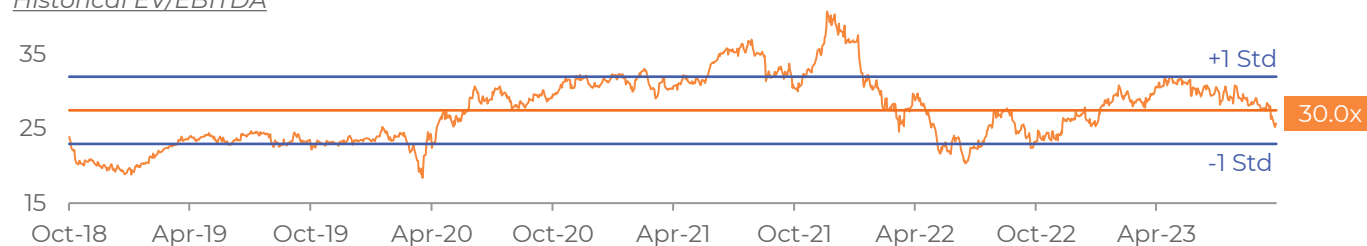
## I. Stress Test

*Upside based on variations of some assumptions*

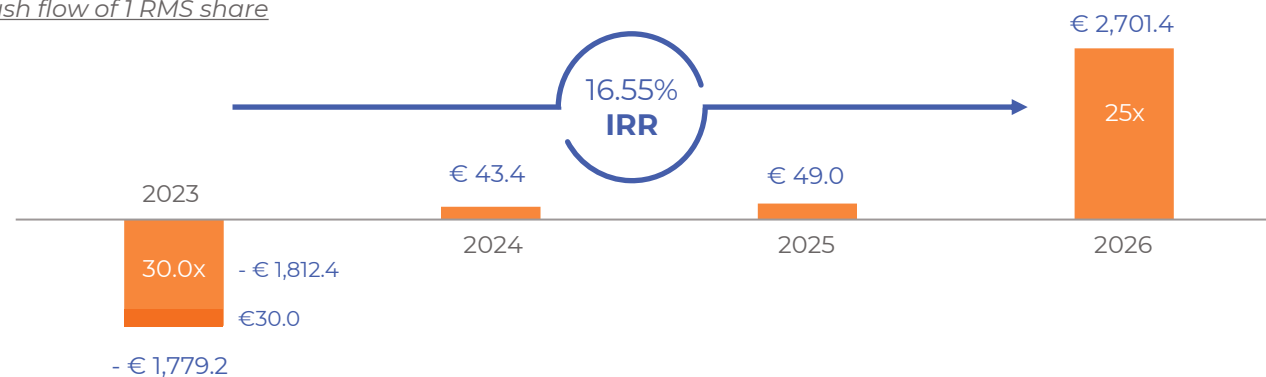


## II. Market-based valuation

*Historical EV/EBITDA*



*Cash flow of 1 RMS share*



2026 Forecasted EBITDA	Exit EV/EBITDA Multiple				
	21x	23x	25x	27x	29x
9215	7.2%	10.1%	12.8%	15.4%	17.9%
9715	8.8%	11.8%	14.6%	17.3%	19.8%
<b>10215</b>	10.5%	13.5%	<b>16.5%</b>	19.1%	21.7%
10715	12.0%	15.1%	18.0%	20.8%	23.5%
11215	13.6%	16.7%	19.7%	22.5%	25.2%

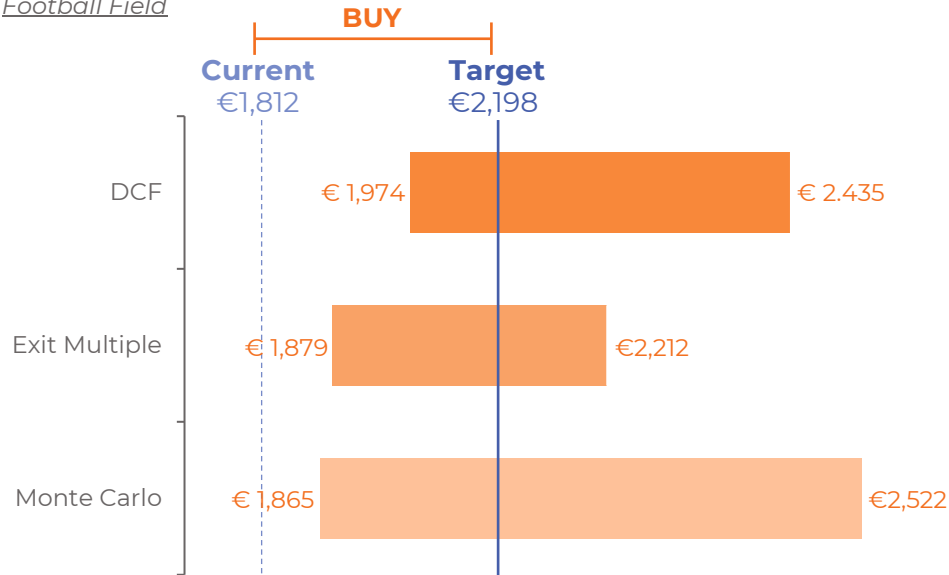
# Risk and Return

Finally, risk and return were analyzed in order to conclude whether the investment was really worth it and **reiterate the BUY recommendation**



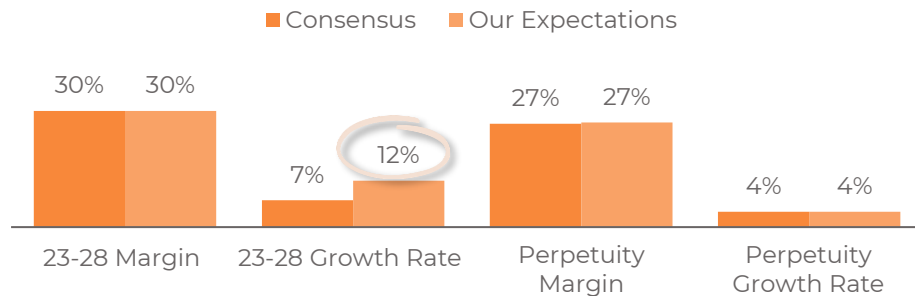
## I. Expected return range

Football Field



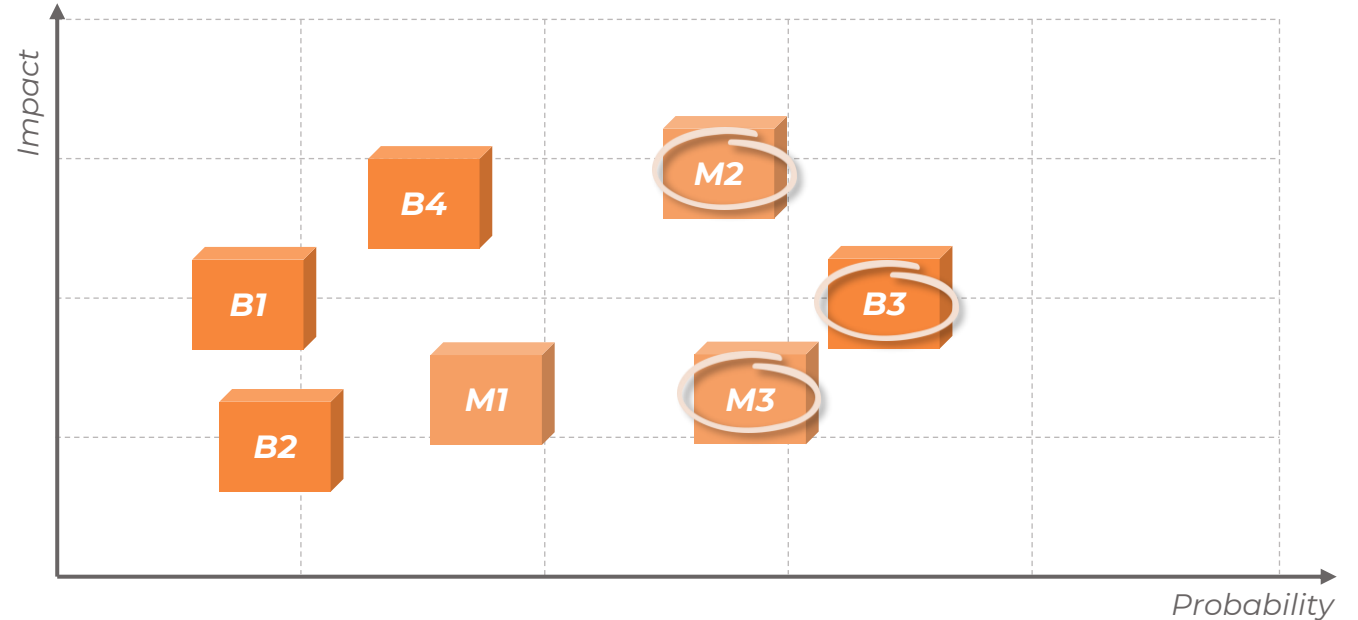
## II. What drives the recommendation

Consensus vs our expectations of Hermès' performance



## III. Risks that could affect our expectations

Risk matrix



### Business and Operational Risks

- B1** – Change in consumer preferences
- B2** – Succession issues
- B3** – ESG
- B4** – Failure to diversify the portfolio

### Macro and Industry Risks

- M1** – Events that could stop tourism
- M2** – Economics slowdown in Asia
- M3** – Counterfeit





# Questions & Answers

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The Strategy Behind the Pricing

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Customers are the Most Valuable Assets

Clients are Tied with an Hermès Bow

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SWOT

Stores

Supply Chain

Portfolio

Work Enviroment

IPO Pop

Word Count

## Risks

M2: China

M3: Counterfeit

B3: ESG

## Valuation

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Monte Carlo

M&A Options

WACC

Recommendation

Beating Consensus

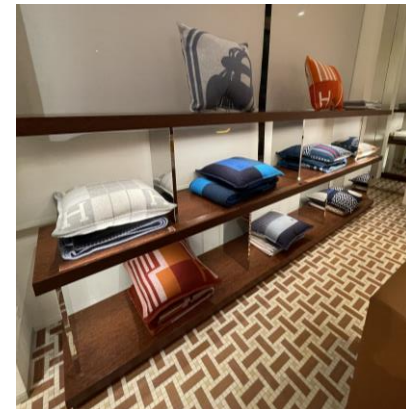
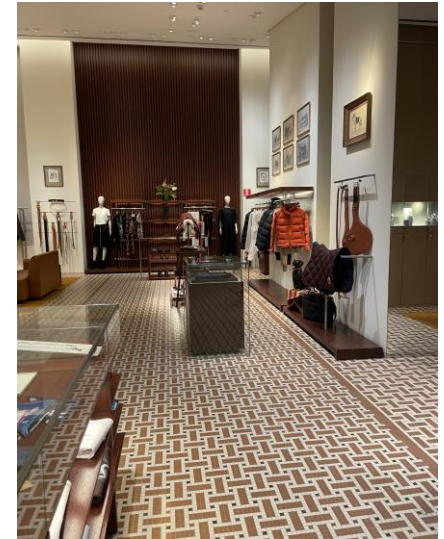




# Field Research

# Visit to Hermès' Stores

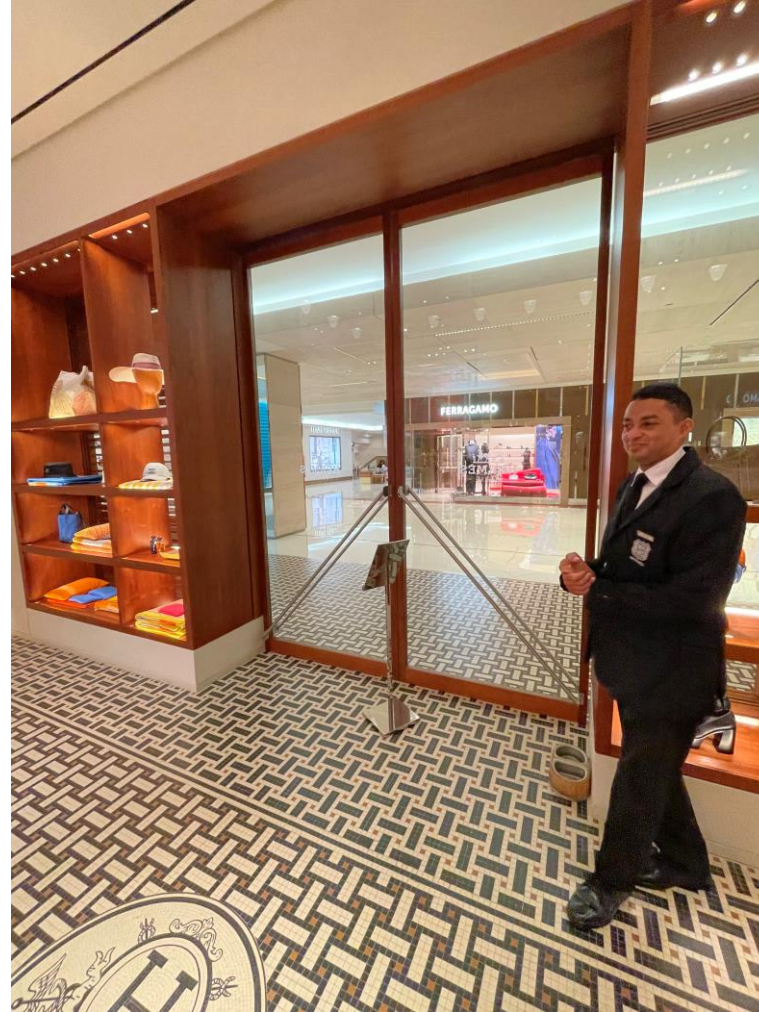
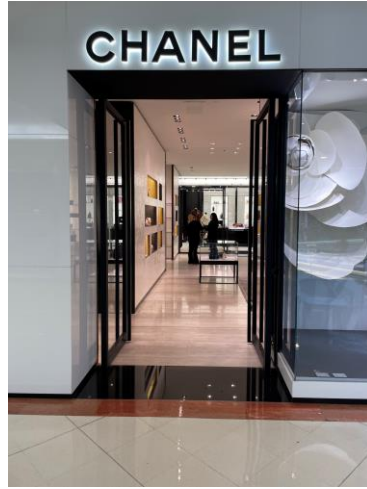
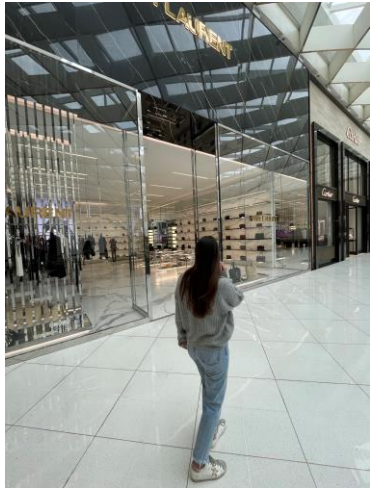
We visited both stores from Hermès in Sao Paulo



# Visit to Hermès' Stores



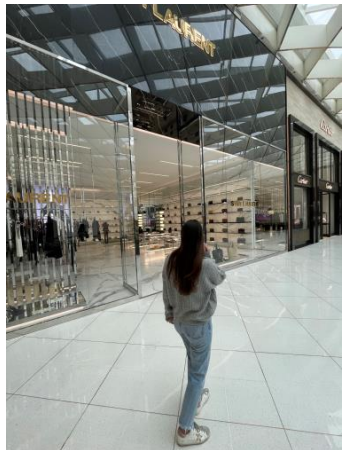
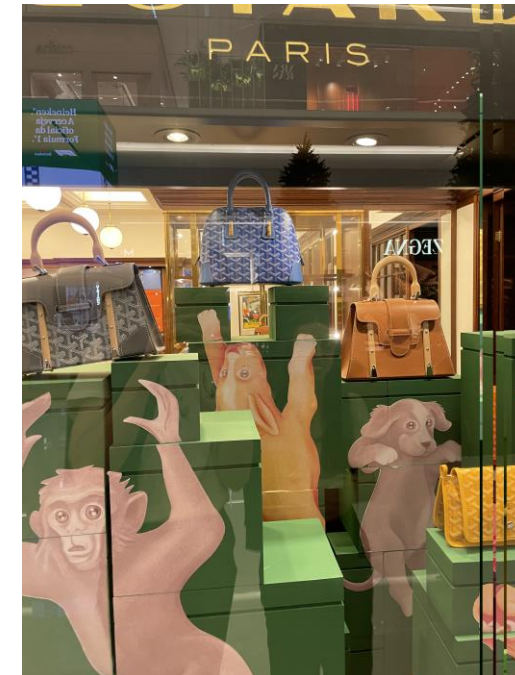
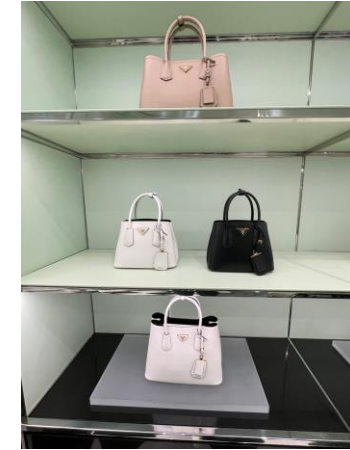
While visiting different luxury stores, Hermès was the only one that would close its doors when all of its sales associates were occupied



# Visit to Other Luxury Stores

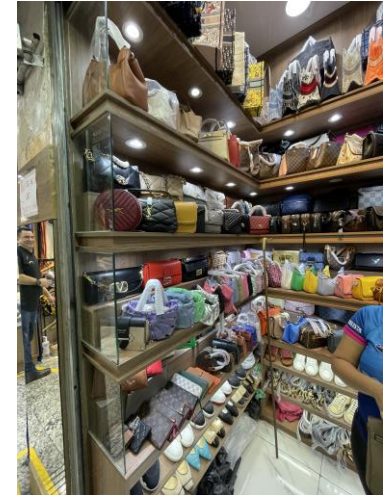


We visited stores from other brands to compare to Hermès', but none of them had that much authenticity



# Visit to 25 de Março

We visited the counterfeit center of São Paulo to take a look at the options available for consumers





# Visit to a Second-hand Store

We visited 'Fora do Closet' to talk to its owner and to take a look at the Hermès pieces there were in sale

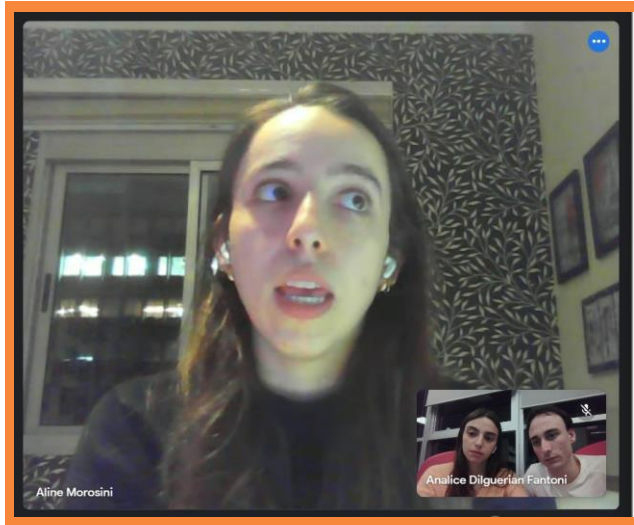




Interviews

# Interview with former employees

We talked to 3 former employees in Sao Paulo Brazil



*Aline Morosini*  
Former Intern at Hermès in Sao Paulo, BR



*Pedro Nascimento*  
Former Intern at Hermès in Sao Paulo, BR



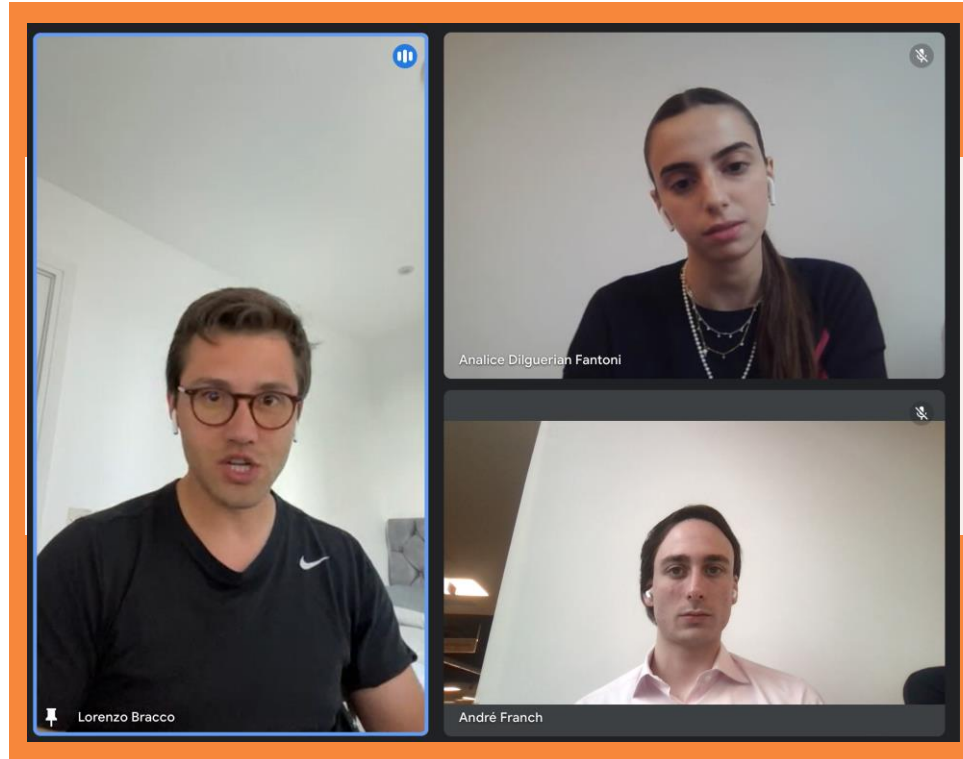
*Mônica Junqueira*  
Former Intern at Hermès in Sao Paulo, BR

- They left because interns are not hired after they graduate
- All 3 said they would go back to Hermès if they could
- Leadership roles are majorly occupied by French people
- Other roles are occupied by people who worked previously another Luxury companies

# Interview with a Citi Analyst



We reached out to Lorenzo, because there are no luxury analysts in Brazil, and he gave us some insights on the industry and Hermès



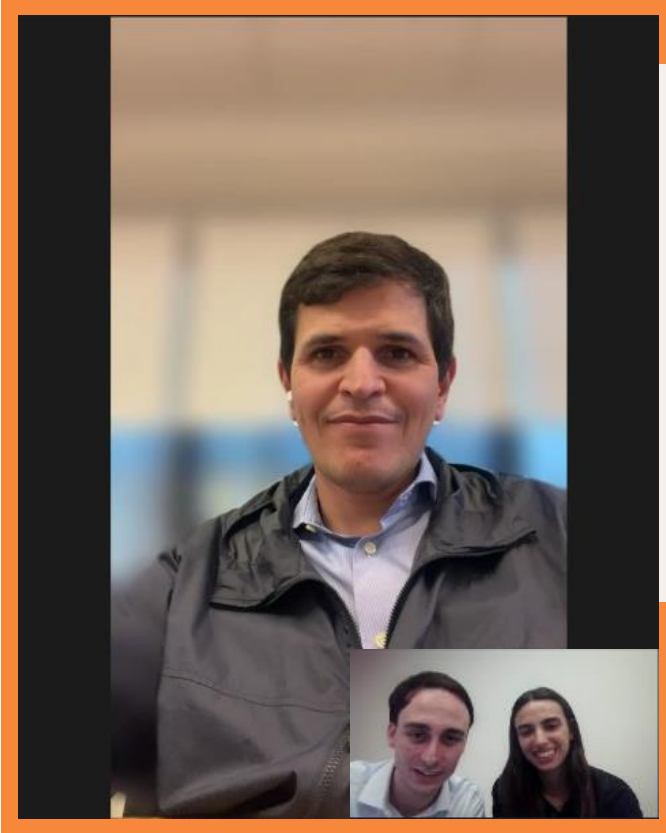
“Hermès has control over its demand and is able spread the sales across periods of time”

*Lorenzo Bracco  
Luxury Analyst at Citi (London, UK)*

# Interview with a Former Investment Banker



*Antonio helped us understand the strategy behind issuing shares and how that assimilates with Hermès strategies*



“Investment Banks slightly underprice shares they issue, aiming to have it increase in value the same day of the IPO.  
We usually aim to have a demand 3 to 4 times higher than the supply, what makes the share really exclusive and feel like luxury”

*Antonio Ferraz  
Former Banker at JP Morgan (NY)*

# Interview with a Second-Hand business owner



*Sandra guided us through a second-hand business operation and Hermès' relevance in the market*



“Knowing they can resell it later, many clients are more prone to buying luxury goods in store. I have clients coming the day after the purchase saying they want to sell it”

*Sandra Raffaelli  
Secondhand Business (Fora do Closet) Owner*

# Interview with a CEO of Louis Vuitton Brazil



*We were able to understand better Louis Vuitton's operation and strategy and how it compares to Hermès'*



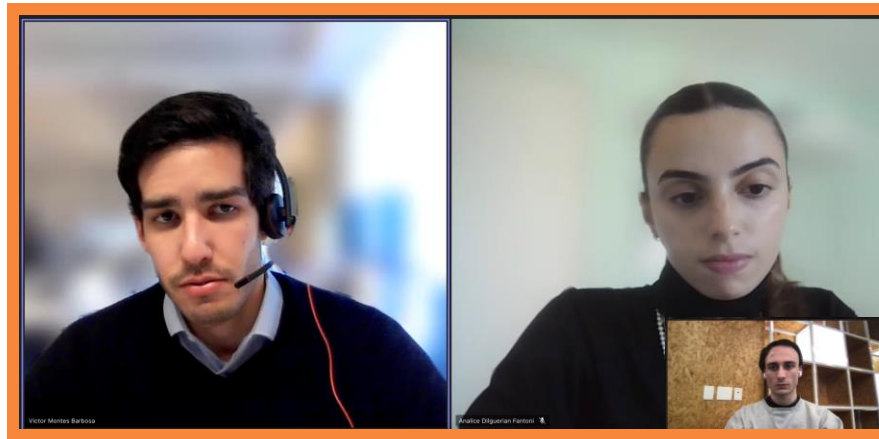
“Relationship is what moves this luxury market. My client may like other brands, but I win them over with the relationship”

*Daniela Gontijo  
Brazil Country Manager at Louis Vuitton*

# Interview with Iguatemi IR



Victor explained to us further about Iguatemi 365 and the luxury e-commerce business industry



"There is also wealthy people in Goiânia (Brazilian state), far away from physical stores. Our goal with Iguatemi365 is to bring luxury to them."

*Victor Barbosa*  
*Iguatemi IR Coordinator*



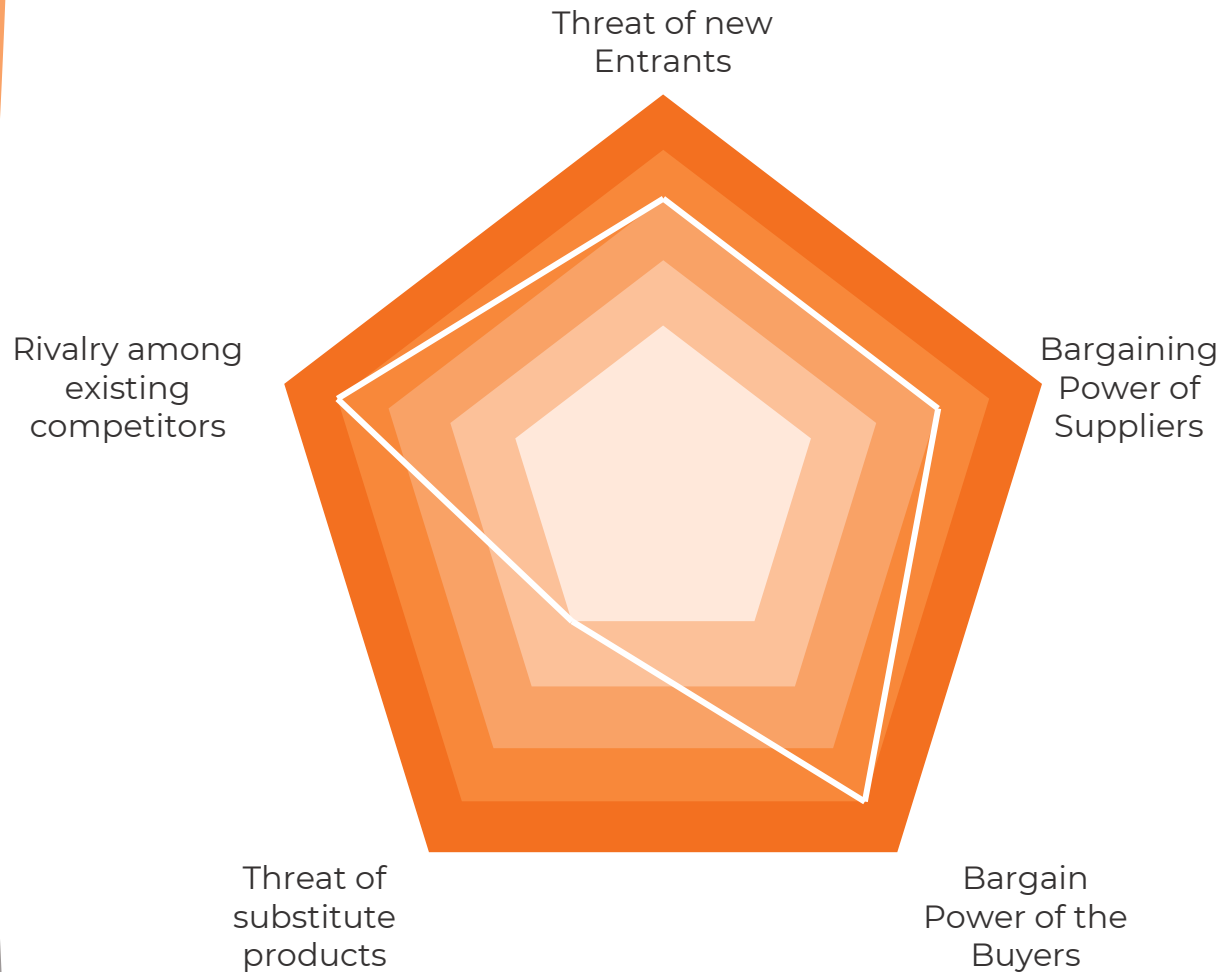


Industry

# Porter's Five Forces



Porter's Five Forces model can be applied to the luxury industry to analyze the competitive forces.



**Threat of Substitute Product:** Low. While designs can be imitated, the allure, prestige, and unique experience associated with luxury brands like Hermès cannot be easily replicated.

**Threat of New Entrants:** High. Entering the luxury goods market is a challenge since it is highly concentrated and dominated by big holding companies and requires significant brand building to achieve the stature and reputation of established luxury houses.

**Bargaining Power of Buyers:** High, given the array of luxury brands available. However, the exclusivity and distinctiveness of top-tier luxury products, combined with brand loyalty, can diminish buyer power.

**Bargaining Power of Suppliers:** Moderate. Luxury brands often rely on exclusive, high-quality materials, which could give suppliers some leverage. Yet, major luxury houses have the capital to secure long-term deals or even integrate vertically.

**Rivalry Among Existing Competitors:** Intense. The luxury sector has several established brands, each competing for a share of the customer's wallet. Exclusive releases, brand heritage, and unique marketing strategies often define competition.

# UHNWI and HNWI by Geography

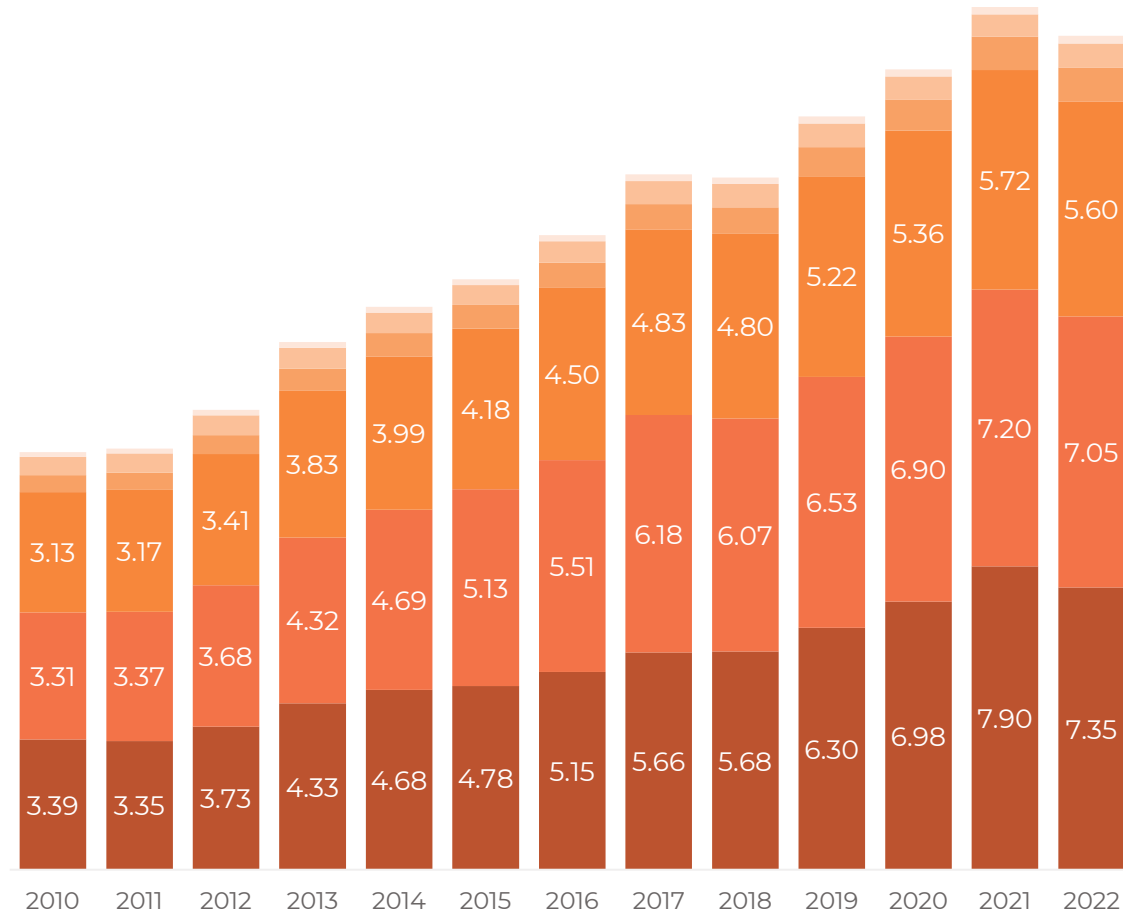


Concentration of wealth is indicated by the number of people that fit into these 2 groups

## I. UHNWI and HNWI Around the Globe

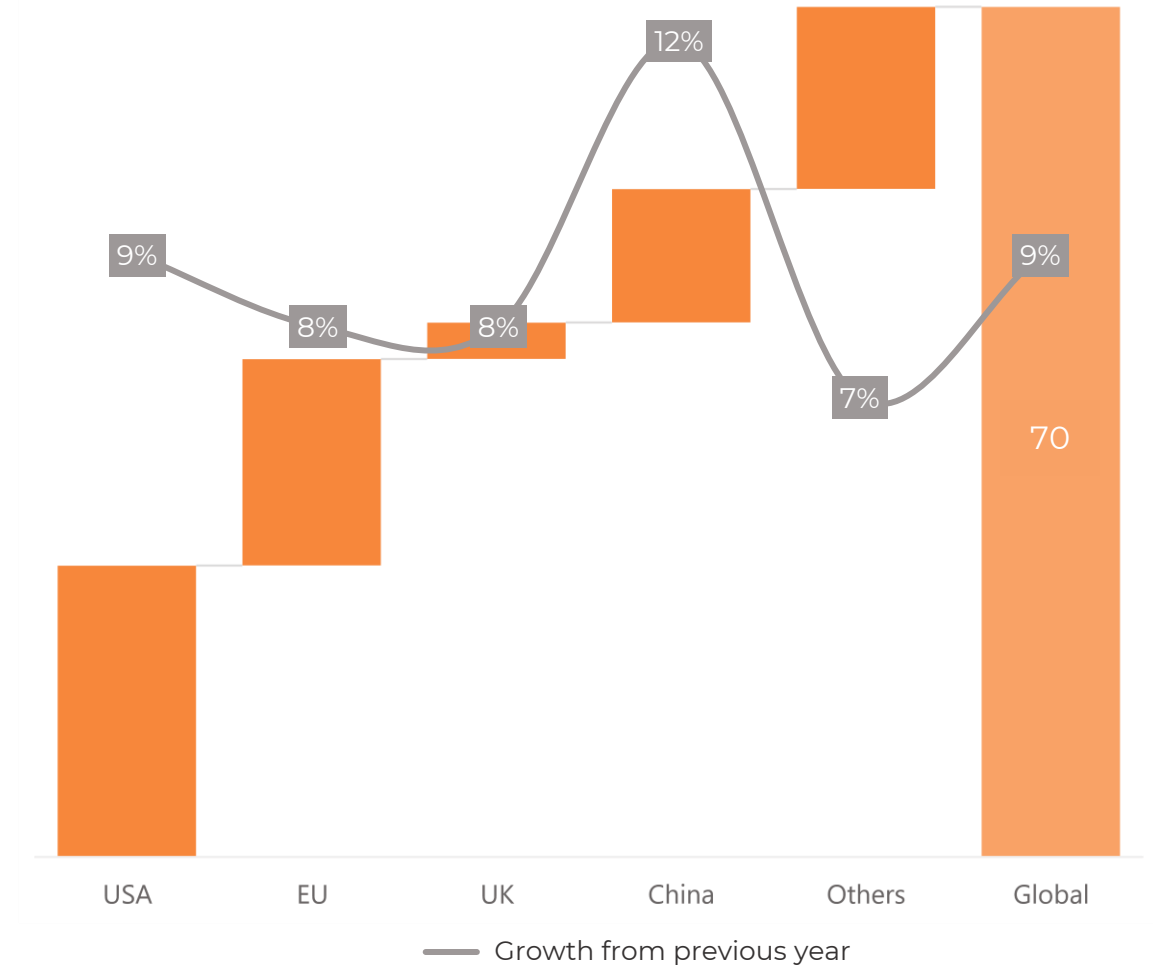
2021 Number of UHNWI + HNWI by geography (In million) and Growth CAGR

■ North America ■ Asia-Pacific ■ Europe ■ Middle East ■ Latin America ■ Africa



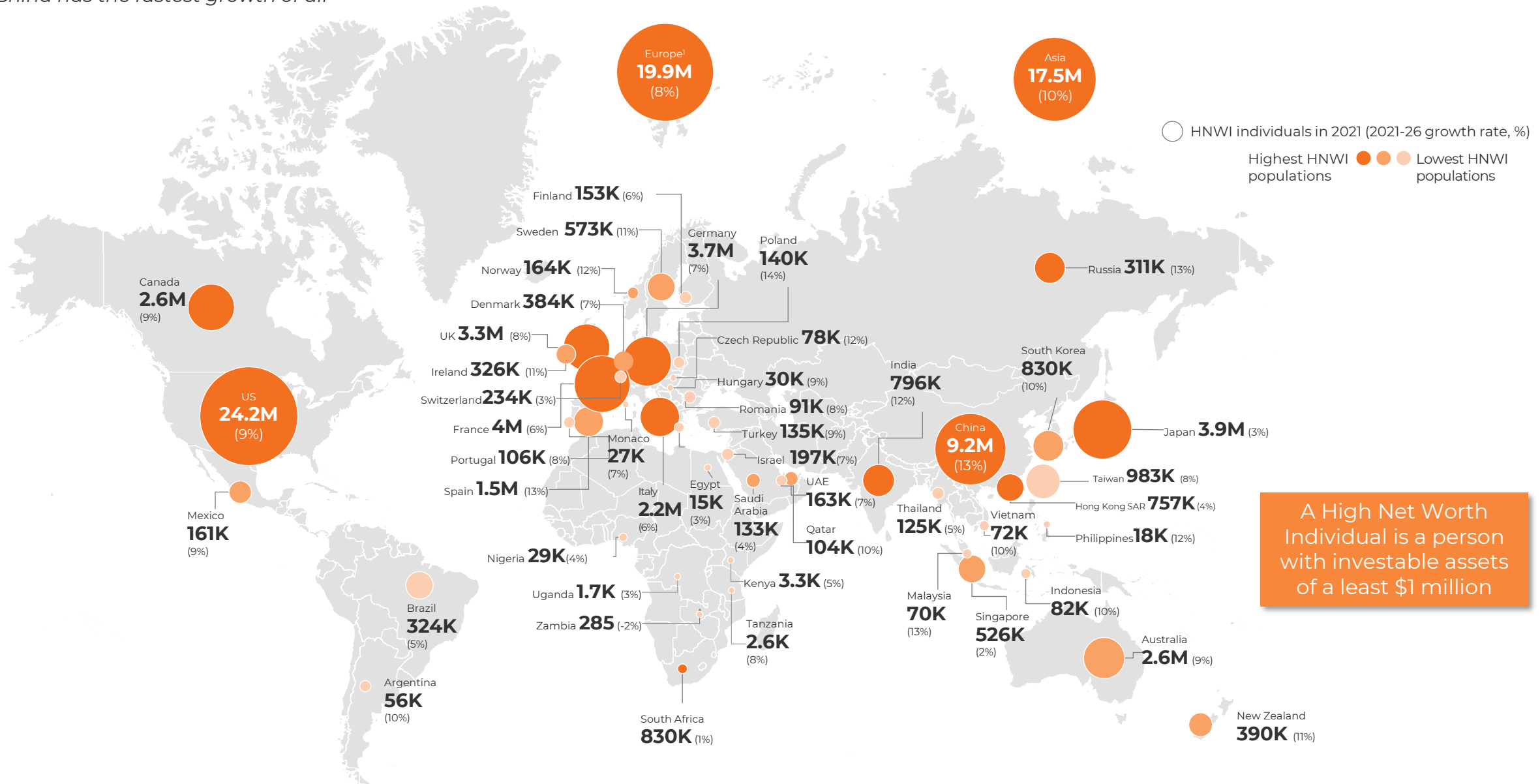
## II. China is enriching the fastest

HNWI Growth and size of the group per region



# HNWI around the Globe

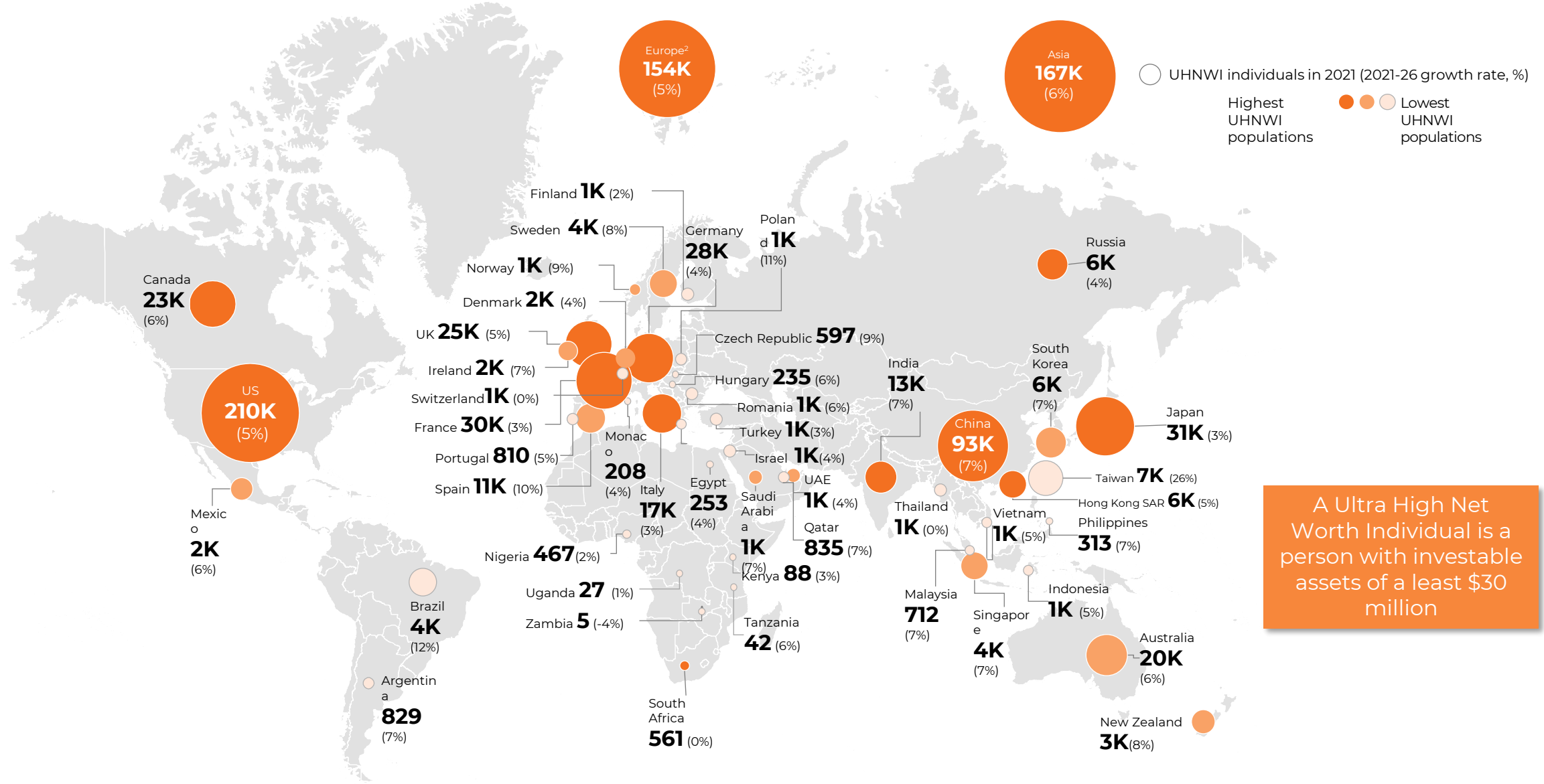
China has the fastest growth of all



A High Net Worth Individual is a person with investable assets of a least \$1 million

# UHNWI around the Globe

China has the fastest growth of all



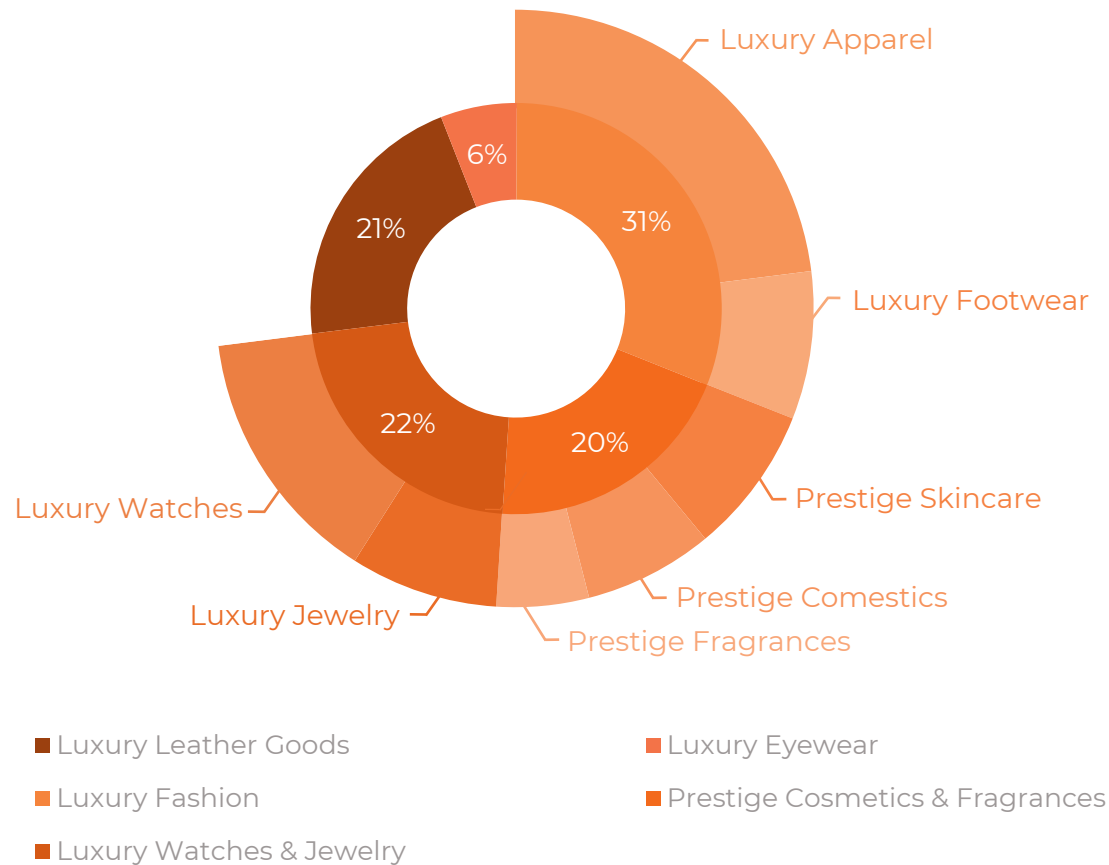
# Subsectors

The luxury sector covers from yachts to clothes



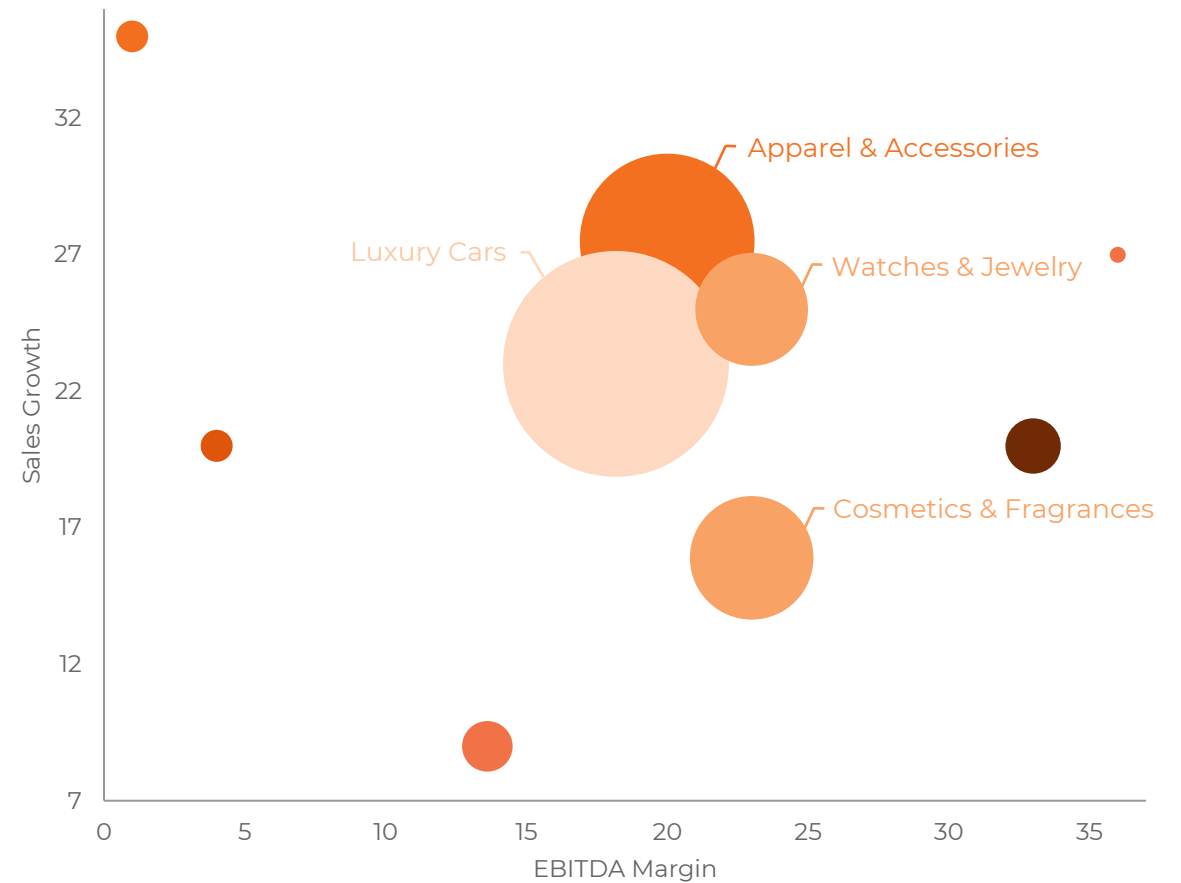
## I. Wide variety of subsectors

Revenue share by subsector



## II. Apparel and accessories lead in terms of growth and margins

Sales growth (%) and EBITDA margin (%)



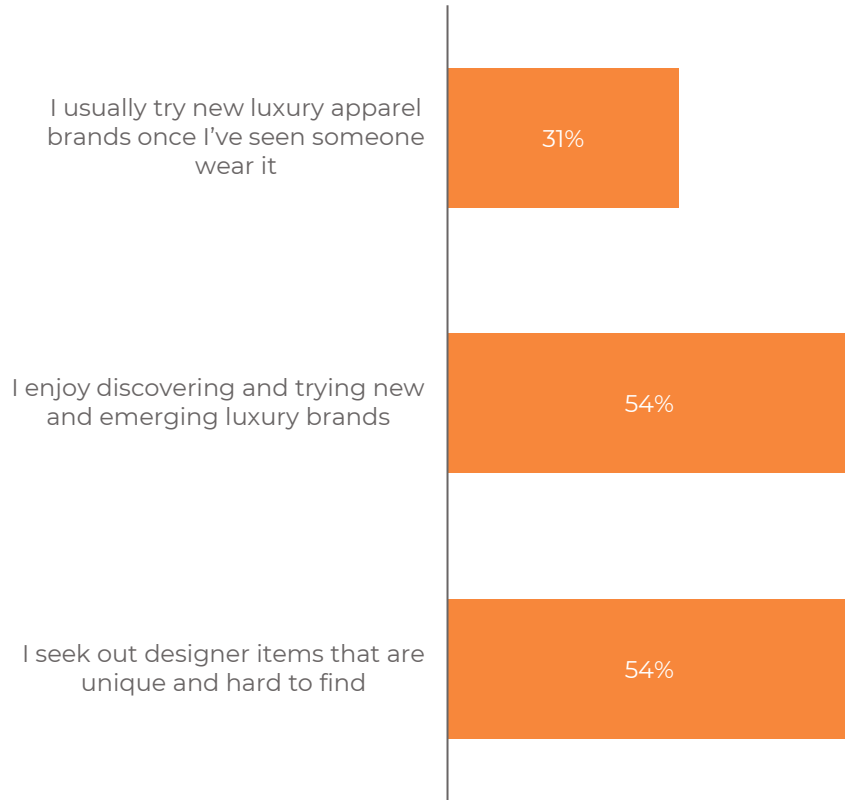
# Generation Z Impact



The entrance of the new generation into the market's demographics has a high impact in consumer preferences

## I. Generation Z who reported purchasing luxury apparel

How well do the statements describe you?

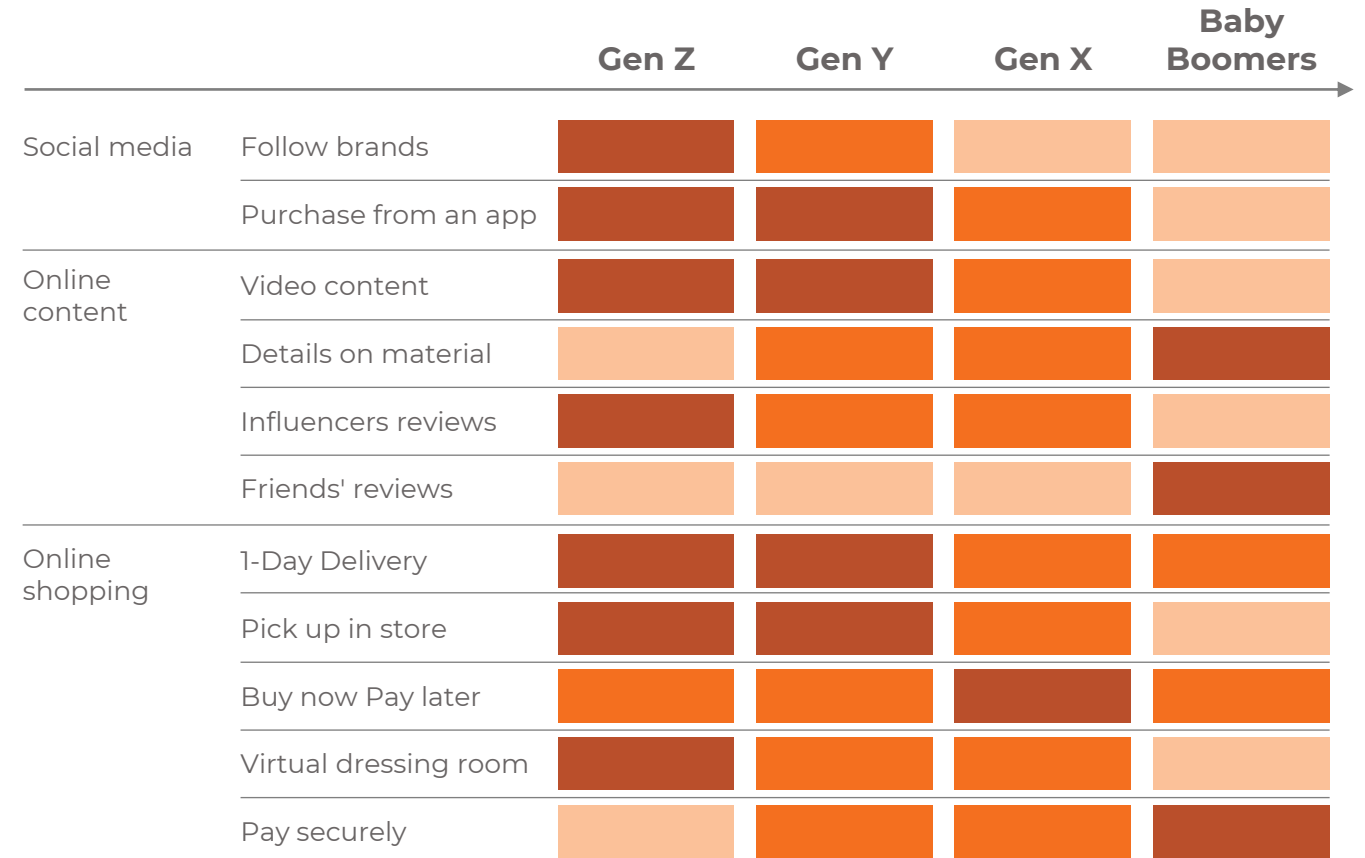


**58%**

agree or strongly agree that **sustainability** in luxury is important

## II. Apparel and accessories lead in terms of growth and margins

Sales growth (%) and EBITDA margin (%)



Relative degree of importance

Low

Medium

High

# Democratization of Luxury



As luxury brands become more accessible to the public, consumers start to perceive them differently

## I. Micheal Kors Case Study



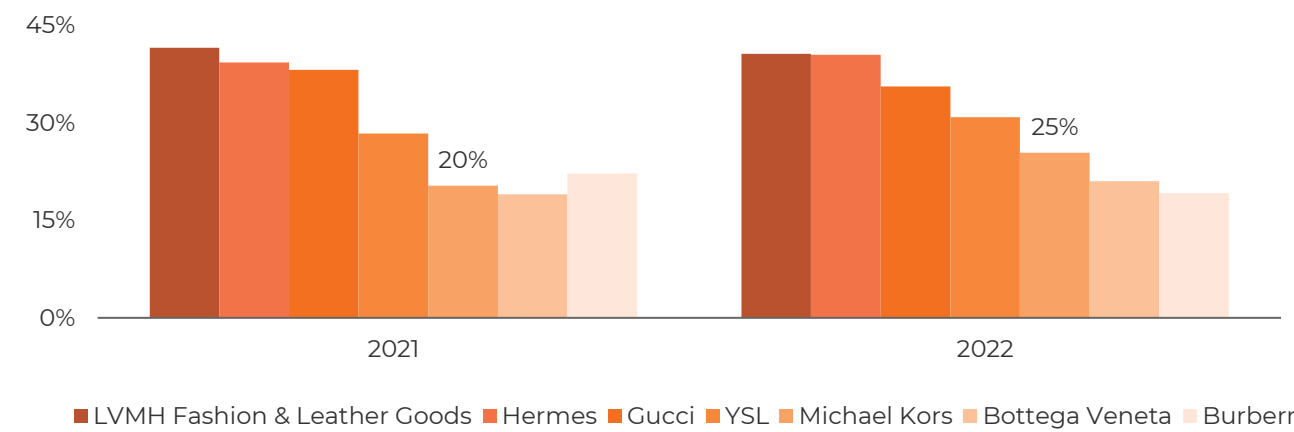
The company positions itself a luxury brand, next to big names like Hermes

Types of MK stores



Lower quality pieces maintain a margin close to its luxury peers

EBIT Margin



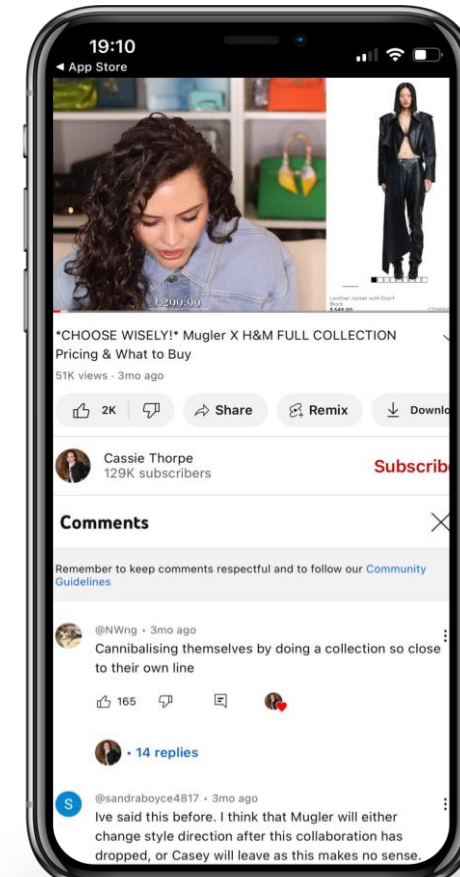


# Democratization of Luxury



As luxury brands become more accessible to the public, consumers start to perceive them differently

## II. Mugler Case Study



**“Cannibalising themselves**  
by doing something so close  
to their own line”

# Secondary Market



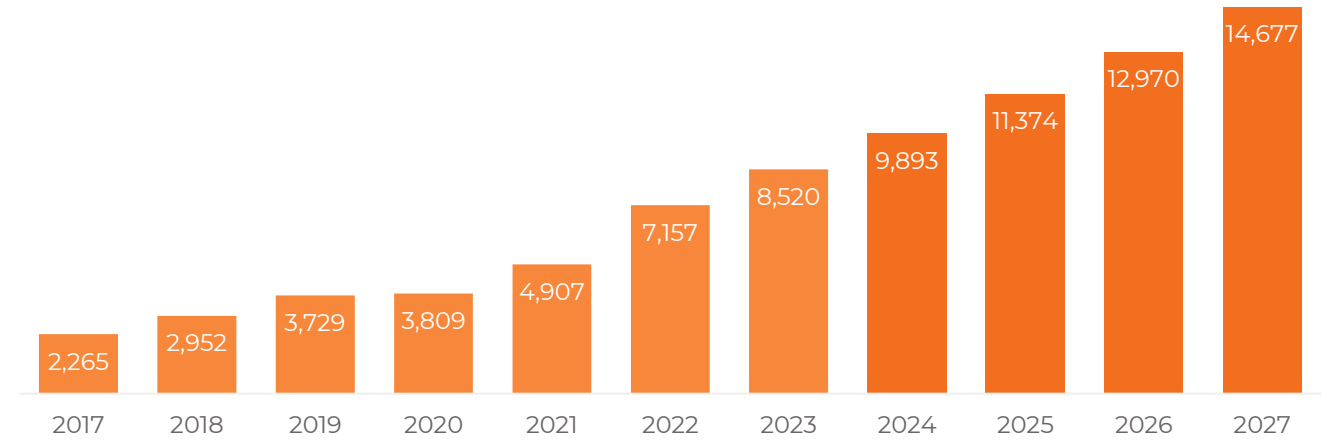
As Hermès' handbags are much available in second-hand markets, we had understand would impact it could have on retail

## I. Prices of Second-Hand Birkins

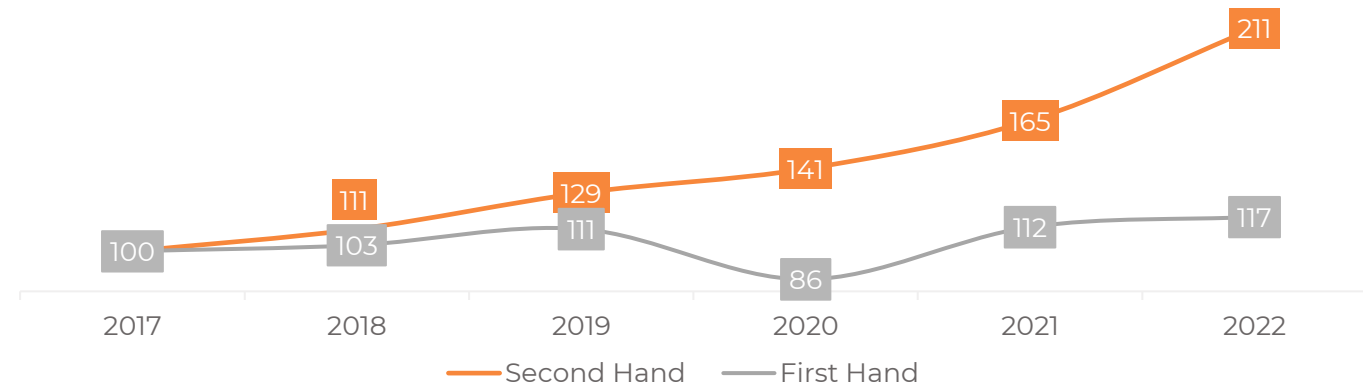


## II. A growing market

*Estimated revenue of the second-hand luxury goods market*



*Sales Annual Growth (2017 = 100)*





# Company

# SWOT

Hermès can be summarized into a SWOT analysis



## Strengths

**Strong Brand Heritage:** Hermès has a rich history and is recognized as a symbol of luxury and exclusivity.

**Exclusive Products:** Items like the Birkin and Kelly bags have waitlists, emphasizing their exclusivity.

**Vertically Integrated:** Hermès controls many parts of its supply chain, ensuring quality and consistency.

## Weaknesses

**Dependence on Core Products:** A significant portion of revenue comes from a few iconic products, which could be risky if consumer preferences shift.

**Sustainability:** The focus on leather goods can be a problem as movements in favor of animal rights become more popular.

S  
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**Emerging Markets:** Expanding further into growing luxury markets like China, India, and parts of Africa.

**Diversification:** Exploring new product lines or categories, while maintaining brand exclusivity.

**Expand Online Sales:** The luxury online shopping segment is growing, and Hermès could further capitalize on this.

## Opportunities

**Economic Fluctuations:** Luxury sales can be significantly affected by economic downturns.

**Counterfeit Goods:** The rise in counterfeit luxury products can tarnish brand image and affect sales.

**Changing Consumer Preferences:** The luxury market is evolving, with younger consumers having different preferences.

## Threats

# Understanding the Mètiers

The sales associates of the two stores in Sao Paulo helped us understand the métiers



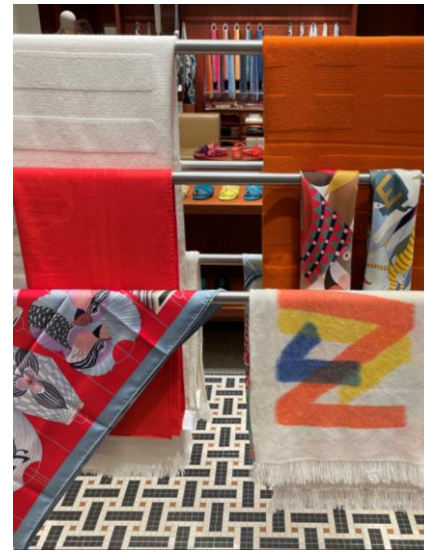
## I. Hermès' Mètiers



Perfums and  
Fragrances



Leather Goods



Silks and Textiles



Ready-to-wear



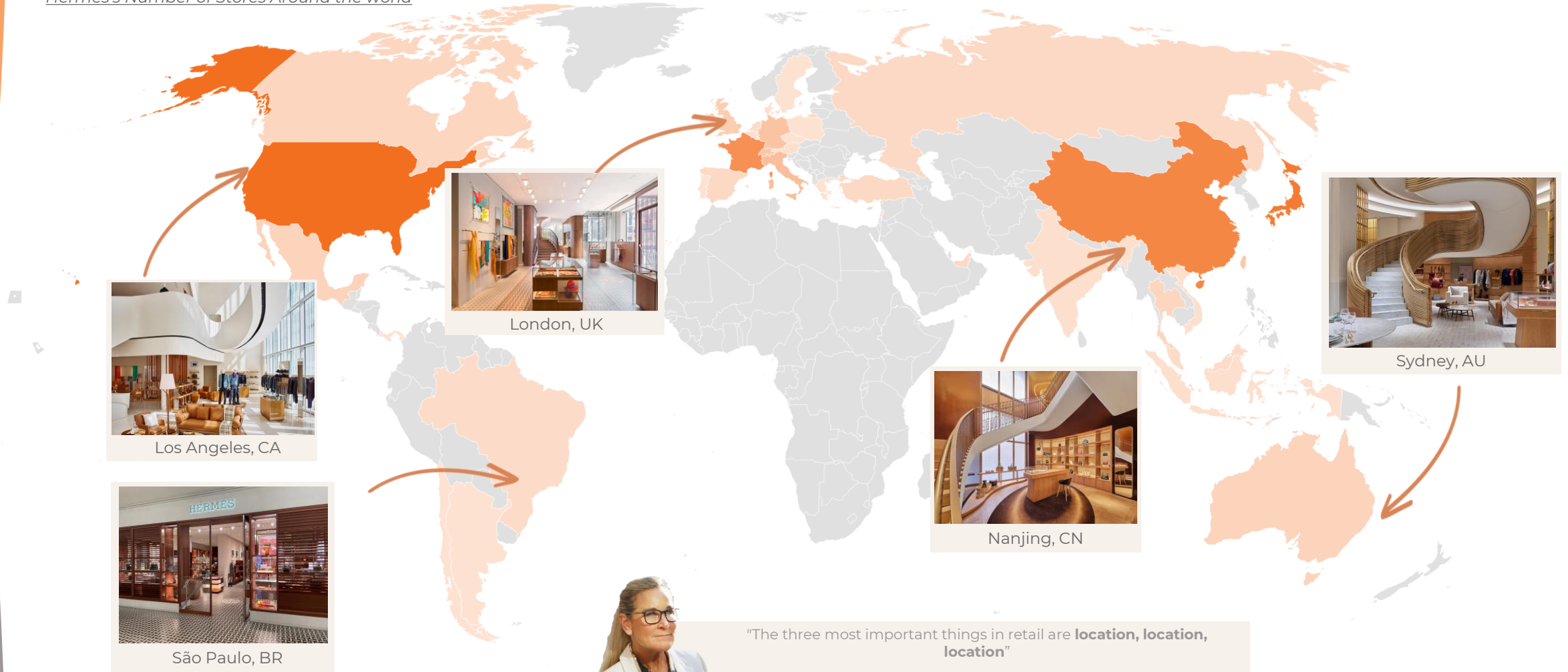
Watches and Jewelry

# Stores Around the World



Every store is different and offers a unique experience, as managers have the freedom to choose the products to display

Hermès's Number of Stores Around the world



"The three most important things in retail are **location, location, location**"


Angela Ahrendts, ex Burberry's CEO and Senior Vice President of Retail and Online Stores at Apple

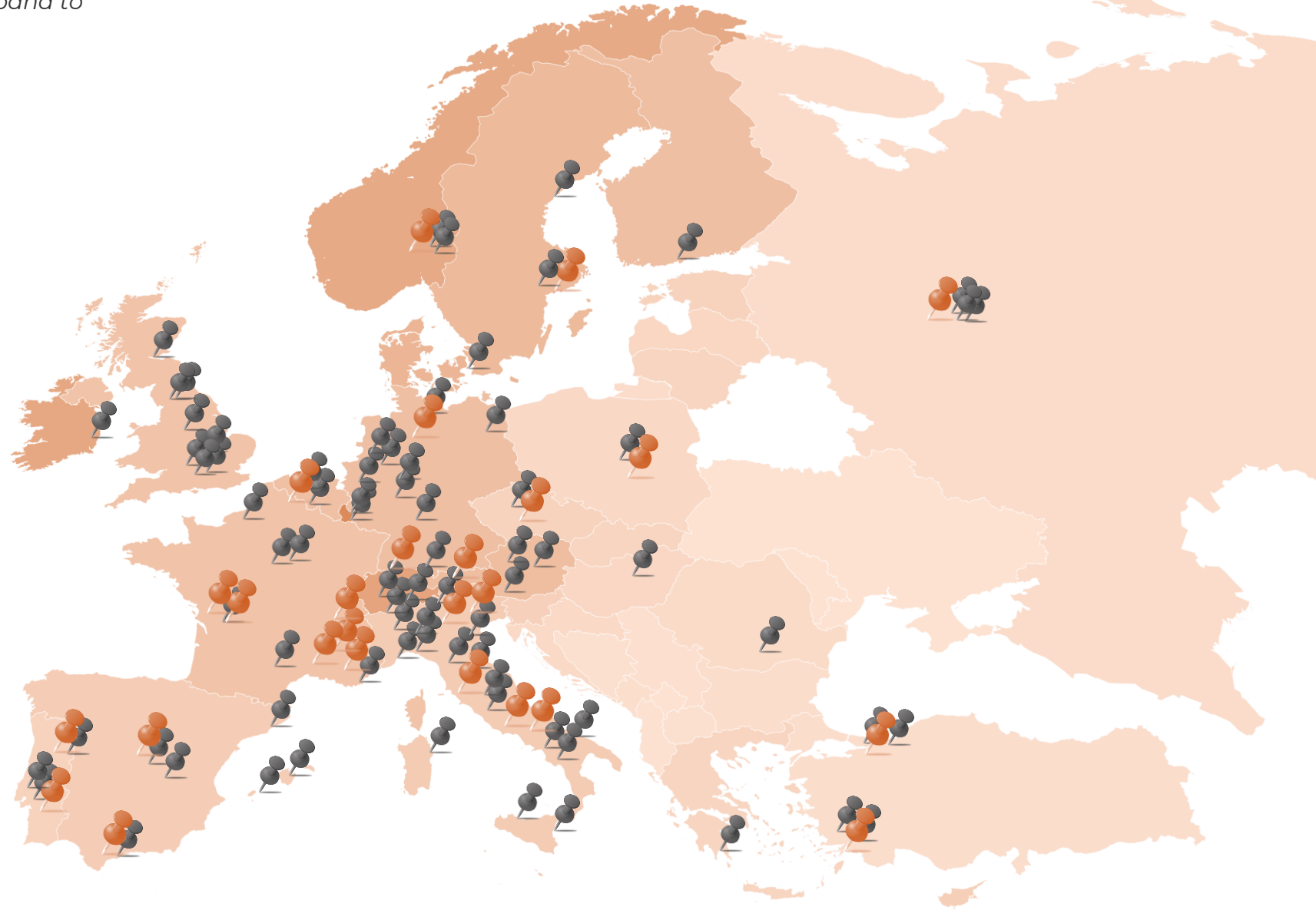
# Europe Store Penetration



There are still countries where Hermès can expand to

GDP per Capita and Store Locations

-  Louis Vuitton Store
-  Hermès Store



# Expansion



Hermès is rapidly expanding with 9 openings or reopenings of stores all Around the world

## I. Renovation and Expansion



Jan/23

Opening of a larger store at Deji Plaza, in Nanjing



Feb/23

Opening of the first store in Naples at Waterside Shops, in Florida in the US



Mar/23

Relocation and extension of its store in The Galleria Mall, in Abu Dhabi.



Apr/23

Reopening of the renovated store in Fukuoka



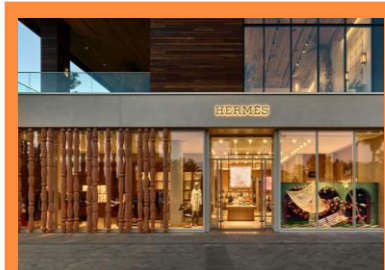
May/23

Opening of the first store in Tianjin, China.



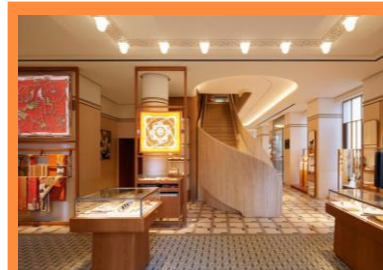
Jun/23

Opening of the first store in Aspen, USA



Jul/23

Opening of the sixth Californian store at Westfield Topanga, in US



Sep/23

Reopening of the newly expanded Vienna store



Oct/23

Opening of the new store in Chengdu, in China



Oct/23

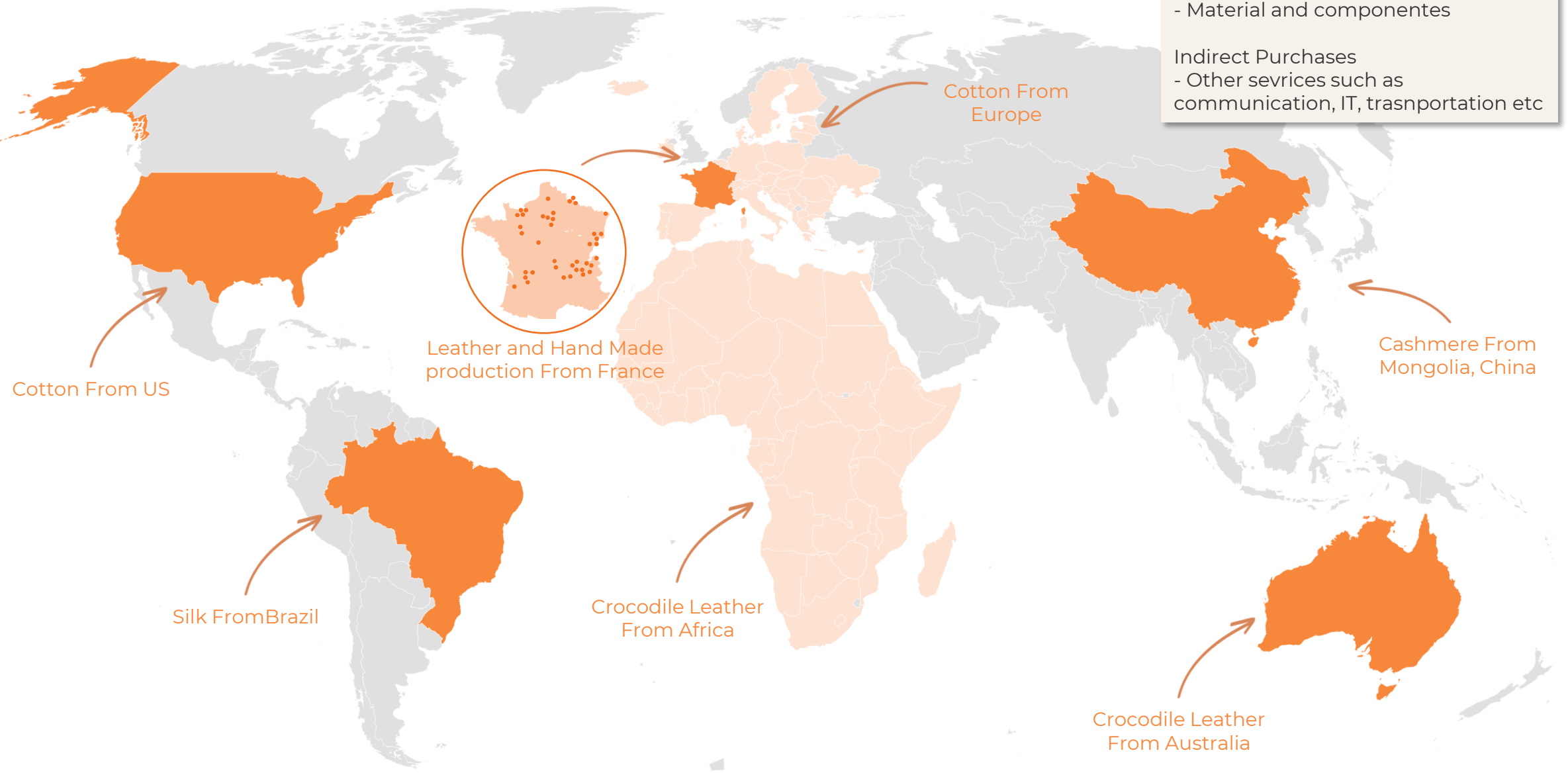
Renovation of the Sapporo Store in Japan



# Supply Chain



Hermès collects the best material from all around the world and brings them to France



# Hermes Portfolio



Despite the focus on its core business, Hermès also owns other companies that diversify its portfolio

## I. Other Companies that Hermès Owns

# ST LOUIS



Born of a ball of fire and the breath of man, Saint-Louis crystal vibrates with all the talent inherited from History and extraordinary creative fantasy inspired by current trends.

# JOHN LOBB



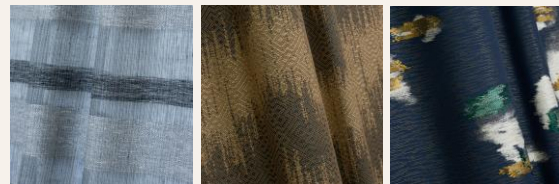
At John Lobb, we've been hand crafting exquisite footwear and leather goods for the discerning for over 170 years. Every piece is conceived and realised around its owner's needs and character, executed without compromise and treasured for a lifetime

# PUIFORCAT



The House of Puiforcat has refined its savoir-faire and creation in the world of arts of the table, decoration and fine living. Drawing on its heritage signature for contemporary French silversmithing since 1820,

# MÉTAPHORES



Métaphores fabrics are born of a subtle alchemy between materials, history and gesture, supported by its rigorous choice of partners and careful selection of raw materials.

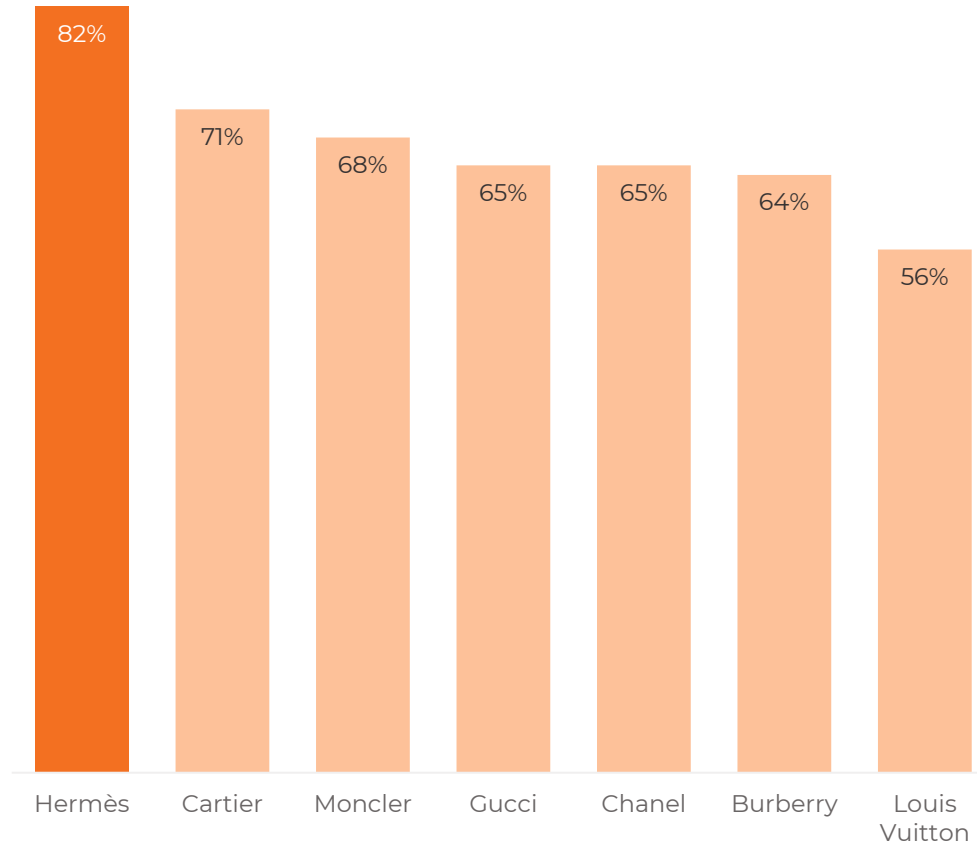
# Work Culture

The french culture translates into a lively work environment



## I. Hermès is a great place to work

*"Would you recommend this company?"*

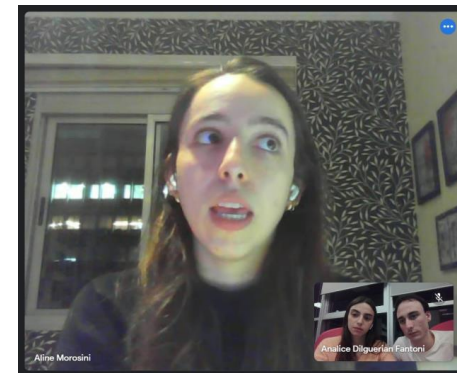


## II. Confirmation by Former Employees



"Reflecting on my internship at Hermès, it was undoubtedly the best out of all of my professional experiences thus far."

*Mônica Junqueira*  
Former Intern at Hermès in Sao Paulo, BR



"Working at Hermes was a deeply enriching experience, and I would certainly return if I had the opportunity to"

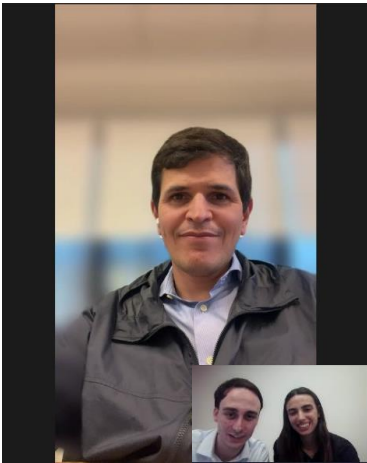
*Aline Morosini*  
Former Intern at Hermès in Sao Paulo, BR

# IPO Pop



Due to the underpricing of stocks, they tend to increase in value the day of the offer

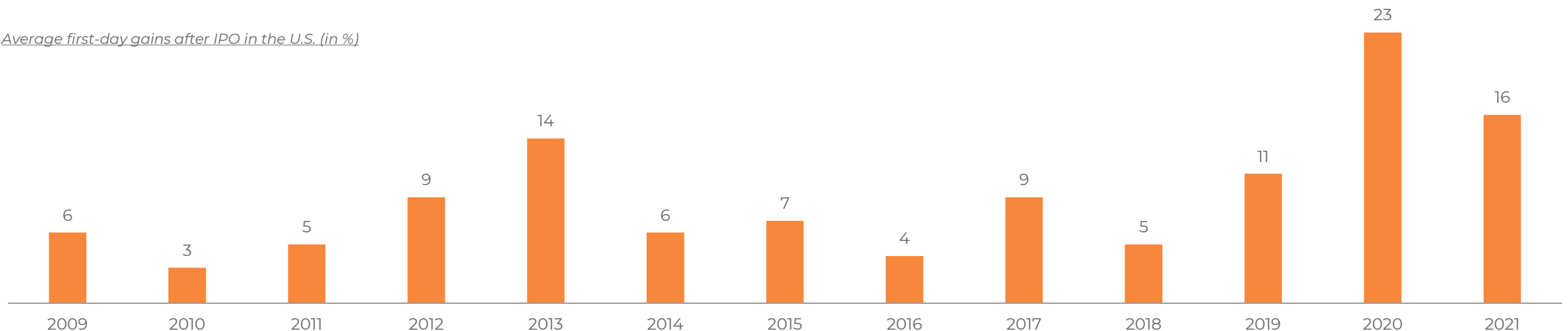
## I. How the pricing of stocks compare to the pricing of the Birkin



“Investment Banks slightly underprice shares they issue, aiming to have it increase in value the same day of the IPO.  
We usually aim to have a demand 3 to 4 times higher than the supply, what makes the share really exclusive and feel like luxury”

Antonio Ferraz  
Former Banker at JP Morgan (NY)

Average first-day gains after IPO in the U.S. (in %)



# Press Conference Word Count



We conducted a analysis to understand what Hermès talks about the most in its latest press conference

## I. Customers are Hermès' no. 1 focus

```
#Importando bibliotecas
import whisper
from collections import Counter
import re
import pandas as pd

#Função para converter o arquivo de áudio em texto
def contar_palavras(texto):
    # Remove pontuação e converte para minúsculas
    palavras = re.findall(r'\w+', texto.lower())
    return Counter(palavras)

#####CONVERSÃO DE ÁUDIO PARA TEXTO#####

#Configurando o modelo
#A acuracia vai depender da memoria do seu computador
# acuracia = "tiny"
# acuracia = "base"
# acuracia = "small"
acuracia = "medium"
# acuracia = "large"

modelo = whisper.load_model(acuracia)
resposta = modelo.transcribe("hermes.mp3")

#####PROCESSAMENTO DOS RESULTADOS#####

# Texto completo
texto = str(resposta['text'])

# Contagem das palavras no texto
contagem = contar_palavras(texto)

#Preparando o dataframe
palavras = []
count = []
for key,value in contagem.items():
    palavras.append(key)
    count.append(value)

#DataSeries das listas de palavras e contagem de repetições
palavras = pd.Series(palavras)
count = pd.Series(count)

# Converter a contagem em um DataFrame do pandas
df = pd.DataFrame()
df['Palavra'] = palavras
df['Contagem'] = count

#####SALVAMENTO DOS RESULTADOS#####
#Exportando para excel
df.to_excel("palavrasHermes.xlsx", index=False)
```







Management

# A look behind the scenes: Axel Dumas



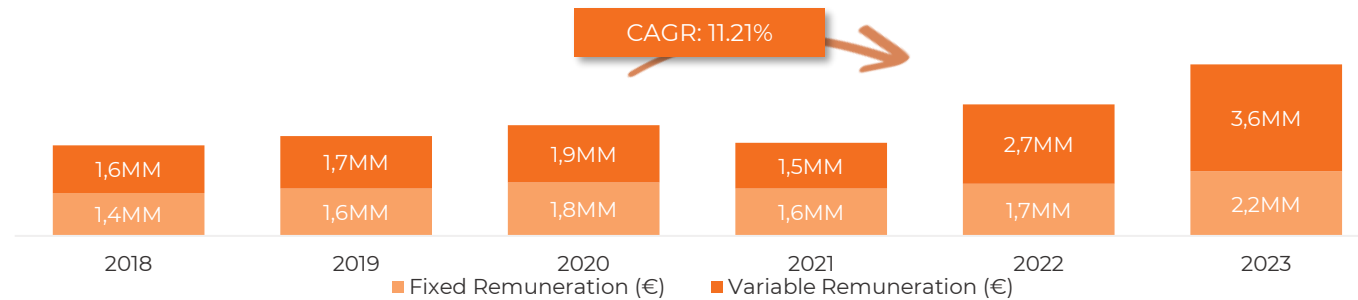
Part of the sixth generation of the Hermès Family, Axel Dumas leads the company since 2012

## I. From Philosophy to Leather Goods

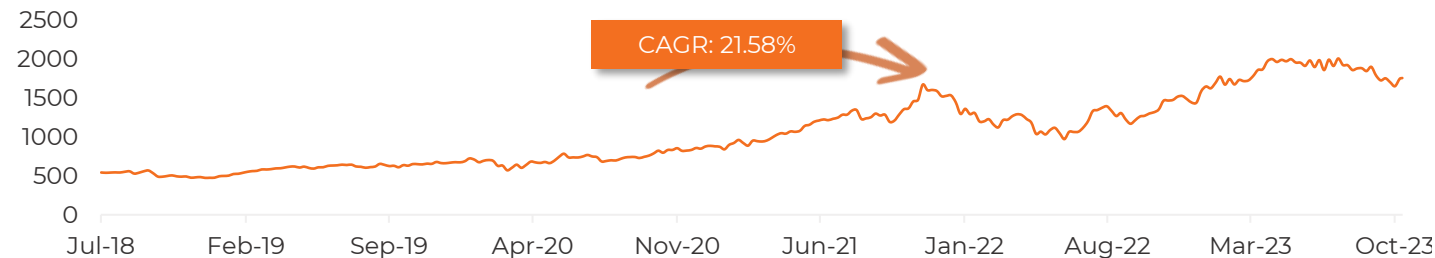


## II. Comparison between stock returns and CEO compensations

*Axel Dumas' remuneration between 2018 and 2023*



*Hermès' stock return between 2018 and 2023*



## III. Axel Dumas

"The real quality control of Hermès is the pride of the person who makes the bag."



**Axel Dumas**  
CEO



# A look behind the scenes: Henri-Louis Bauer



Also part of the sixth generation of the Hermès Family, Henri-Louis Bauer leads the Active Partner of the company

## I. The Activer Partner

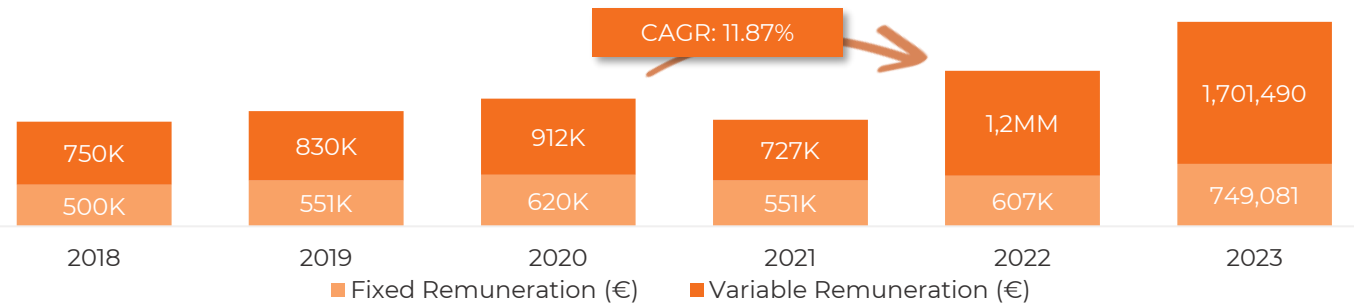


### Active Partner

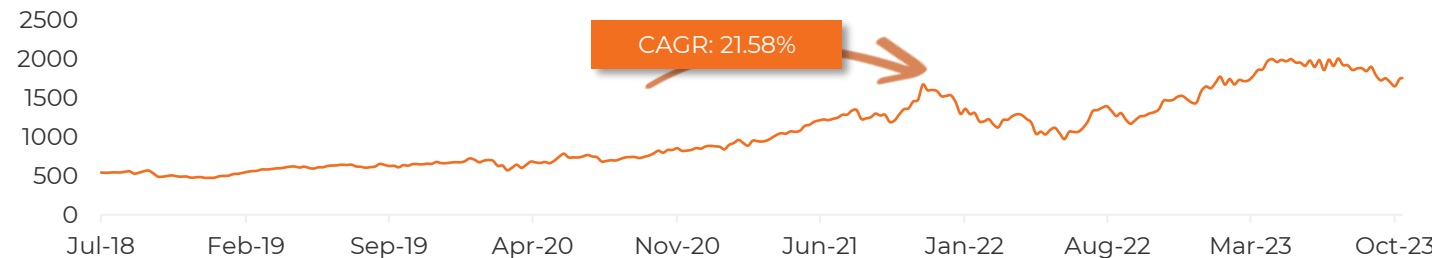
Émile Hermès SAS is the active partner in Hermès International SCA, overseeing strategic decisions, executive appointments, and significant financial transactions to guide the company's long-term vision.

## II. Comparison between stock returns and remuneration

Henri-Louis Bauer's remuneration between 2018 and 2023



Hermès' stock return between 2018 and 2023



## III. Henri-Louis

- Strategic Direction
- Operational Oversight
- Brand Expansion
- Business Performance
- Industry Impacts



**Henri-Louis**  
Executive Chairman



# The Family Business

How being a family business puts Hermès in front of its competitors



I've got three pieces of advice for young people. **First, work for a family business if you can.** I always did. They outperform non-family ones, and one reason is their **longer-term view.** The companies I managed were more interested in the inheritance of the next generation in 20 years from now than the profit at the end of December.

**That is very positive, especially in sectors like luxury where it takes five to 10 years to build a brand.** I worked with one American company, made up of professional managers, and I saw what short-term thinking means for a business.

Family firms also **treat people much better.** If you are loyal, they will give you a good career, not just in terms of money but fulfilment in your job. A career is not only to make money but also to help you have a beautiful life. You should always be learning new things and meeting new people. If your work is making you miserable it is not a job – it is a nightmare.

*Patrick Thomas  
Former CEO of Hermès*

# The Family Business

How being a family business puts Hermès in front of its competitors



“When I was a kid, everything was in the Faubourg. **I knew almost everyone there when I was learning to stitch**, so now when I go to a retirement party, I know everybody I would visit the shop when my father visited my grandfather, who was still working. And I’d play in the store with my cousins.”



Axel Dumas  
CEO of Hermès

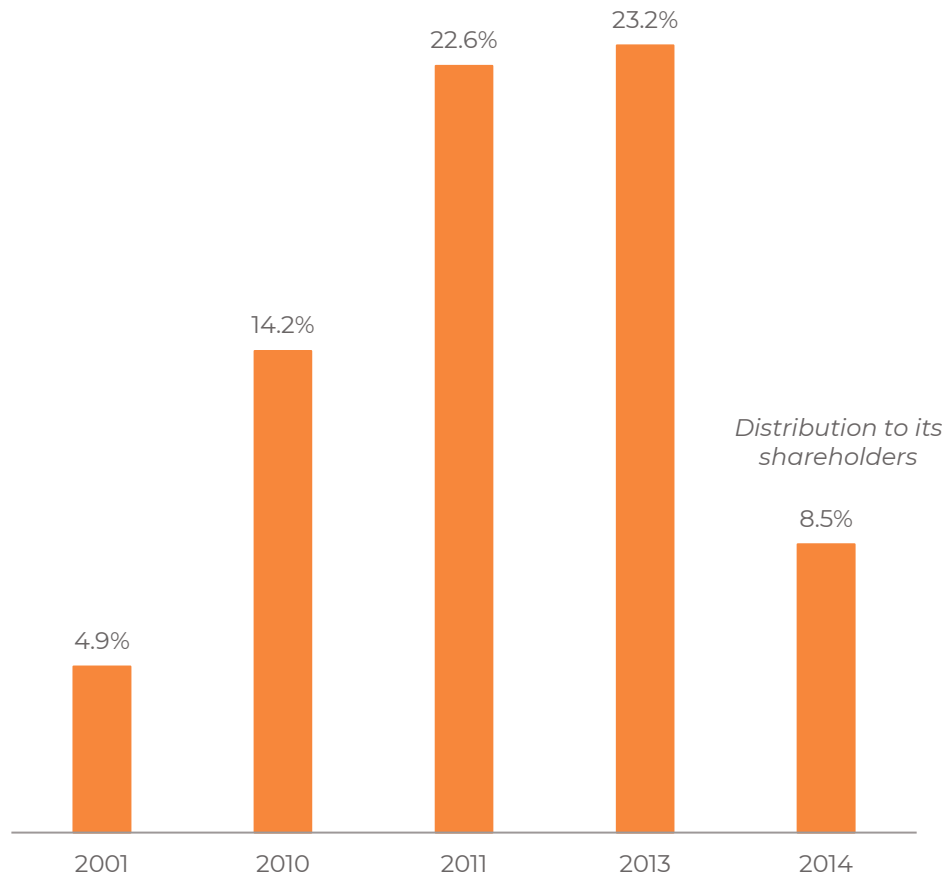
“**It is very important to me that Hermès remains a family business because of our values, because of our history** ... We are not financially driven. That doesn’t mean that we don’t want to be successful financially, because it’s also an indicator ... yet there is something special that **the name of our grandmother is on the door** and we want to protect it ... There is a lot of trust.”

# Hermès' Independency



## I. LVMH Takeover Attempt

*LVMH stake in Hermès*



“What was admirable is that the family really gathered herself to keep the independence of Hermès. We created a holding company called H51, which owns 51 per cent of the company, where no one is allowed to sell their shares for 20 years. It was a big commitment for them to say, ‘I will put all my net worth there and not sell it for 20 years.’ But they did it — like that. **It was a very strong mandate that they gave me, to keep Hermès independent**, and it’s something that I’m focused on, regardless of the situation. It was a test of loyalty, yes. And I found it”



Axel Dumas  
*CEO of Hermès*

“There is no interaction between LVMH and us. We don’t plan to have any.”



Patrick Thomas  
*Former CEO of Hermès*



E-Commerce

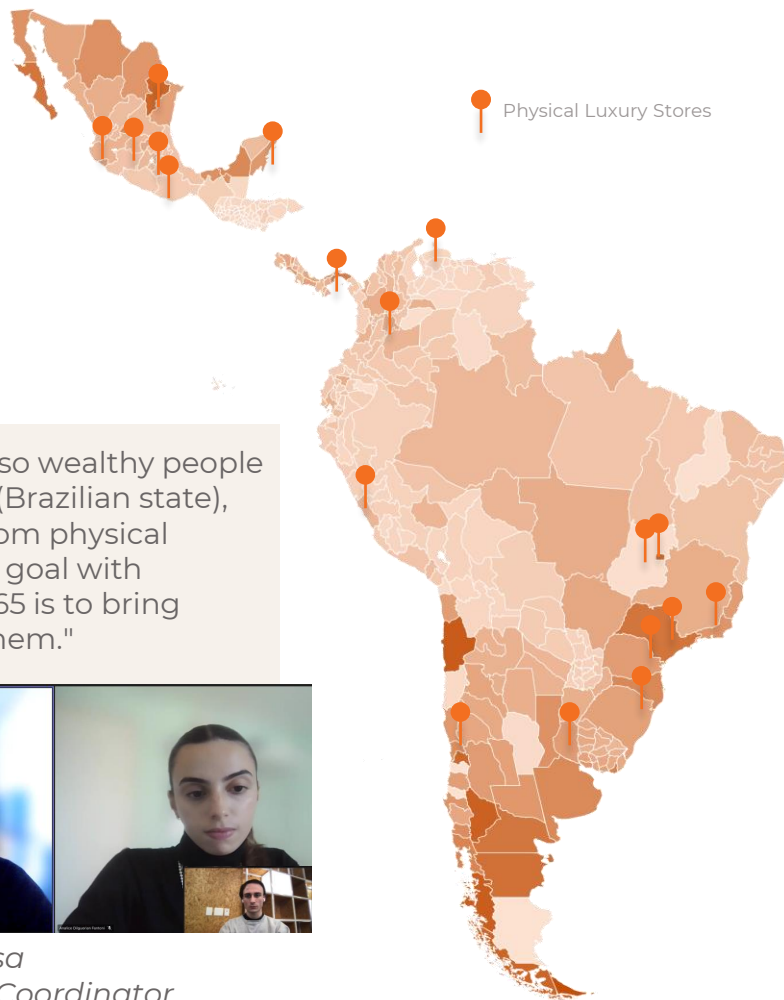
# E-commerce



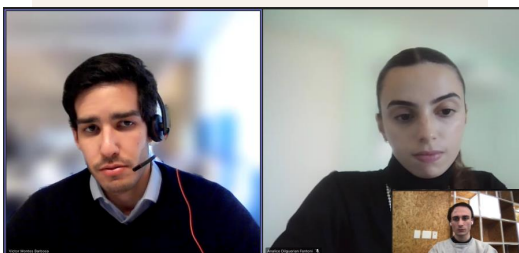
E-commerce is an important vehicle to reach potential clients that are not contemplated by physical stores

## I. Online vehicles have the power to reach potential clients

*GDP per capita and physical luxury stores in Latin America*



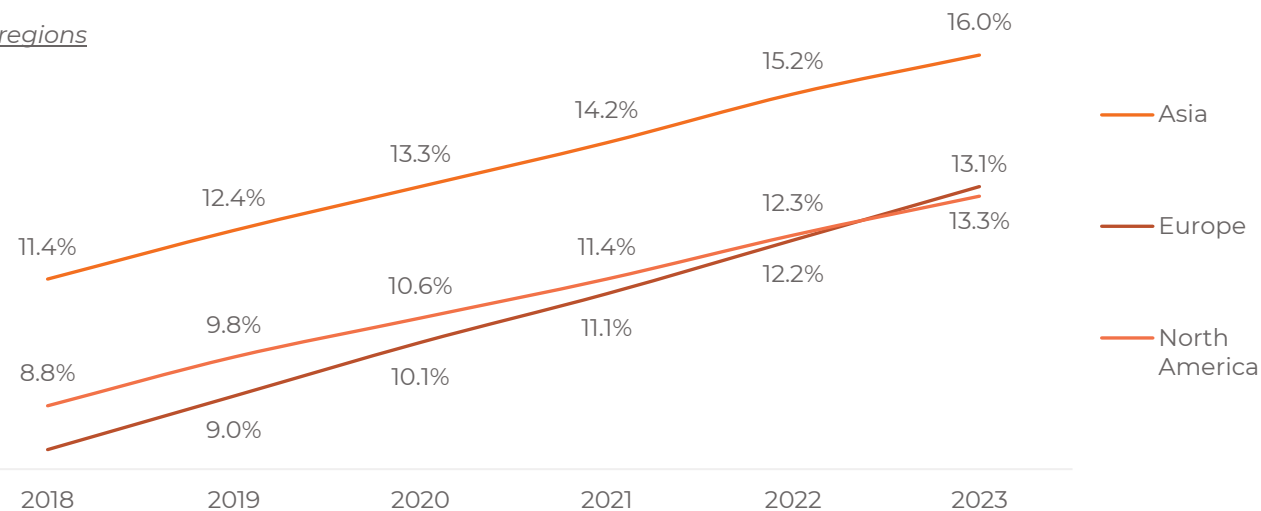
"There is also wealthy people in Goiânia (Brazilian state), far away from physical stores. Our goal with Iguatemi365 is to bring luxury to them."



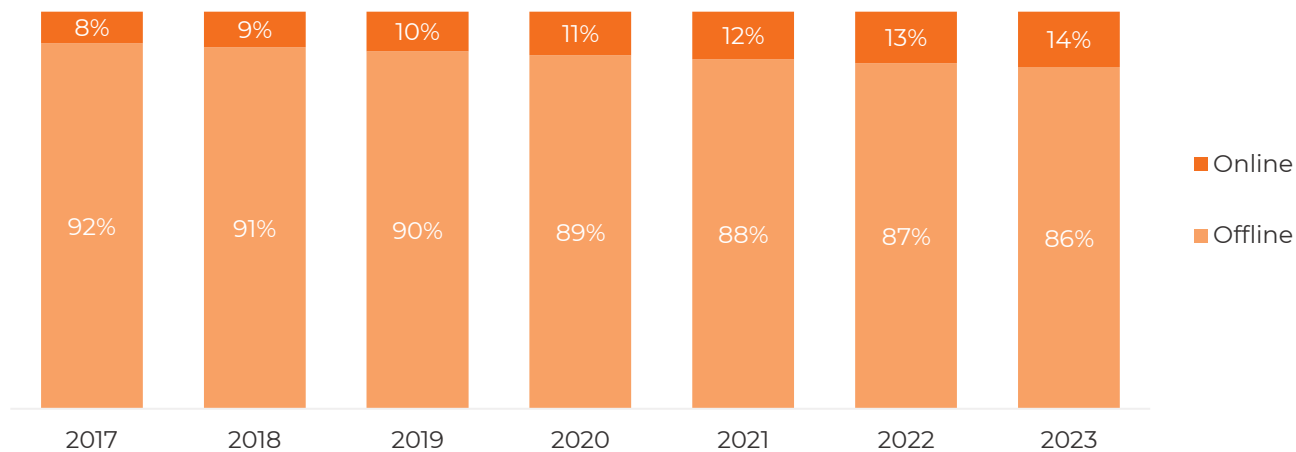
Victor Barbosa  
Iguatemi IR Coordinator

## II. Luxury Goods online share

*% per regions*



*Worldwide luxury goods revenue share*

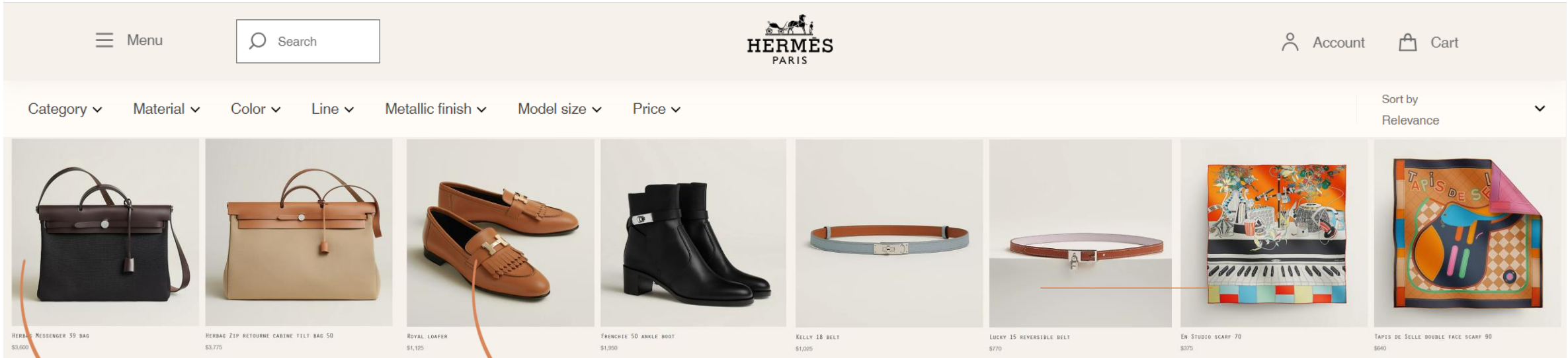


# E-commerce



E-commerce is an important vehicle to reach potential clients that are not contemplated by physical stores

## III. A peak into Hermès' Website



The website offers the entry-level products, similar to the store selection

Online purchases are not taken into account in the Hermès Game



However, Hermès randomly drops exclusive and limited pieces to keep consumers engaged

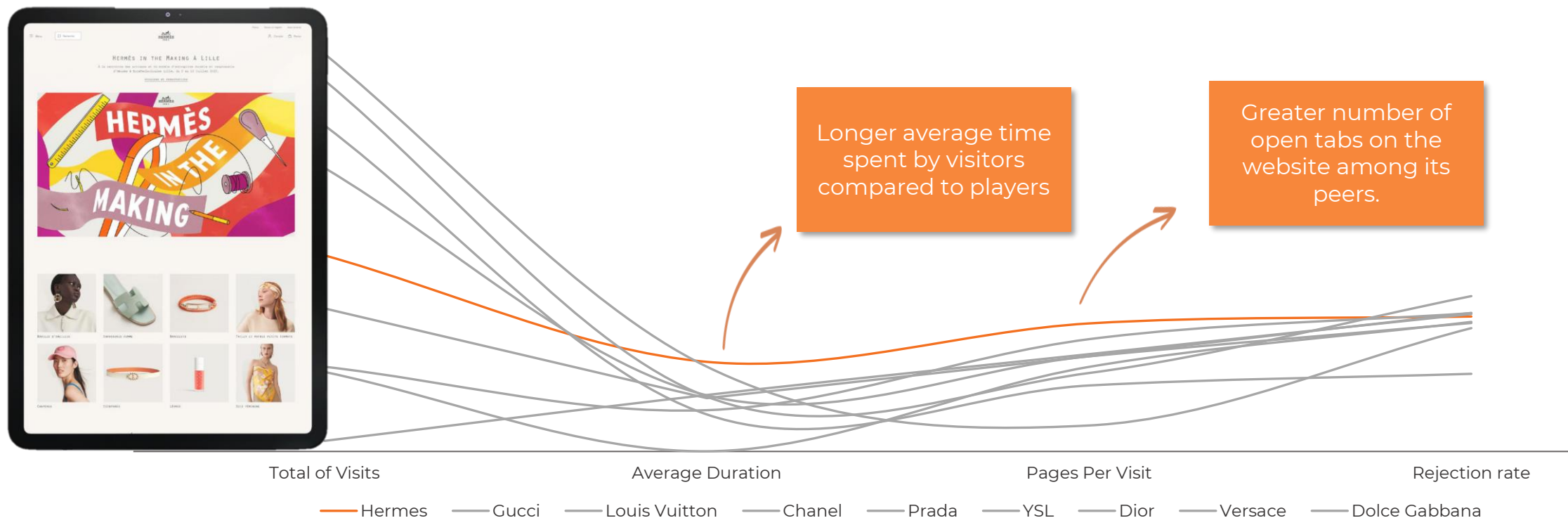


# E-commerce



E-commerce is an important vehicle to reach potential clients that are not contemplated by physical stores

## IV. Website Foot Traffic Analysis









Peers

# Side by Side Comparison

Despite having the lowest number of stores, Hermès outperforms its players



		LVMH			BURBERRY	
Main Segment	Leather Goods	Apparel and Leather Goods	Watches and Jewelry	Leather Goods	Apparel	Apparel
Number of Stores	300	5664	2186	1659	413	314
Revenue (in billion €)	12.8	84,9	20,0	20,6	3,1	2,8
EBITDA Margin	46.8%	34.4%	32.8%	35.1%	31.8%	39,9%
ROE	34.1%	29.5%	20.3%	25.3%	31.0%	17.1%
ROIC	75.7%	24.8%	24.1%	31.2%	28.6%	47.1%
EV/EBITDA	27.6x	12.6x	9.3x	8.2x	7.1x	12.5

# Hermès Against its Peers

How does Hermès compare to its top competitors?



I. Hermès stands at the top of the luxury pyramid as it signals the epiphany of Luxury and successful



# Hermès Against its Peers

How does Hermès compare to its top competitors?

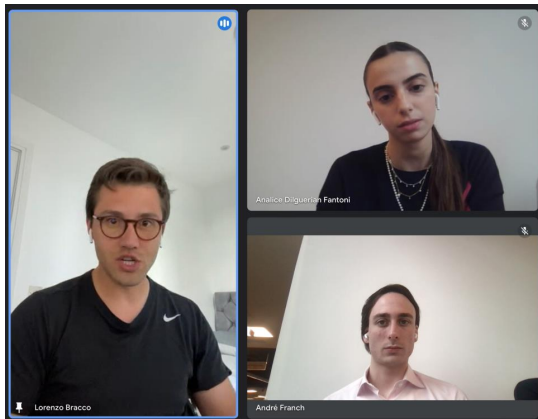
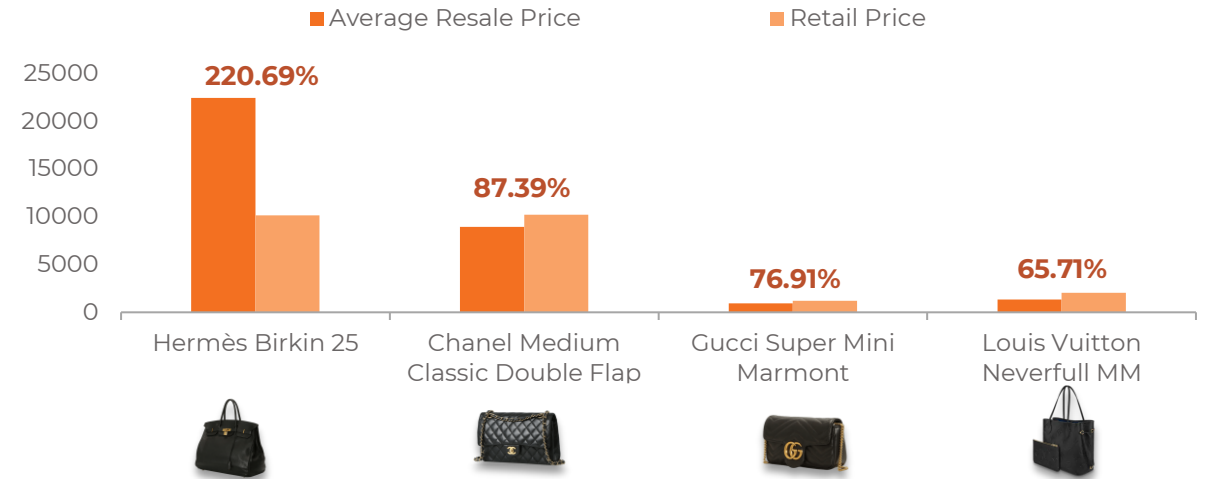


## II. Chanel: Although Always wanting to be Hermès, Chanel is not nearly as successful

**Bloomberg Línea**

Chanel increases handbags prices and limits annual purchase of 2 handbags per year

Retail and Second-hand Pricing and Retention



“Chanel has always wanted to be Hermès, but Chanel’s prices on the secondary market are lower, which is not as interesting from a consumer perspective”

Lorenzo Bracco  
Luxury Analyst at Citi (London, UK)

# Hermès Against its Peers



How does Hermès compare to its top competitors?

## III. Delvaux: Similar concepts, different execution

1 Although it is the oldest brand and with a lot of heritage, being part of a holding company distances the brand from its origins



Founded in 1829 in Belgium by Charles Delvaux



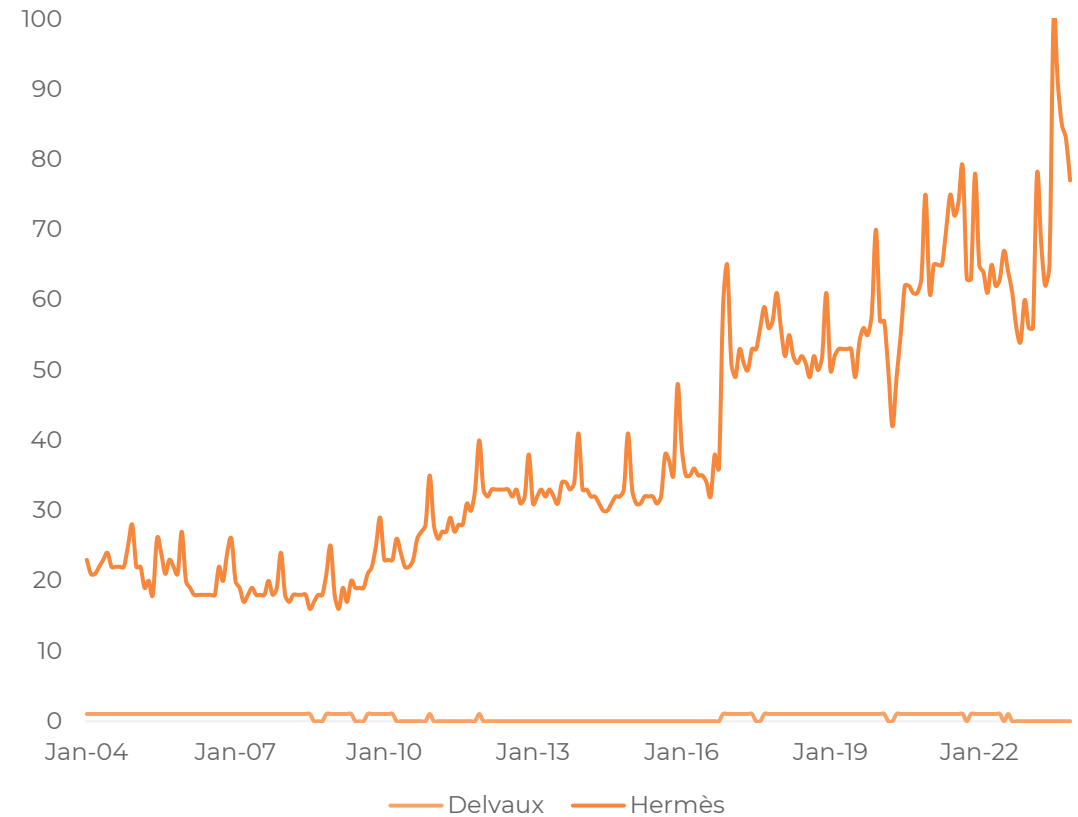
Acquired by the swiss conglomerate Richemont

2 Bags are not as exclusive as Hermès'



2 The brand isn't nearly as popular

Interest measured by Google searches

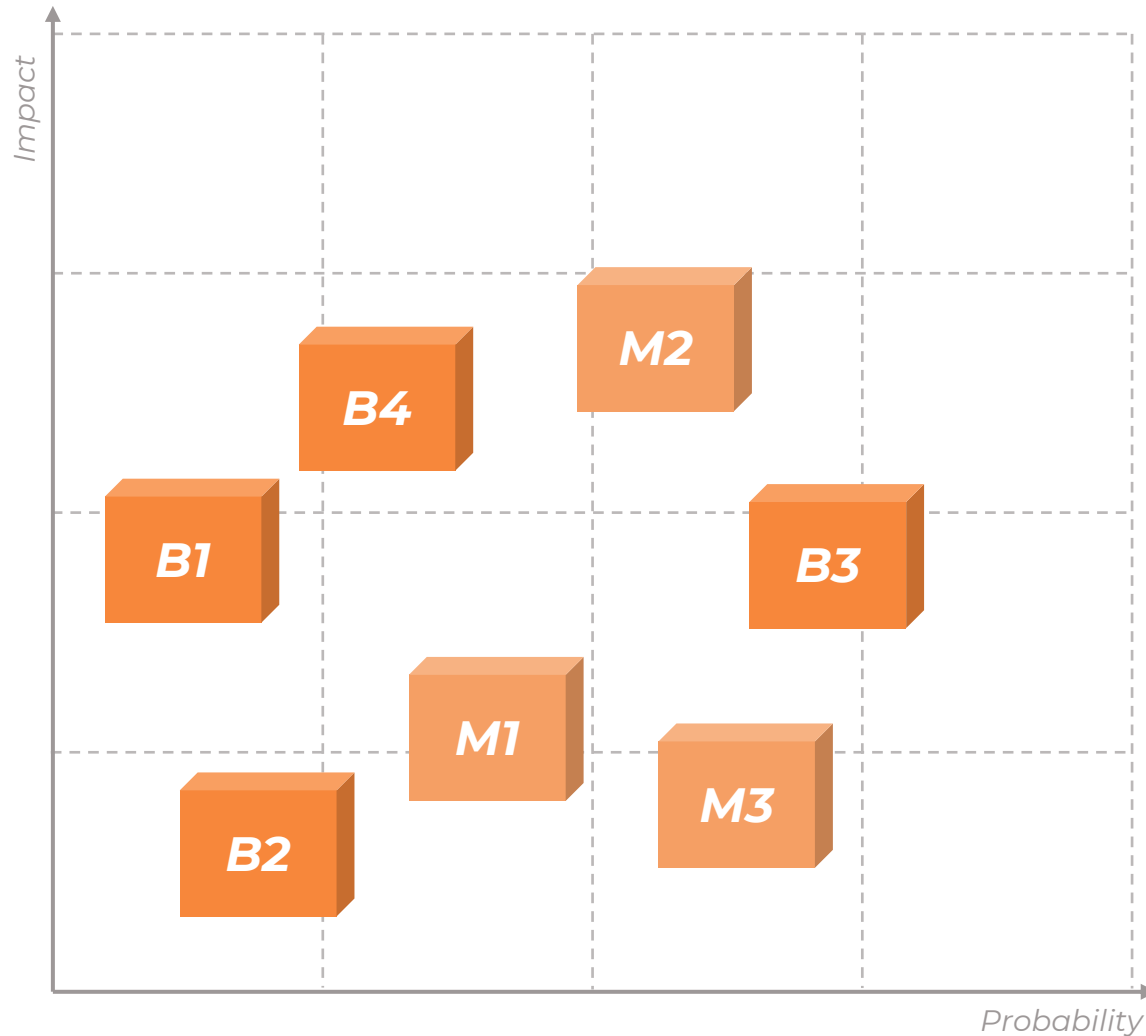




# Risks

# Addressing the risks

Although the investment is really attractive, there are also some potential downsides



## Macroeconomic Risks

**M1 – Events that could stop tourism:** The industry depends on tourism specially in Europe, events similar to Covid-19 could disrupt sales forecast

**M2 – Economics slowdown in Asia:** Being responsible for approximately 60% of Hermès revenue, a decrease in demand could slowdown revenue growth

**M3 – Counterfeit:** A rise in popularity of fake handbags can make the items less exclusive

## Business and Operational Risks

**B1 – Change in consumer preferences:** Hermès' designs now considered timeless, could one turn out to be out of style

**B2 – Succession issues:** Being a family business, the company could potentially have disputes or disagreements regarding leadership

**B3 – ESG:** With the increase in ESG movements around the world, leather goods may become less desirable

**B4 – Failure to expand into new fashion categories:** As a tool to increase the volume, Hermes can increase the diversification of métiers, however, it may not be well accepted by the public.





# Risk M2: China

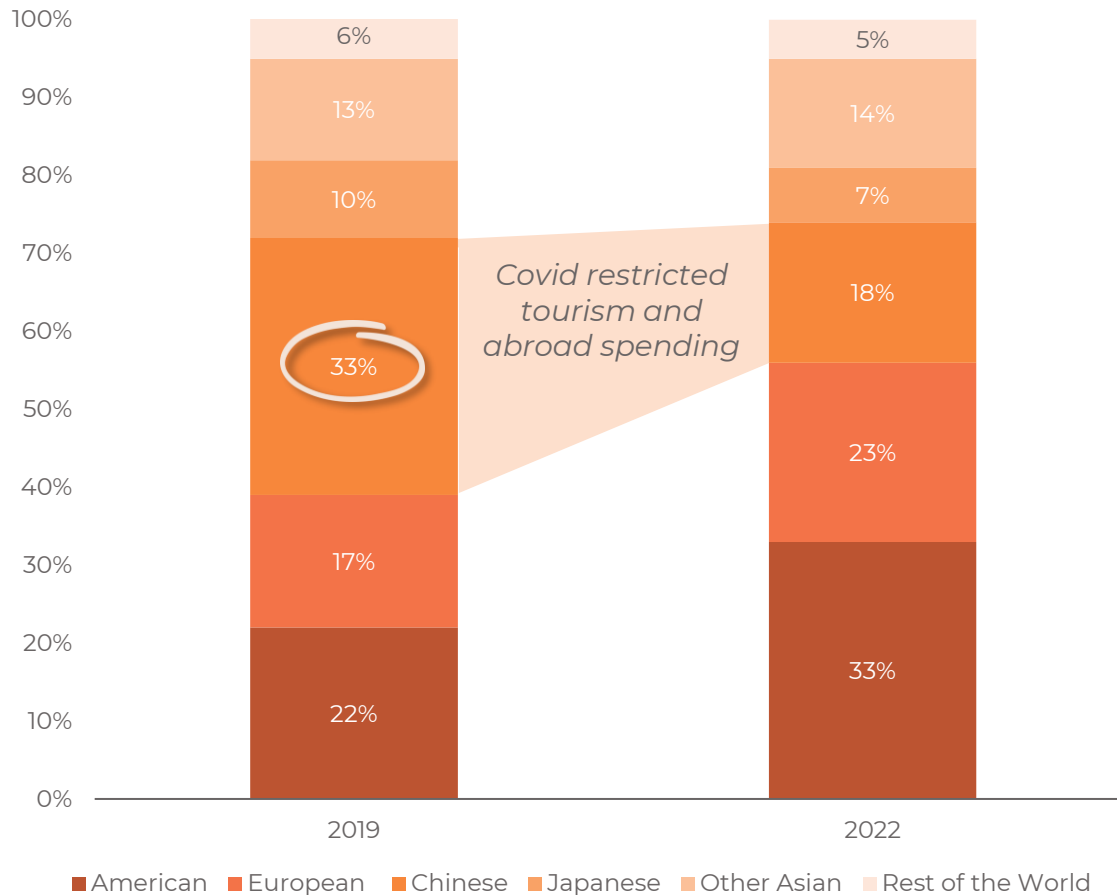
# Risk M2: Economic Slowdown in Asia



China is the biggest consumer of this market and its economic situation may threaten the company's operation

## I. China as the main luxury consumer

Global Personal Luxury Goods Market, by consumer nationality



## II. Preference to consume abroad due to high taxes

Chinese Luxury Consumption (in \$ Billions)



# Risk M2: Economic Slowdown in Asia

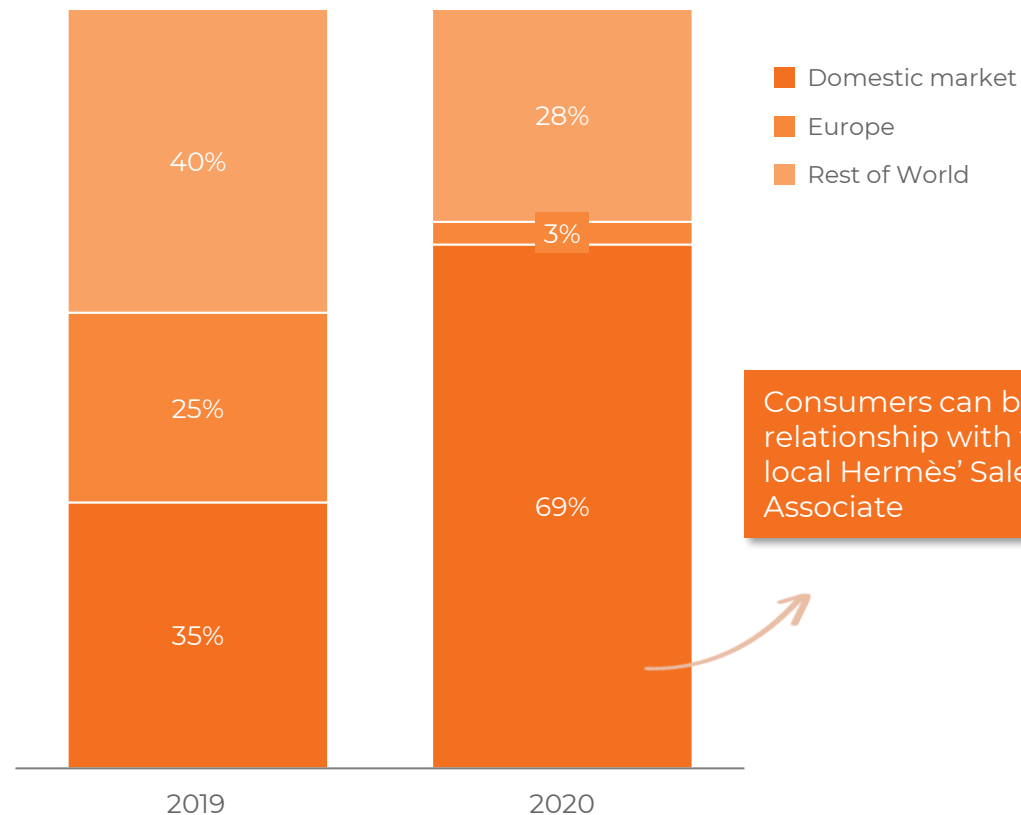
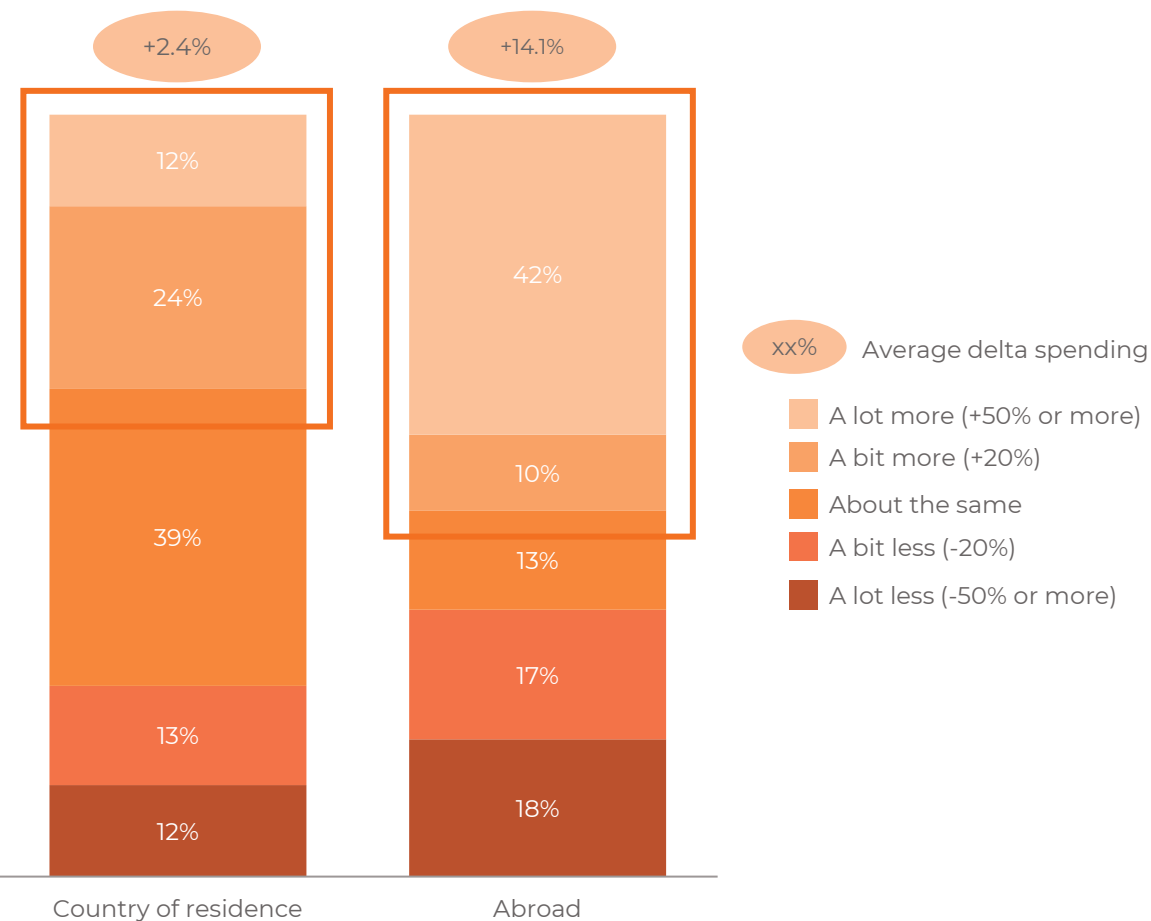


China is the biggest consumer of this market and its economic situation may threaten the company's operation

## III. The pandemic led to a shift in terms of spending location

With COVID-19 most likely under control, do you **expect to spend more, less, or about the same on luxury experiences** in the next 12 months compared to before?

Chinese Consumption by Region



Consumers can build a relationship with their local Hermès' Sales Associate



# Risk M2: Economic Slowdown in Asia



China is the biggest consumer of this market and its economic situation may threaten the company's operation

## IV. Obsession with luxury derisks recession impacts



“This behavior of the Chinese has more to do with their **mindset (to show off)**, than with the economic conjuncture”

*Roberto Dumas Damas, CFA  
Professor of Chinese Economy at Insper*

“Traditions provide identity. As China's Communist Party has destroyed Chinese traditions, **luxury brands step in to provide that.**”

*Desmond Shum  
Author of “An Insider's Story of Wealth, Power, Corruption and Vengeance in Today's China”*



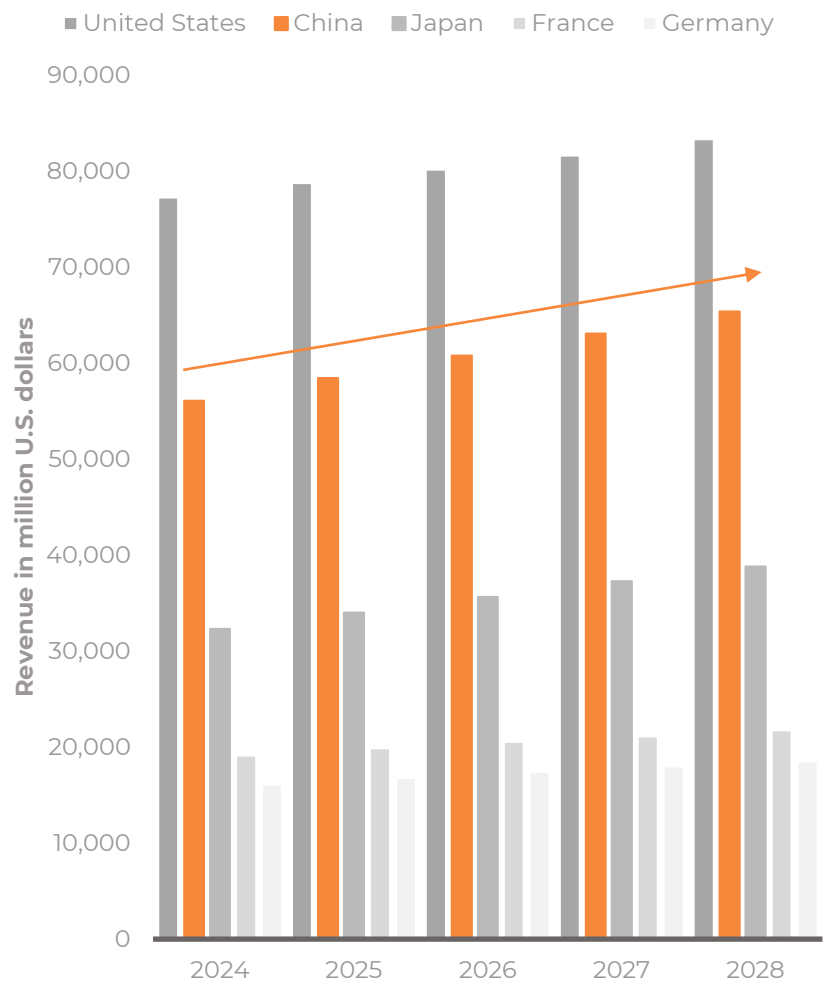
# Risk M2: Economic Slowdown in Asia



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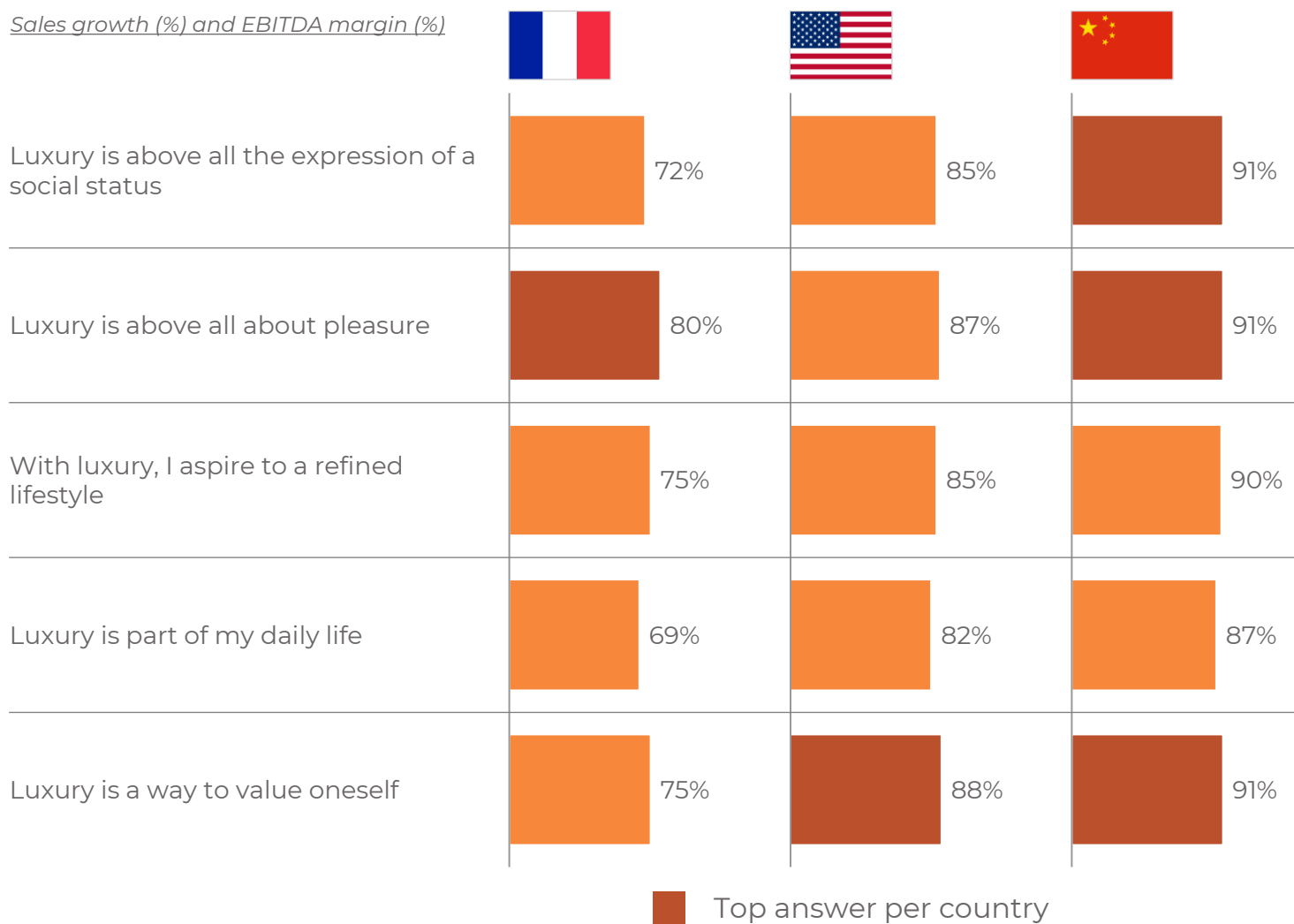
## V. China's accelerated growth compared to its peers

Revenue of the luxury market worldwide by country



## VI. Apparel and accessories lead in terms of growth and margins

Sales growth (%) and EBITDA margin (%)





Risk M3: Counterfeit

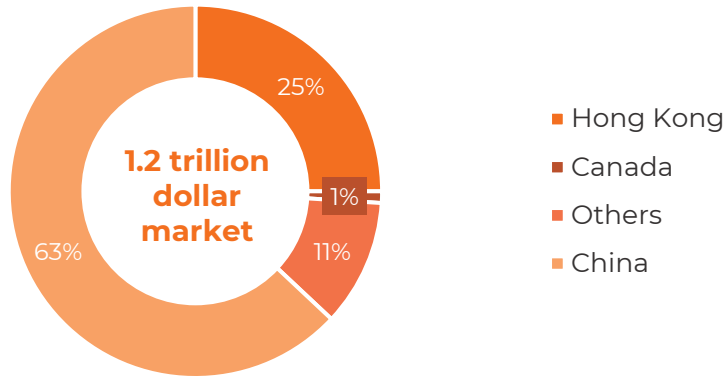
# Risk M3: Counterfeit



Counterfeit products can affect all sectors, but specifically the luxury market, as it may make pieces less exclusive

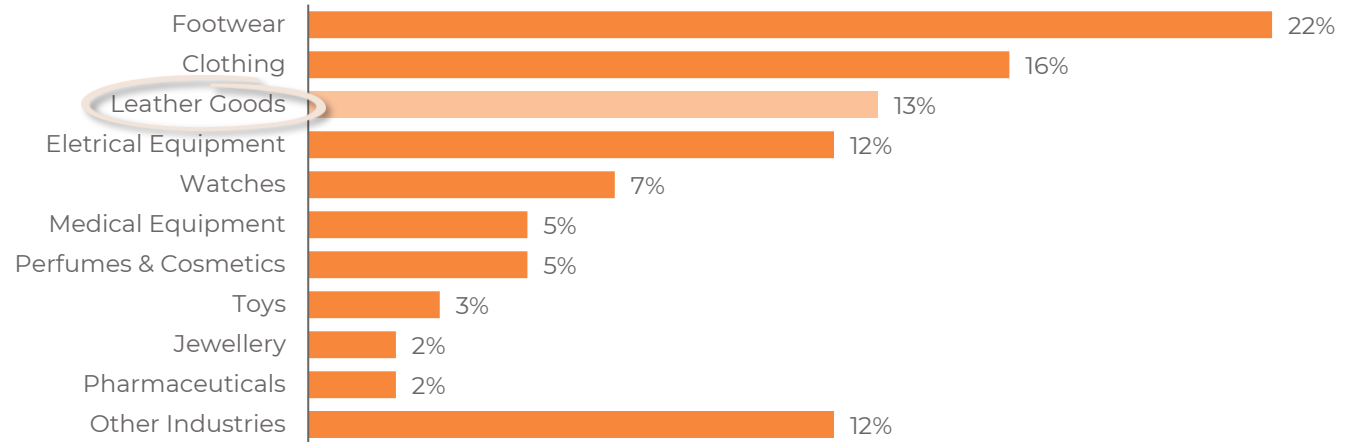
## I. China is the main producer of fake items

*Producer of counterfeit pieces*



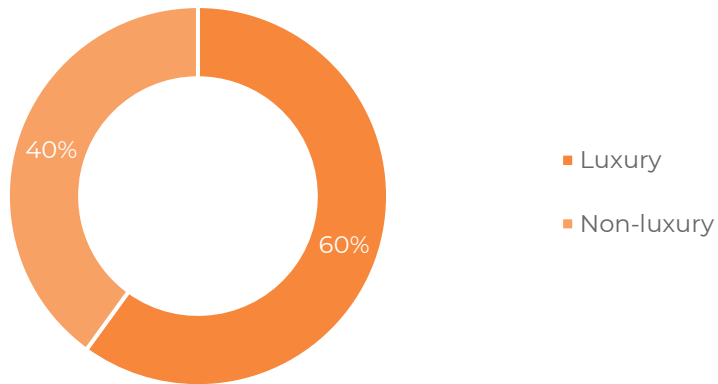
## II. Leather Goods stands as the 3rd most counterfeited markets

*Counterfeited markets*



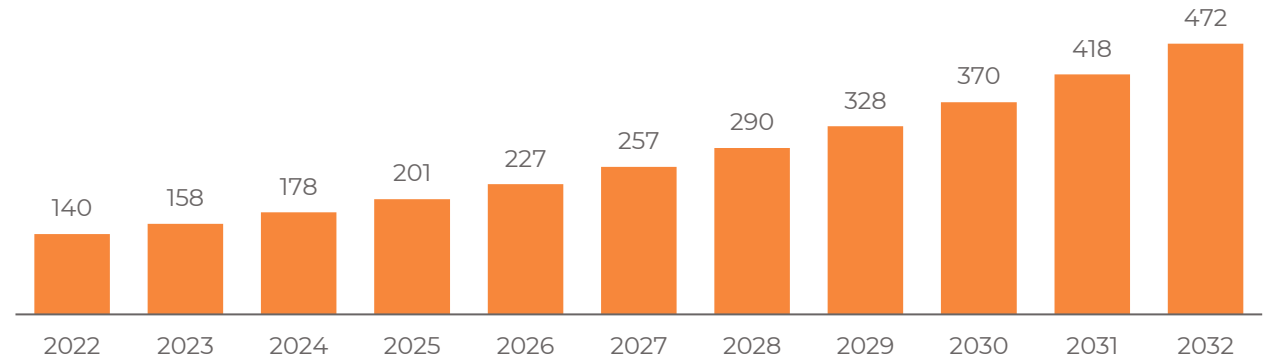
## III. Luxury pieces are the most faked

*% luxury and non-luxury*



## IV. Anti-counterfeit policies try to contain the production

*Investments made by governments against counterfeit (in US\$ billions)*

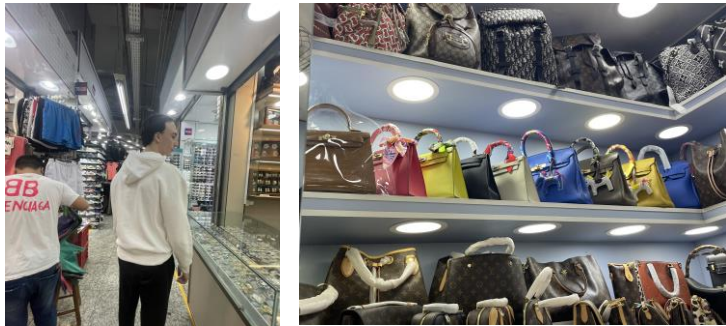
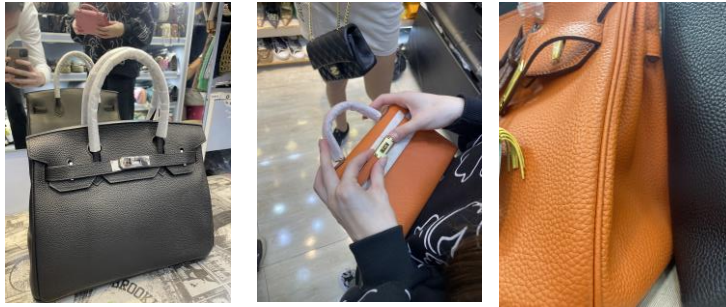


# Risk M3: Counterfeit



Counterfeit products can affect all sectors, but specifically the luxury market, as it may make pieces less exclusive

## I. Field Research at 25 de Março



## II. Real vs. Fake Bag

### 1 Hardware and Logo



### 2 Stitching and Leather





# Risk M3: Counterfeit

Counterfeit products can affect all sectors, but specifically the luxury market, as it may make pieces less exclusive

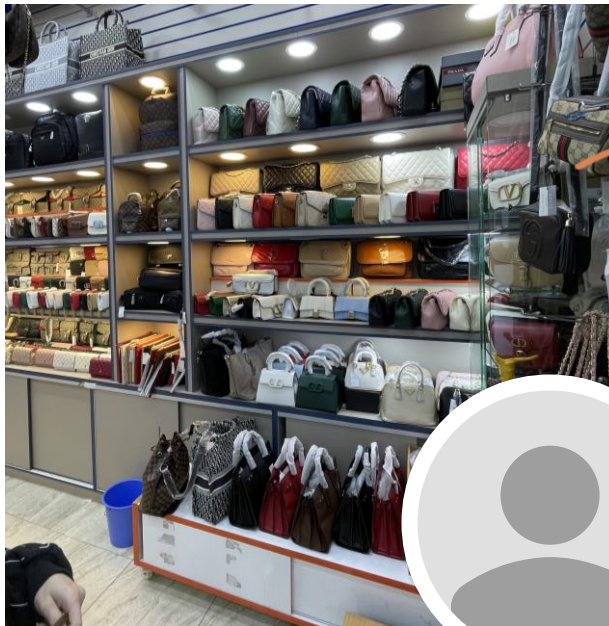


## III. Counterfeits have low impact on Hermès

### 1 People who cannot afford a real bag prefer the ones with logos

“People who come here after cheaper bags are usually are **looking for logos**, such as the Louis Vuitton monogram bags”

*Sandra Raffaelli  
Second-hand business owner*



Most stores at 25 de março did not sell any Hermès bags

“We do not have Hermès because **it does not sell a lot here**, people want Gucci and Louis Vuitton”

*Seller at 25 março*

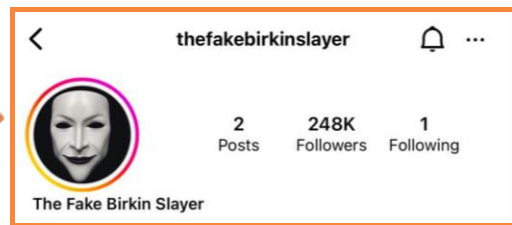
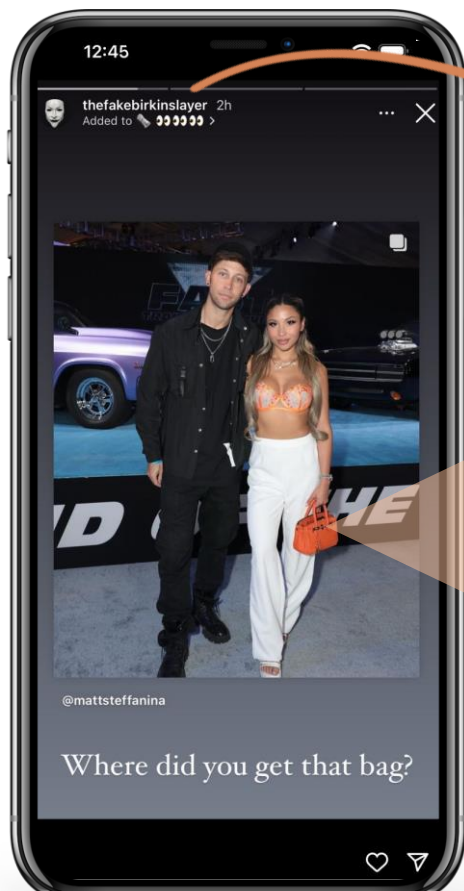
# Risk M3: Counterfeit



Counterfeit products can affect all sectors, but specifically the luxury market, as it may make pieces less exclusive

## III. Counterfeits have low impact on Hermès

### 2 Ultra-rich who wear fake bags may have a positive influence on others



Silvia Braz  
Brazilian Influencer

Being the bags real or fake the impact influencers have on other people is surely real



"Clients call me and say **'I want Silvia Braz's handbag!'**. It is not Gucci's handbag anymore, it is Silvia Braz's."

Luiz Henrique Voltarelli  
Gucci's LATAM Flagship Store Manager





Risk B3: ESG

# Risk B3: ESG



As the company focus on leather goods, ESG movements threatens Hermès

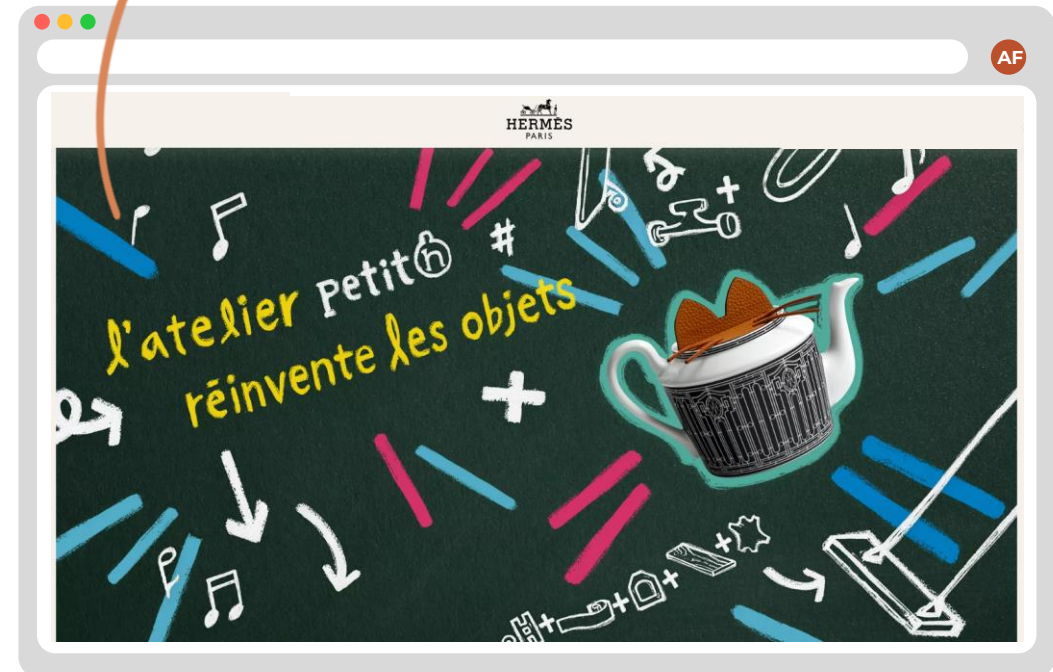
I. Hermès is working hard to provide alternatives

## 1 Mushroom Leather



## 2 Reusing instead of wasting

**Petit H** is the creation of unique pieces using materials that no longer have any use for Other métiers



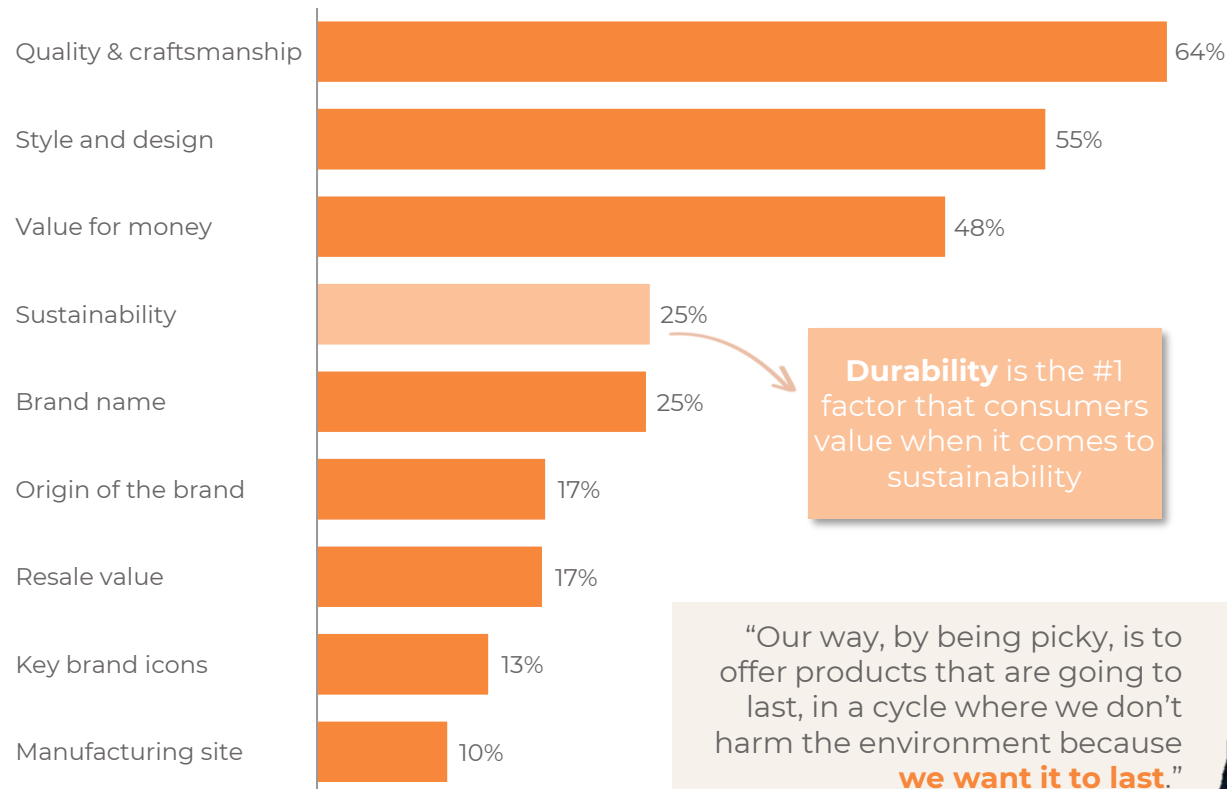
# Risk B3: ESG

As the company focus on leather goods, ESG movements threatens Hermès



## II. Sustainability is not all about not using animal-products

*Top 3 factors considered when purchasing luxury brands*



“Our way, by being picky, is to offer products that are going to last, in a cycle where we don’t harm the environment because **we want it to last.**”

Axel Dumas  
CEO of Hermès



Utmost **respect for the natural material** they use and a sustainable environment in a relationship with nature



Bags are made by hand, for 16 hours a piece, which means that in terms of usage **of energy they are very low**

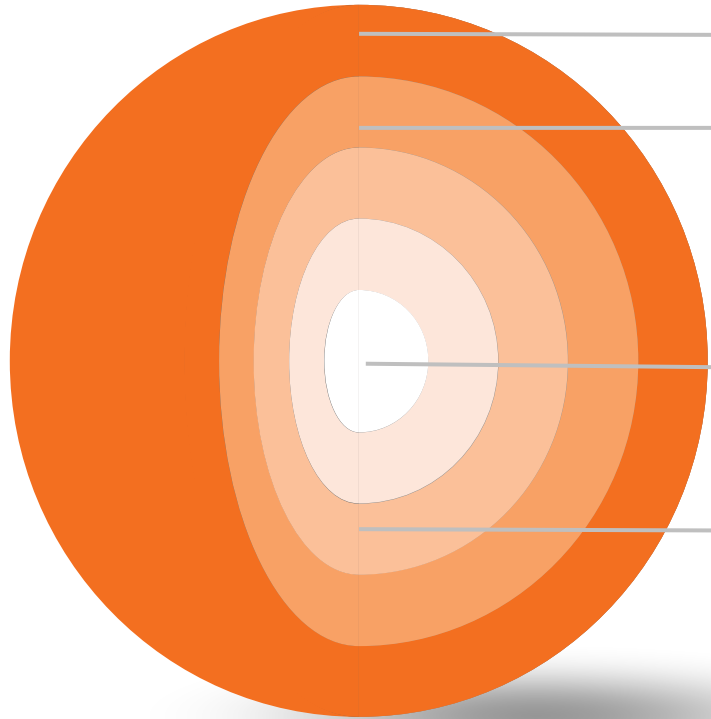
# Risk B3: ESG



Constant donations from Hermès help maintain the institution, which has more than 35 different charitable projects

## III. Social Responsibility

35+ Initiatives



Committed to the **preservation of the environment** and particularly to maintaining the biodiversity, the Fondation d'entreprise Hermès acts responsibly and collectively by **supporting human relationships with ecosystems**



FONDATION  
D'ENTREPRISE  
HERMÈS



The "Artistes dans la Cité" program is a **philanthropic initiative aimed at supporting the next generation of talents** in the performing arts. It offers scholarships to students facing financial barriers and promotes access to **artistic education**.



The program rotates annually between French and American **photographers, providing them with exposure** on both sides of the Atlantic, in partnership with institutions

# Risk B3: ESG

As the company focus on leather goods, ESG movements threatens Hermès



## IV. No sustainable substitutes

LOUIS VUITTON

VALENTINO

Dior

BOTTEGA  
VENETA

GUCCI

VERSACE

Salvatore Ferragamo

HERMÈS

BURBERRY

BALENCIAGA

STELLA  
Mc CARTNEY

PRADA

MIU MIU

LOEWE

Chloé

SAINT LAURENT  
PARIS

CHANEL

# Risk B3: ESG



As the company focus on leather goods, ESG movements threatens Hermès

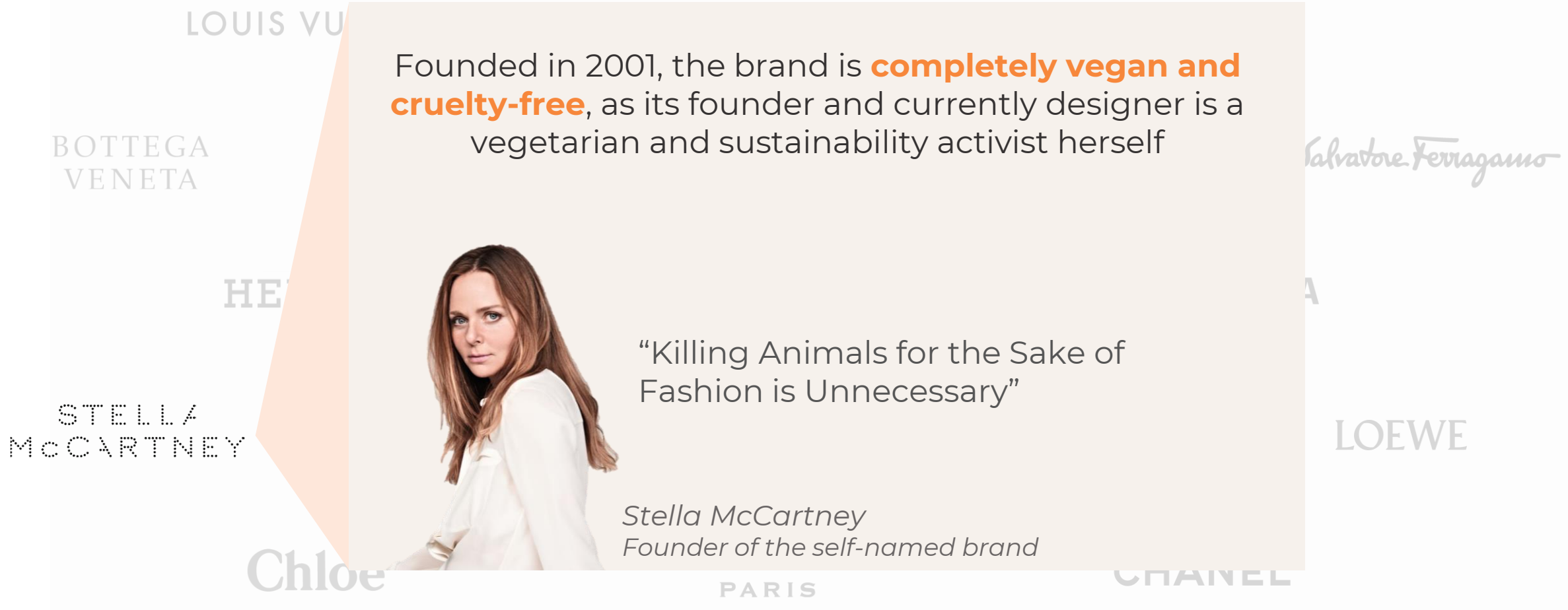
## IV. No sustainable substitutes

Founded in 2001, the brand is **completely vegan and cruelty-free**, as its founder and currently designer is a vegetarian and sustainability activist herself



“Killing Animals for the Sake of Fashion is Unnecessary”

Stella McCartney  
Founder of the self-named brand





# Risk B3: ESG

As the company focus on leather goods, ESG movements threatens Hermès



## IV. No sustainable substitutes

### HERMÈS

- ✓ **Strong Brand Heritage**  
Founded in 1837 in France

- ✓ **Classic and Timeless Pieces**



### STELLA Mc CARTNEY

- ✓ **Newer Brand**  
Founded in 2001 in England

- ✓ **Trendy items that appeal to a young audience**





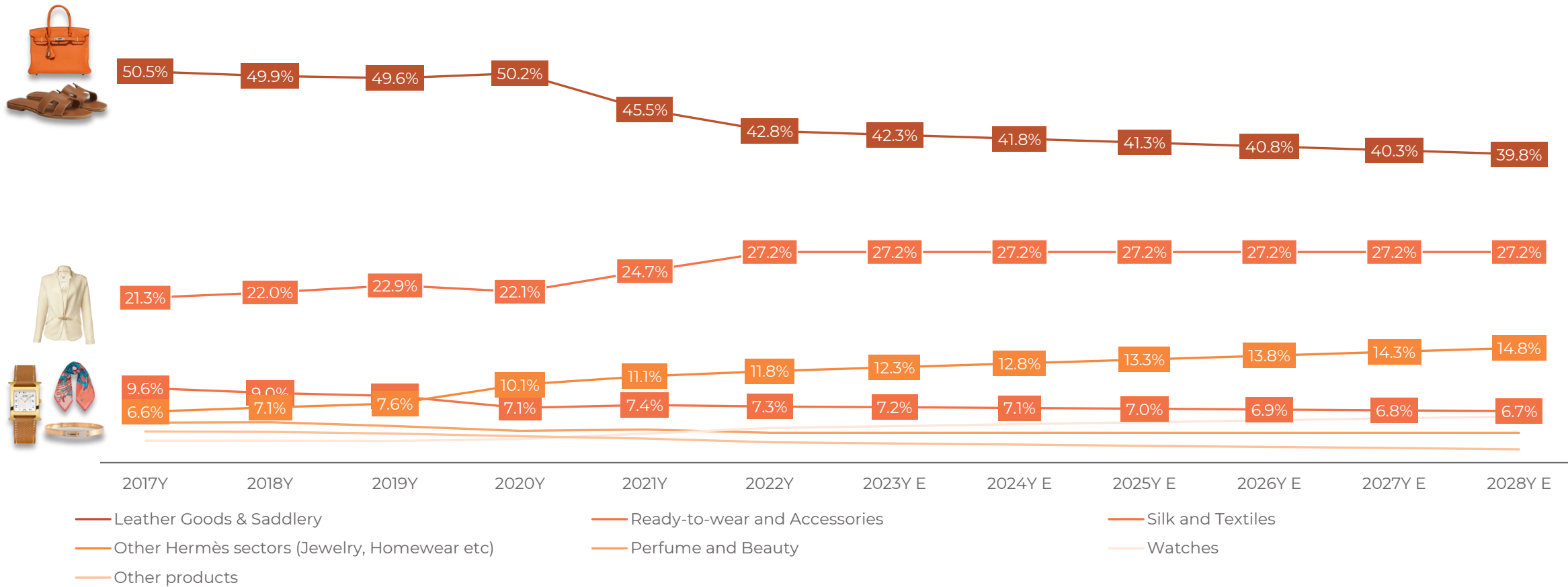
# Valuation

# Métier Diversification



## I. Revenue Breakdown

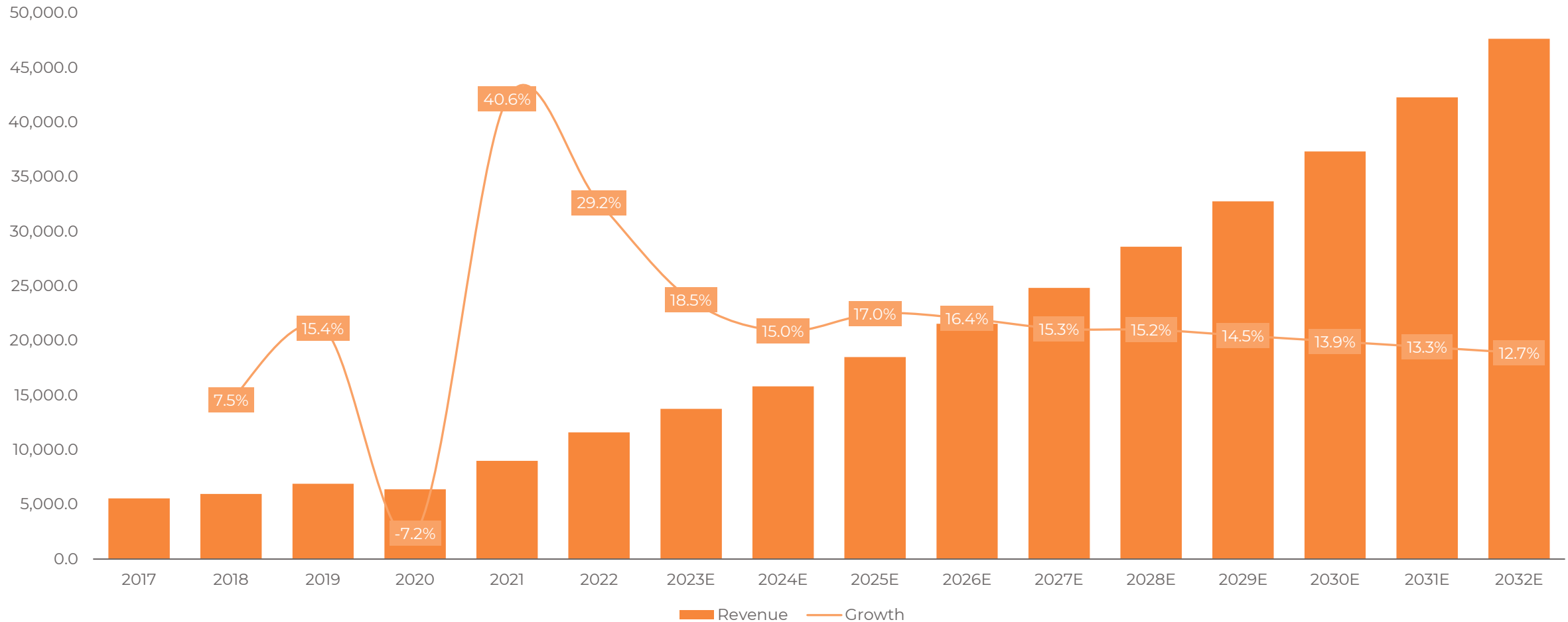
*Métier participation in total revenue*





## I. Total Revenue Forecast

Revenue (in million €) and year over year growth

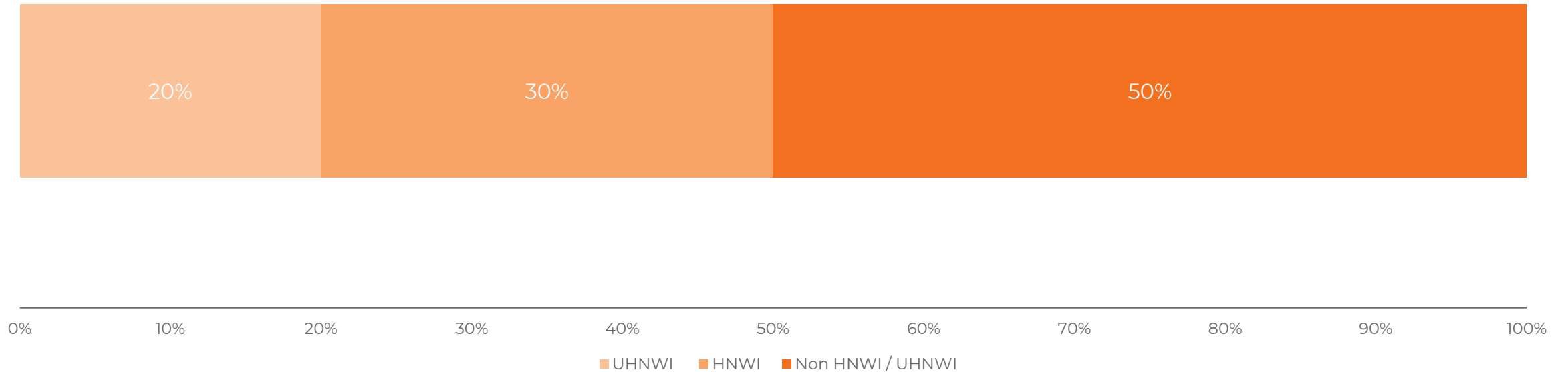


# Revenue Build-Up



## I. Breakdown by Income

*Revenue Breakdown*



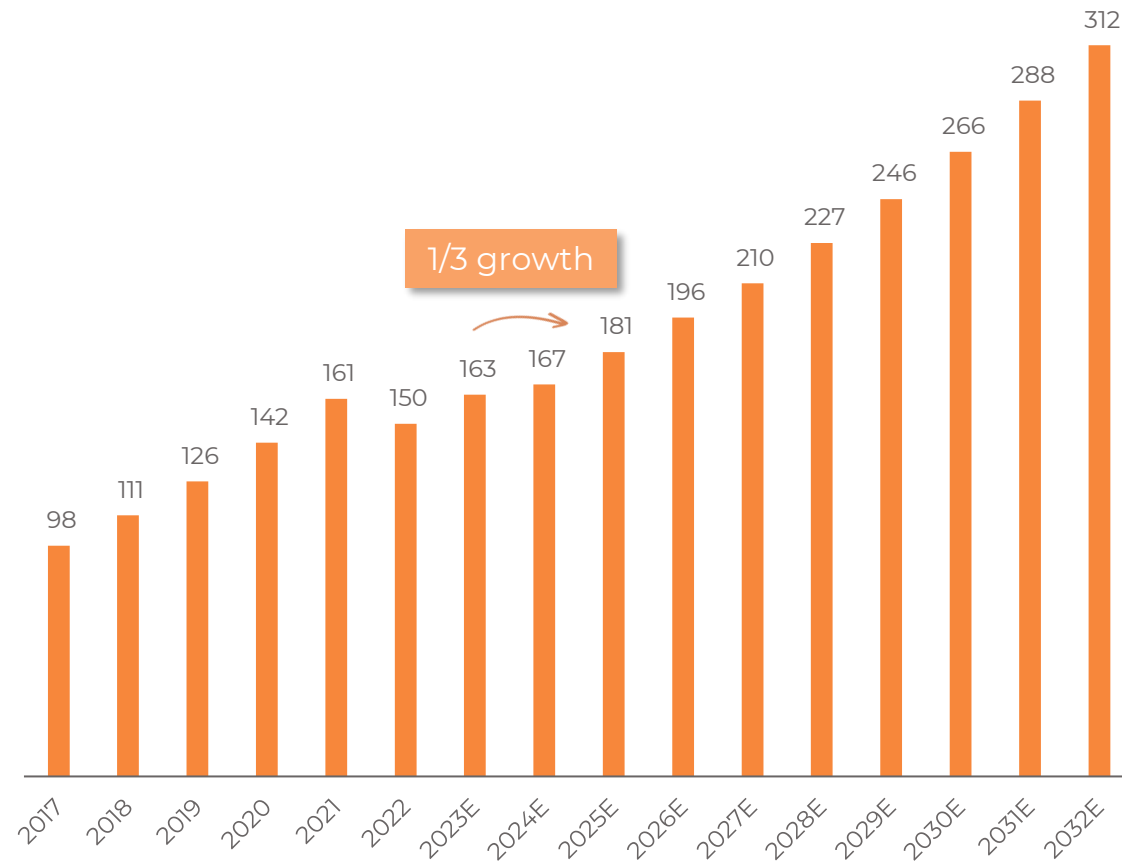
# Revenue from UHNWI and HNWI



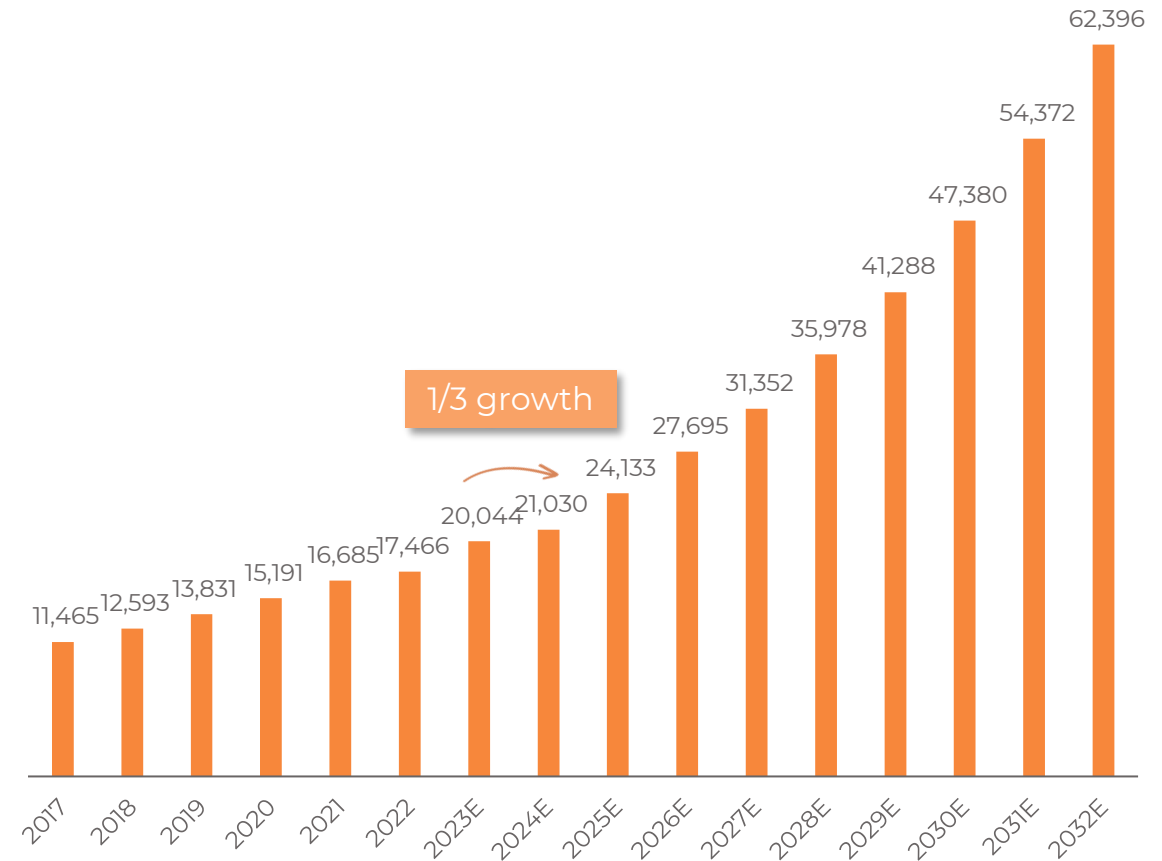
Concentration of wealth drives the growth of Hermès' sales

## II. UHNWI and HNWI Forecasts

Ultra High Net Worth Individuals in Asia-Pacific (in thousands)



High Net Worth Individuals in Asia-Pacific (in thousands)



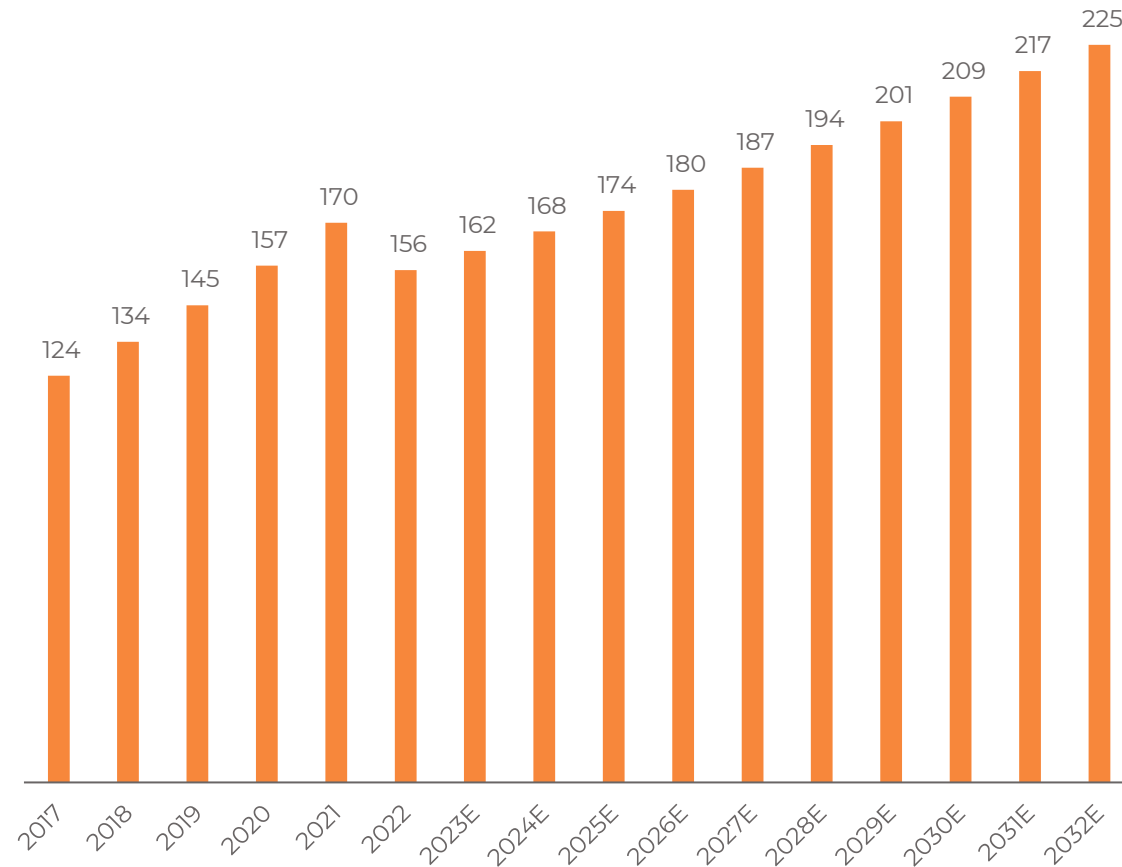
# Revenue from UHNWI and HNWI



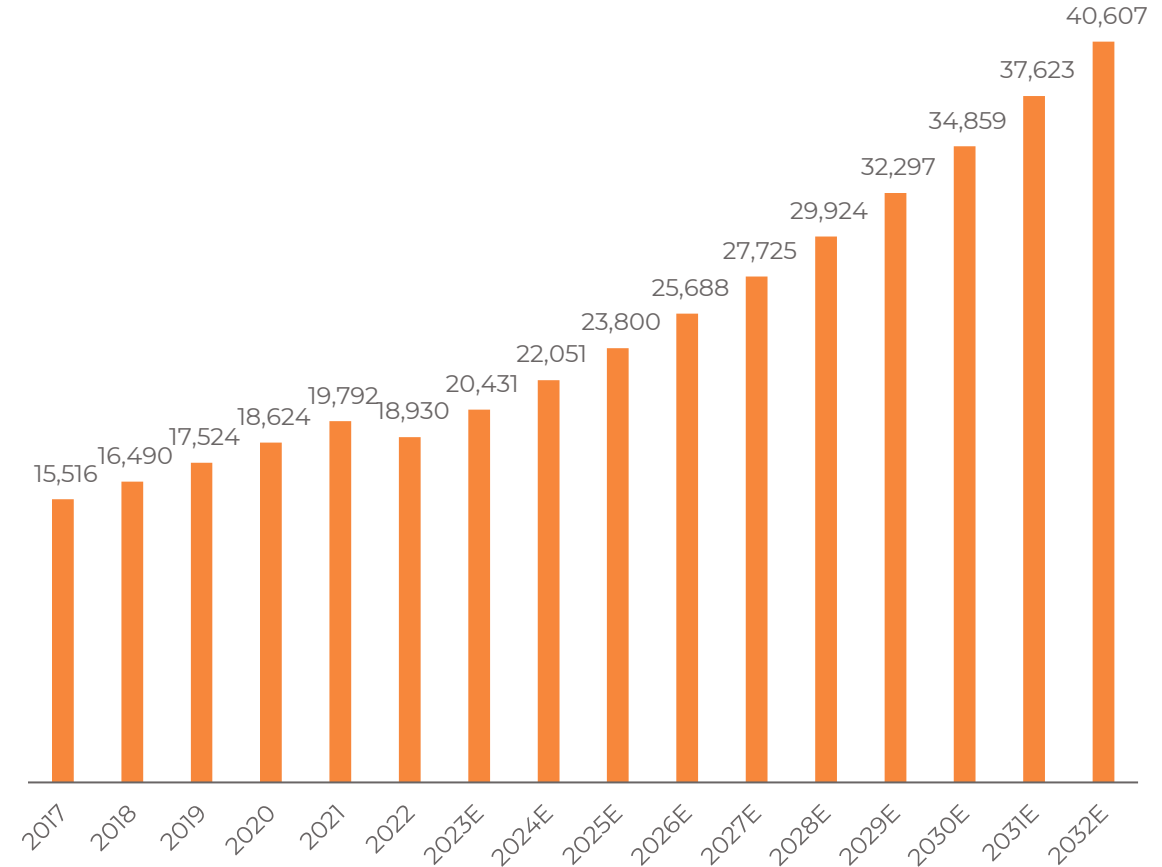
Concentration of wealth drives the growth of Hermès' sales

## II. UHNWI and HNWI Forecasts

*Ultra High Net Worth Individuals in Europe (in thousands)*



*High Net Worth Individuals in Europe (in thousands)*



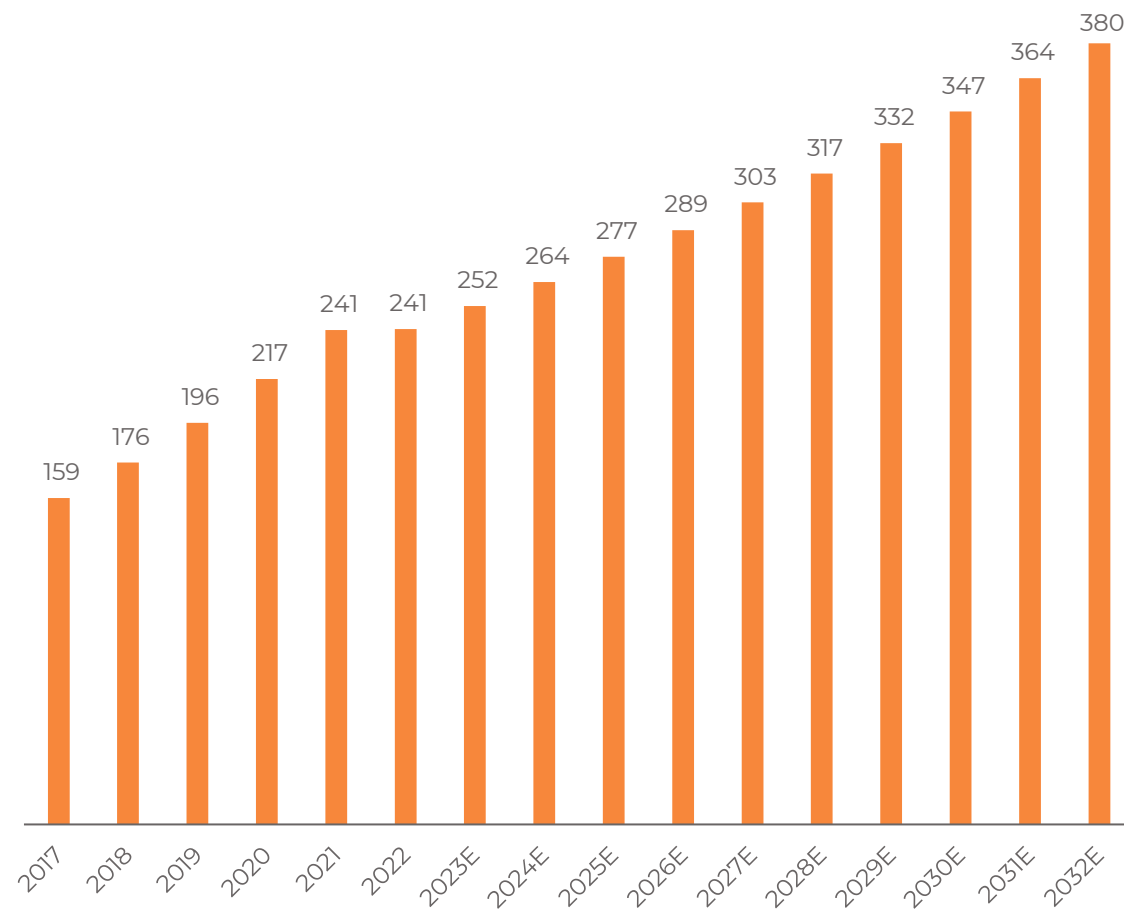
# Revenue from UHNWI and HNWI



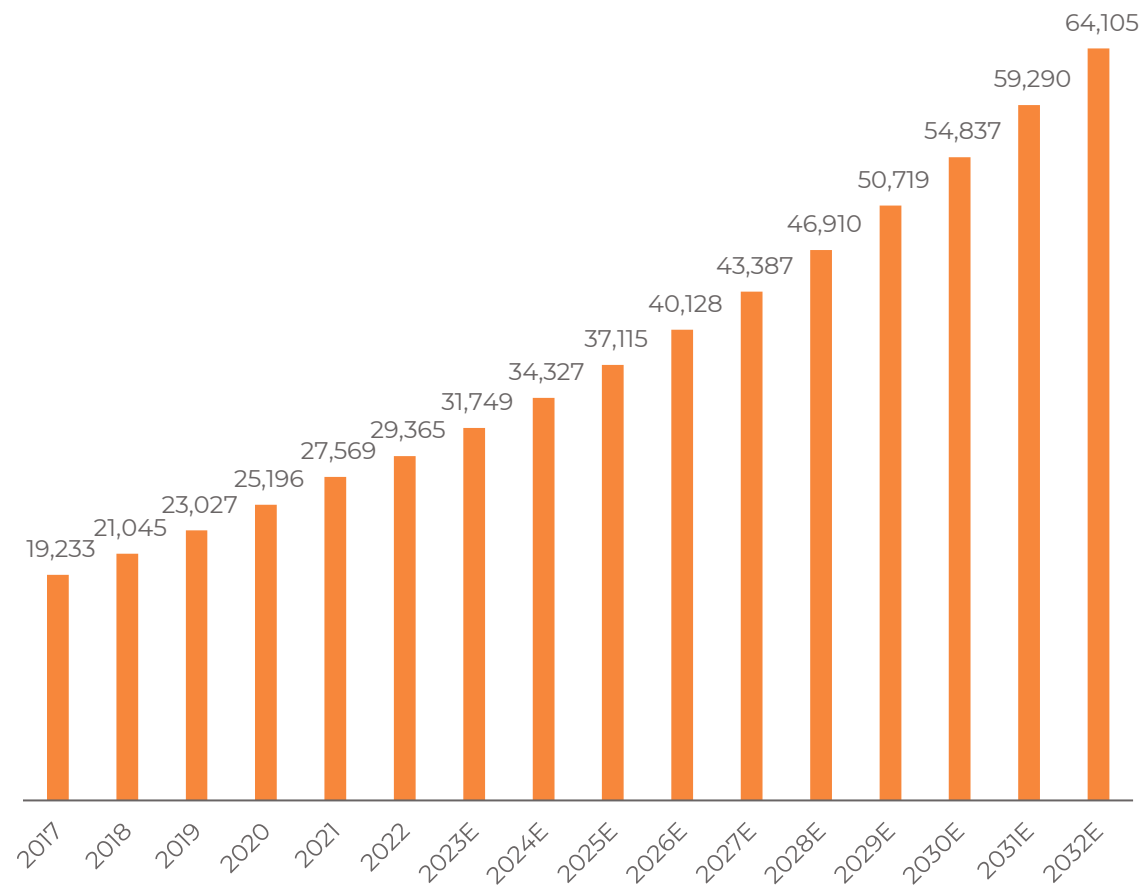
Concentration of wealth drives the growth of Hermès' sales

## II. UHNWI and HNWI Forecasts

*Ultra High Net Worth Individuals in America (in thousands)*



*High Net Worth Individuals in America (in thousands)*





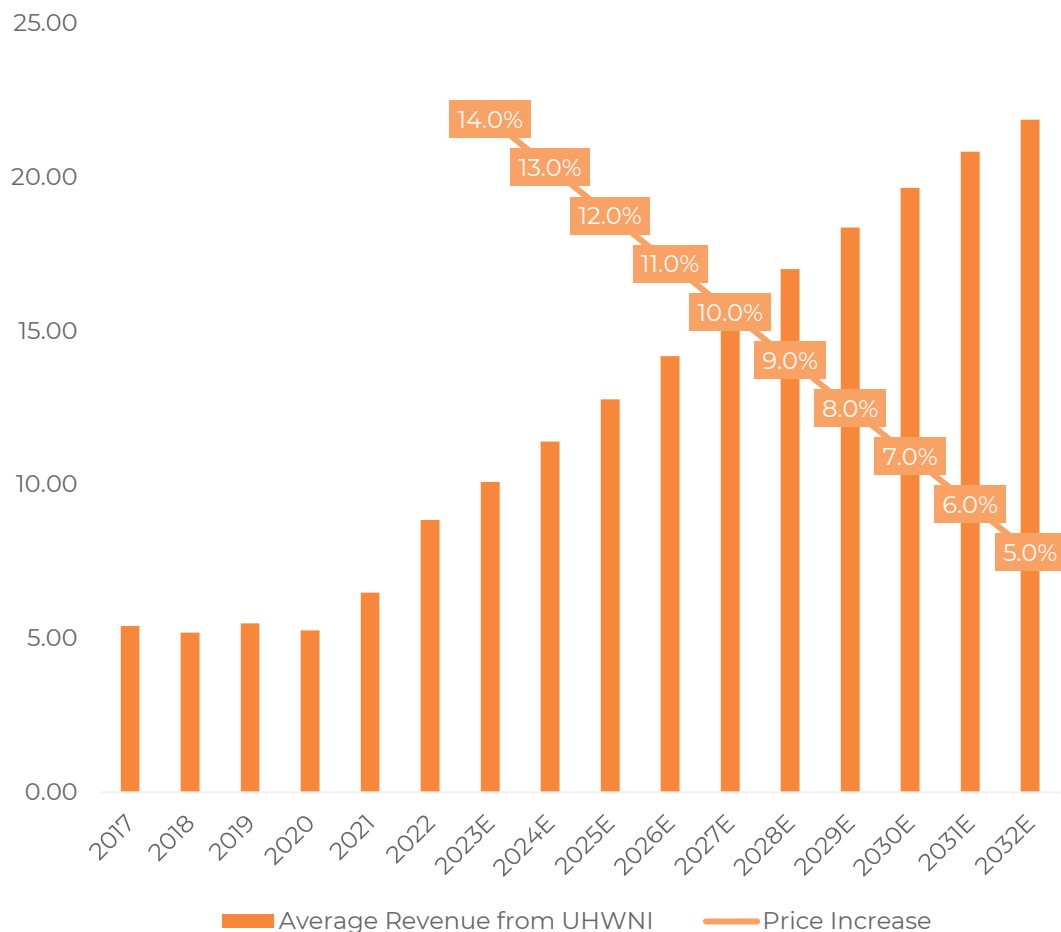
# Revenue from UHNWI and HNWI



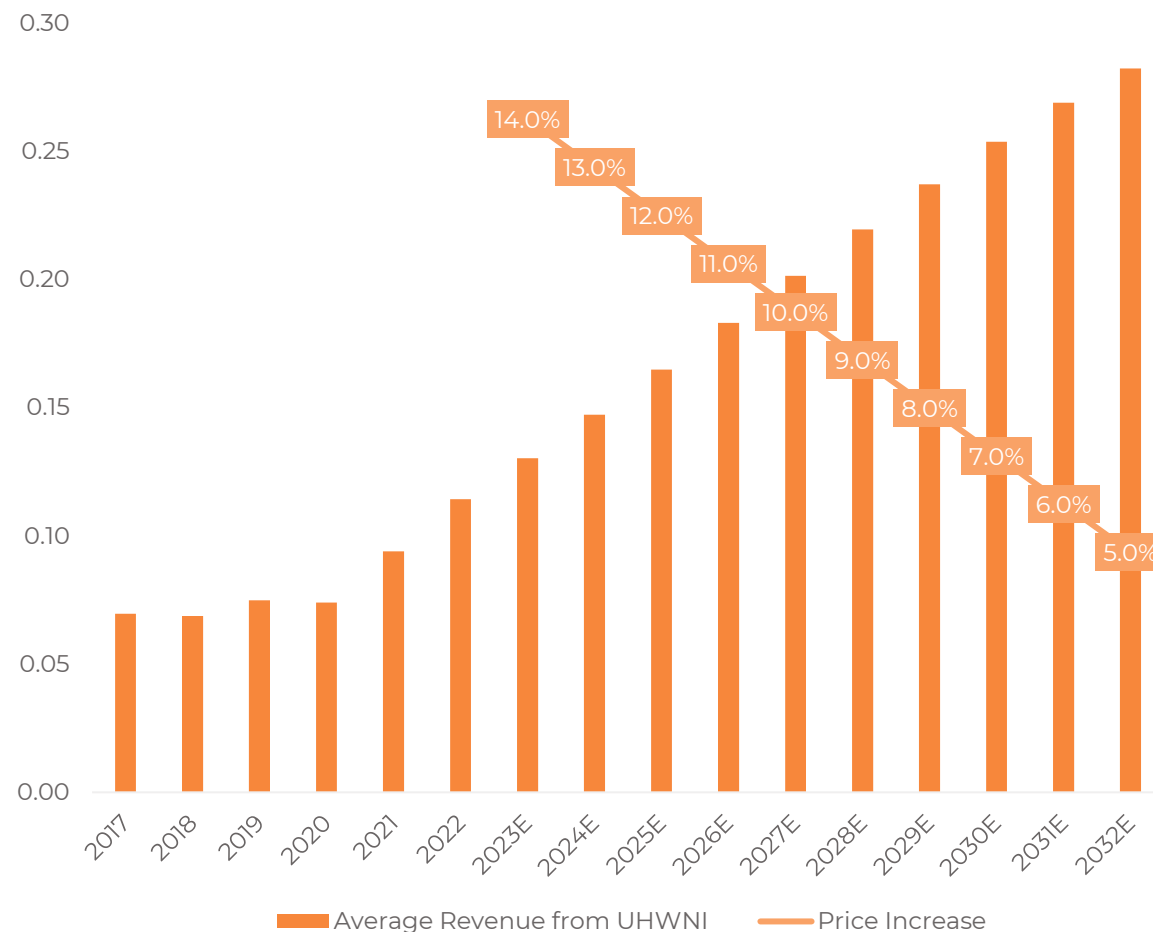
Concentration of wealth drives the growth of Hermès' sales

## III. Average Revenue per Individual Forecast based on Price Adjustments

Average Revenue from Ultra High Net Worth Individuals (in thousands of €)



Average Revenue from High Net Worth Individuals (in thousands of €)



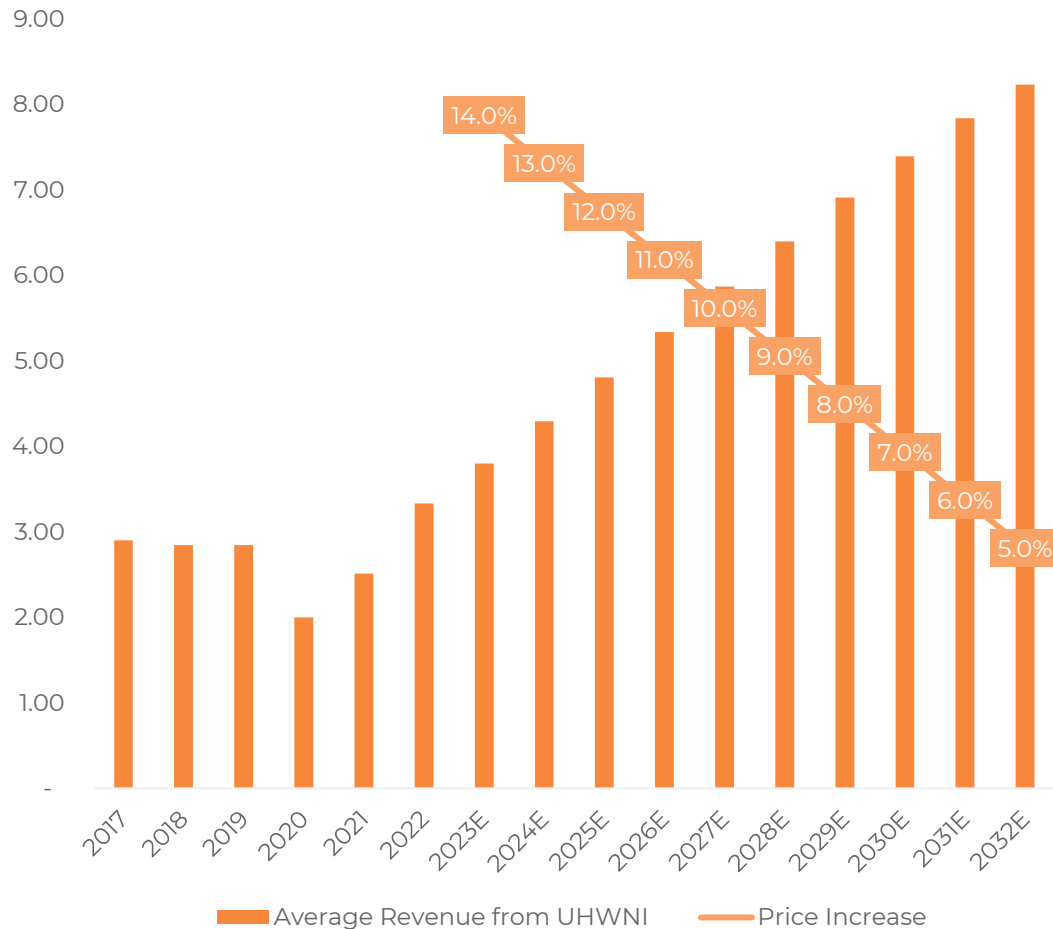
# Revenue from UHNWI and HNWI



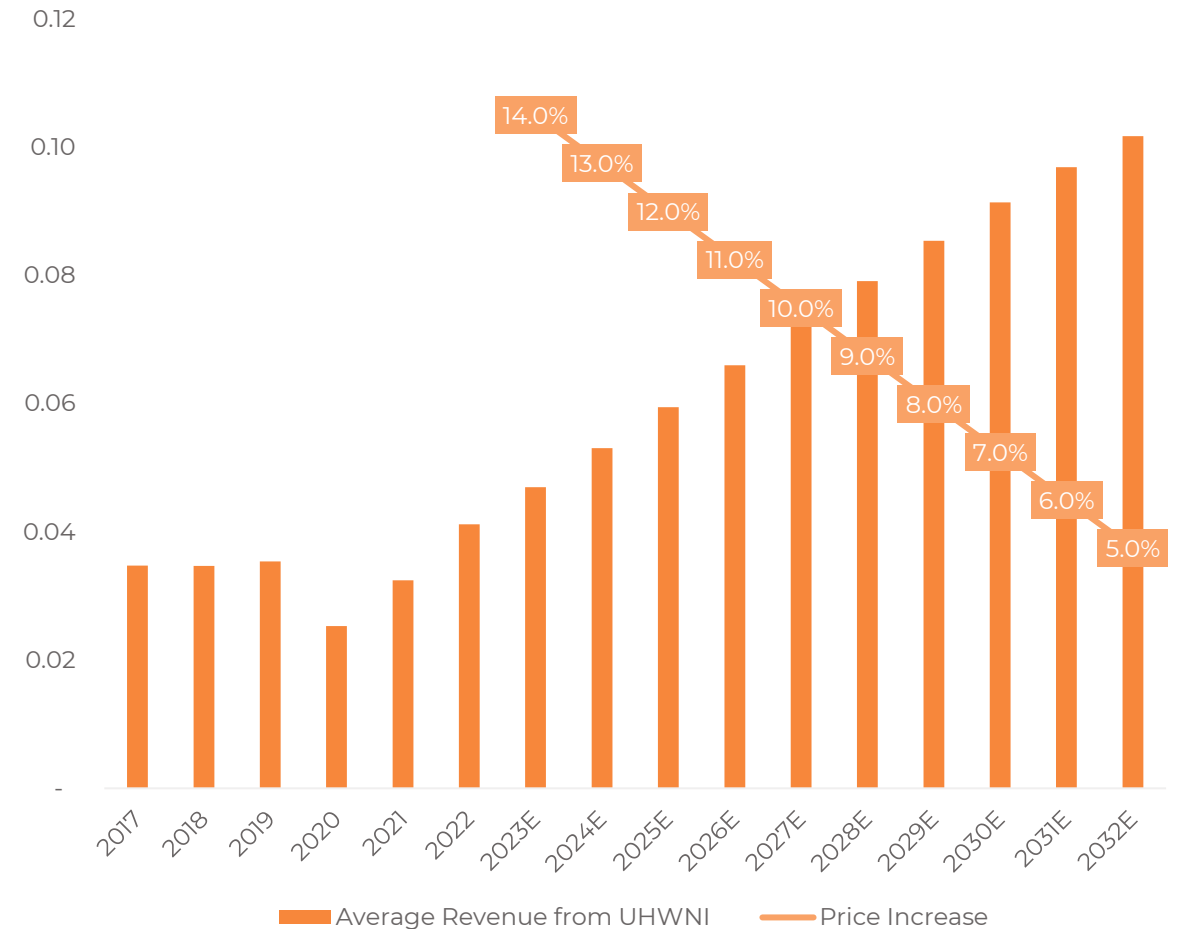
Concentration of wealth drives the growth of Hermès' sales

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Average Revenue from Ultra High Net Worth Individuals (in thousands of €)



Average Revenue from High Net Worth Individuals (in thousands of €)



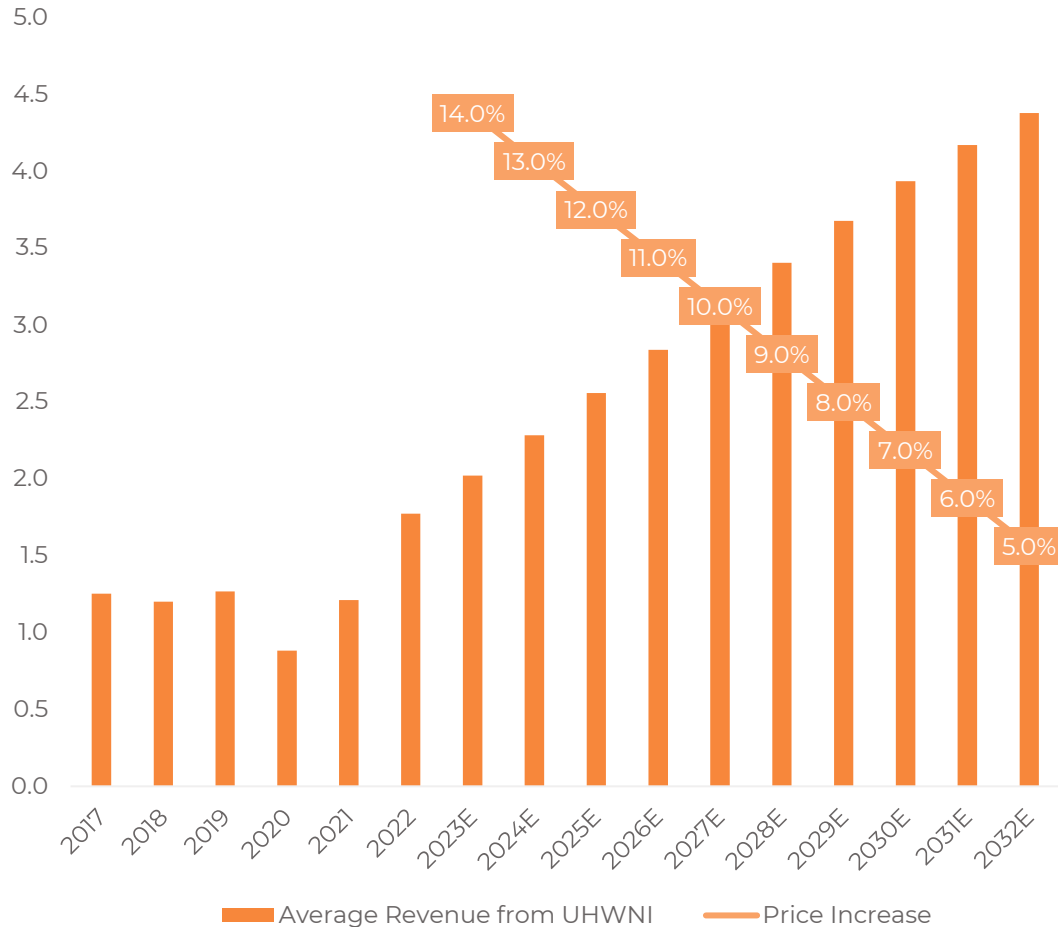
# Revenue from UHNWI and HNWI



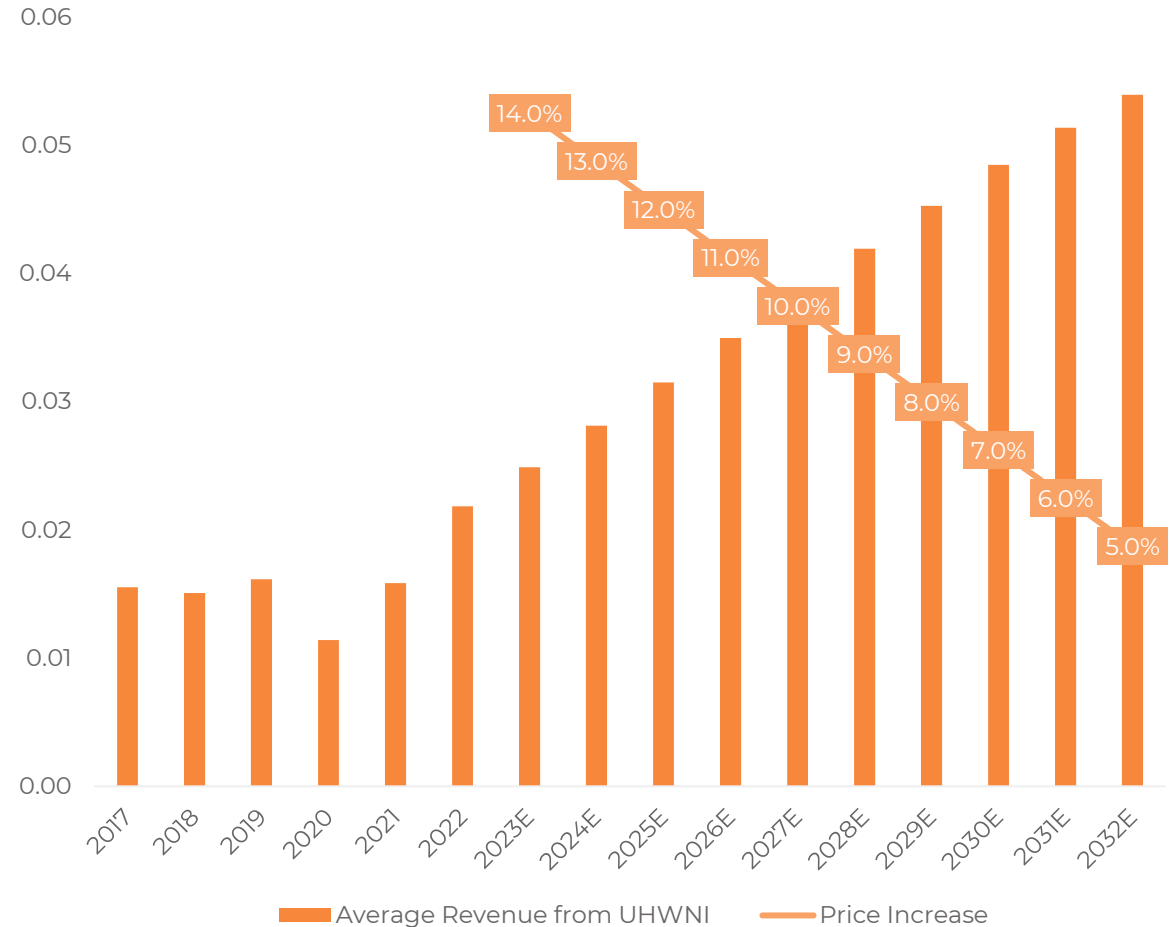
Concentration of wealth drives the growth of Hermès' sales

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Average Revenue from Ultra High Net Worth Individuals (in thousands of €)



Average Revenue from High Net Worth Individuals (in thousands of €)



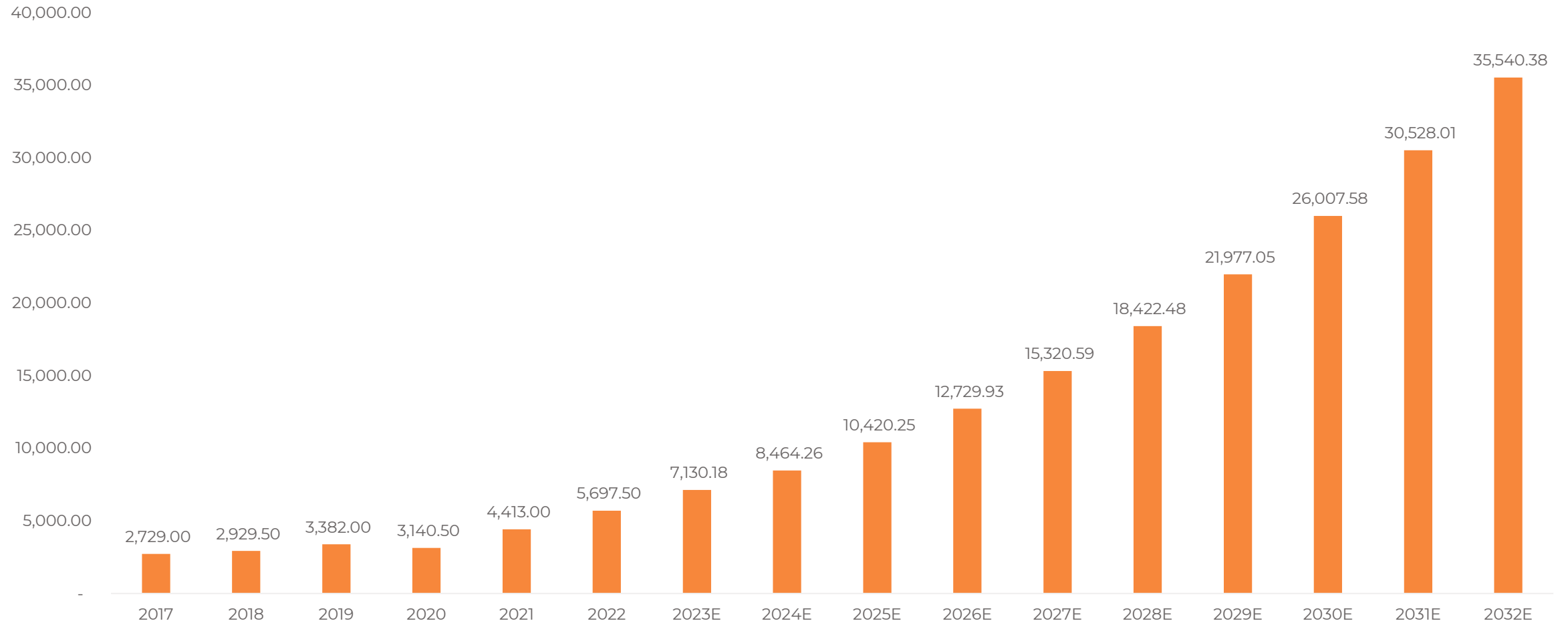
# Revenue from UHNWI and HNWI



Concentration of wealth drives the growth of Hermès' sales

## IV. Total Revenue from UHNWI and HNWI

*Revenue from Ultra High Net Worth Individuals and High North Individuals (in million €)*



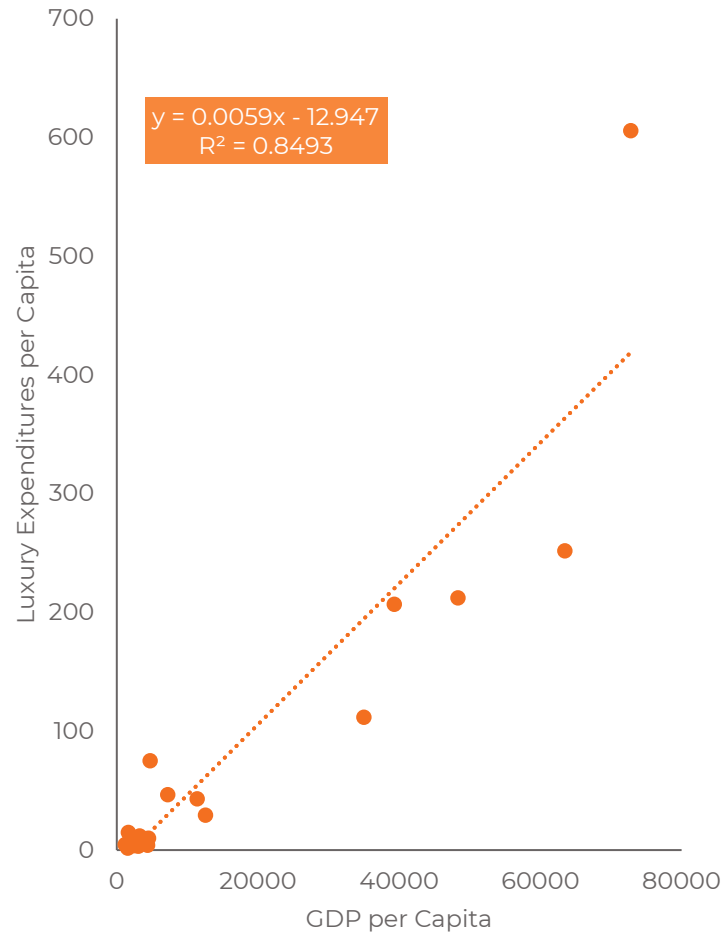
# Revenue from non - UHNWI and HNWI



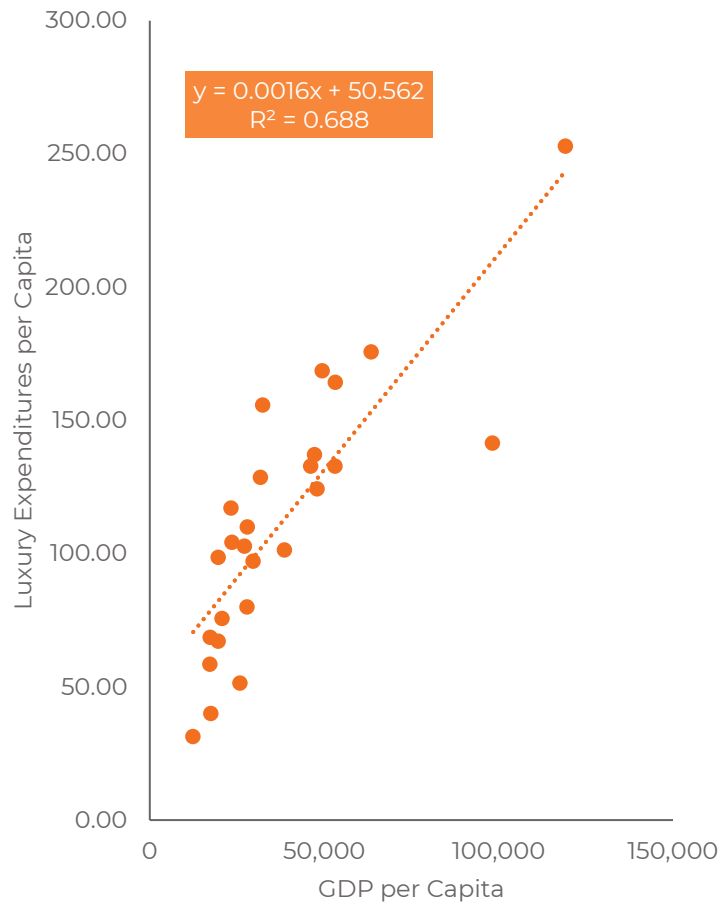
Those who are not part of these groups are more sensitive to macro scenario and changes in income

## I. Regression between GDP and Luxury Expenditure per Capita

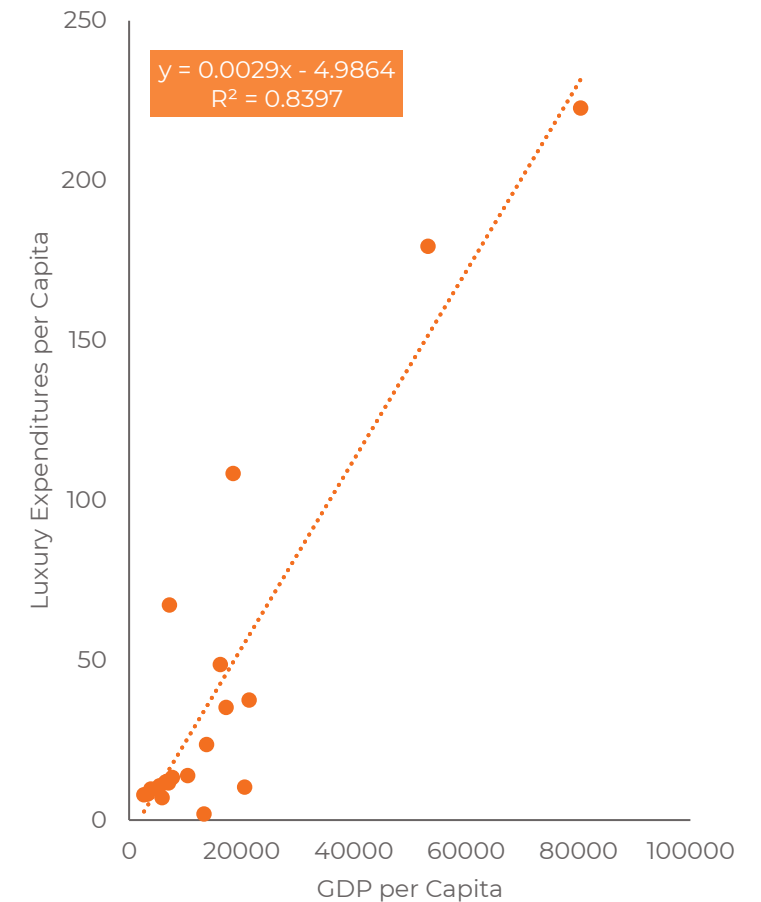
*GDP x Luxury Expenditure (in USD per Capita) in Asia-Pacific*



*GDP x Luxury Expenditure (in USD per Capita) in Europe*



*GDP x Luxury Expenditure (in USD per Capita) in Americas*



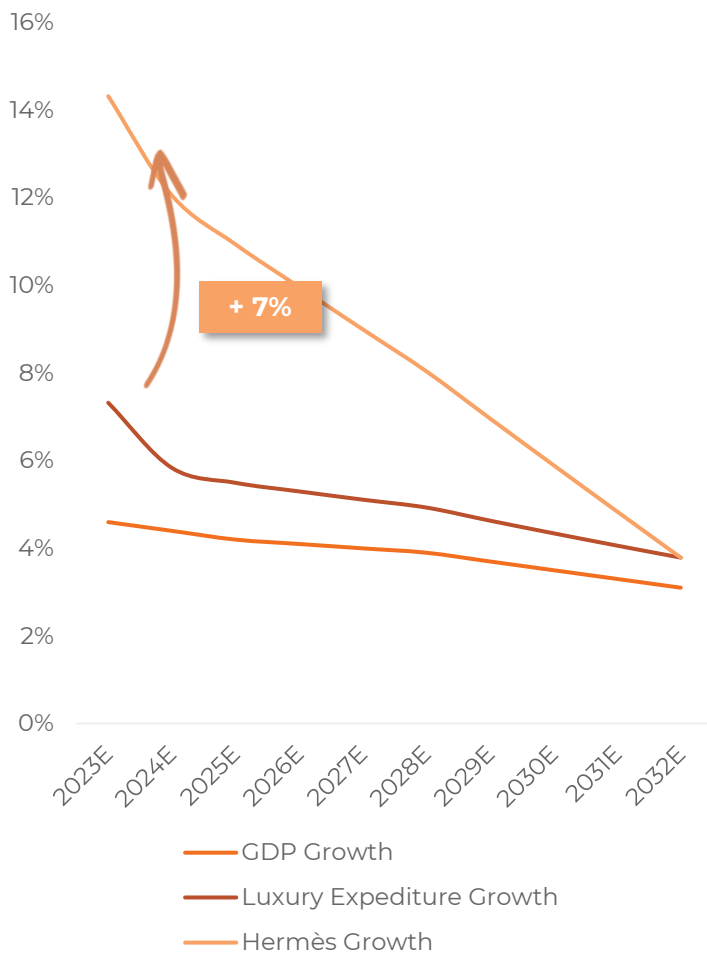
# Revenue from non - UHNWI and HNWI



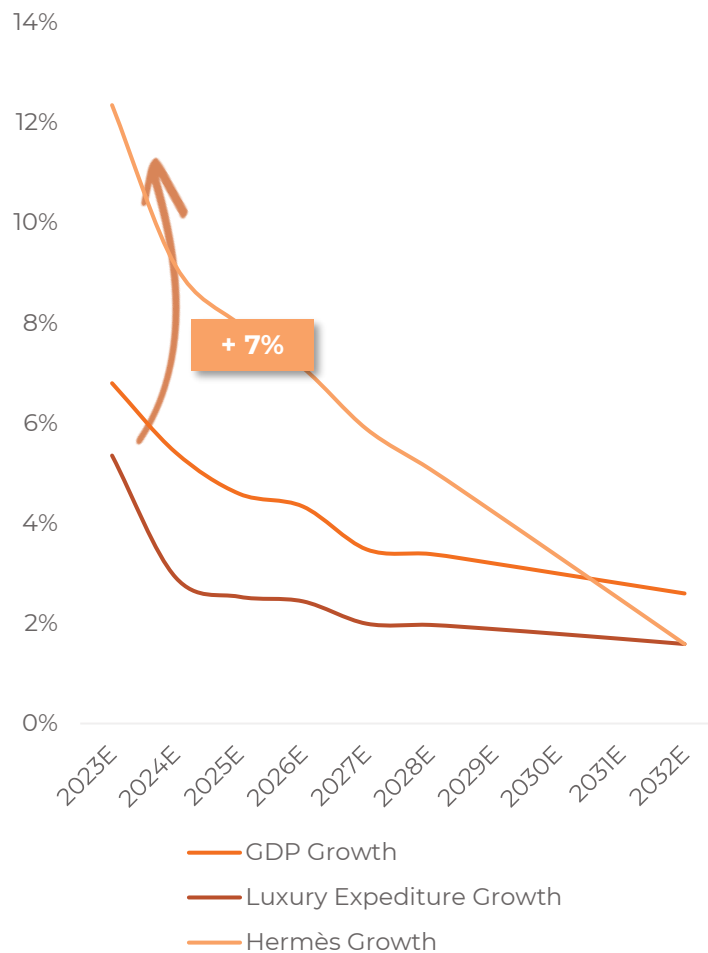
Those who are not part of these groups are more sensitive to macro scenario and changes in income

## II. Forecast of the Industry Growth and Hermès Growth

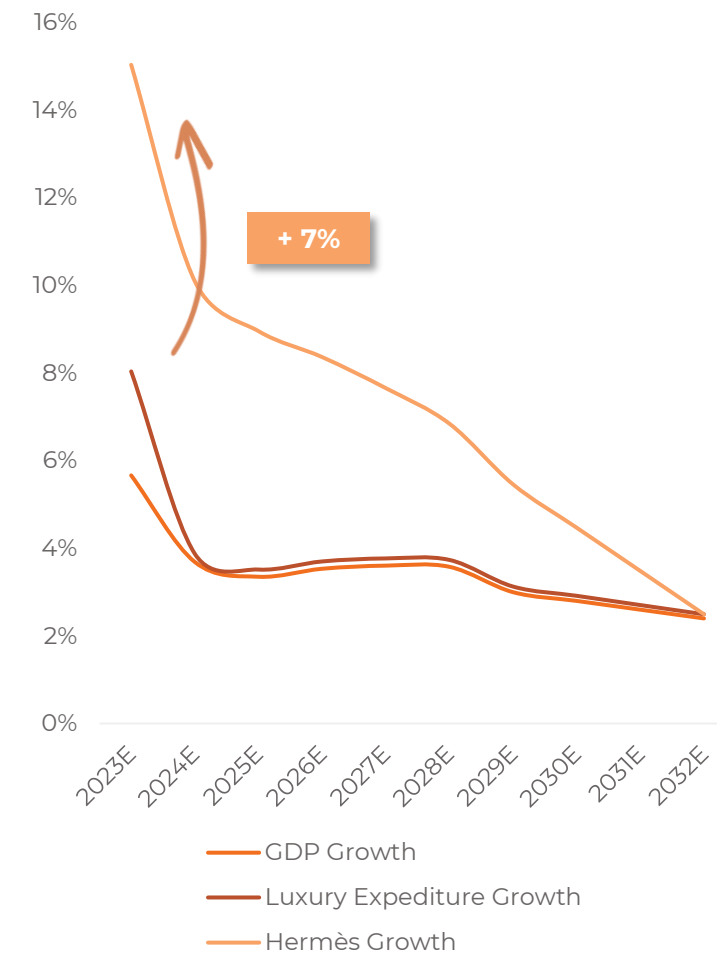
GDP, Luxury Expenditure and Hermès Growth in Asia-Pacific



GDP, Luxury Expenditure and Hermès Growth in Europe



GDP, Luxury Expenditure and Hermès Growth in America



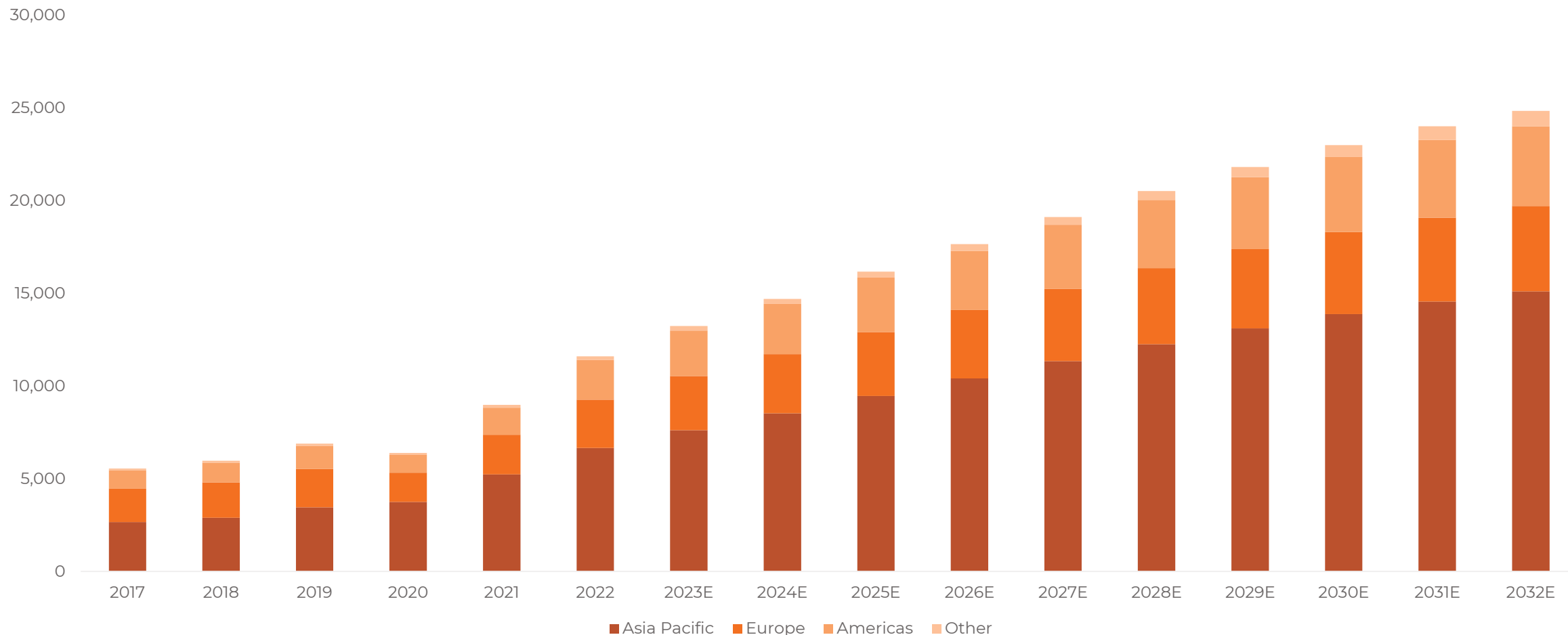
# Revenue from non - UHNWI and HNWI



Those who are not part of these groups are more sensitive to macro scenario and changes in income

## III. Total Revenue from non - UHNWI and HNWI

Revenue from non - Ultra High Net Worth Individuals or High North Individuals (in million €)



# Income Statement



## I. Income Statement Forecast

	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<b>Revenue</b>	<b>5,549.2</b>	<b>5,966.1</b>	<b>6,883.4</b>	<b>6,389.4</b>	<b>8,982.0</b>	<b>11,602.0</b>	<b>13,744.7</b>	<b>15,813.0</b>	<b>18,504.4</b>	<b>21,554.7</b>	<b>24,871.4</b>	<b>28,677.3</b>	<b>32,881.3</b>	<b>37,497.6</b>	<b>42,526.2</b>	<b>47,956.8</b>
Cost of Sales	-1,659.3	-1,791.8	-2,124.9	-2,013.3	-2,580.0	-3,389.0	-4,129.0	-4,750.4	-5,558.9	-6,475.2	-7,471.6	-8,614.9	-9,877.8	-11,264.6	-12,775.2	-14,406.6
<b>Gross profit</b>	<b>3,889.9</b>	<b>4,175.0</b>	<b>4,758.0</b>	<b>4,376.1</b>	<b>6,402.0</b>	<b>8,213.0</b>	<b>9,615.7</b>	<b>11,062.7</b>	<b>12,945.5</b>	<b>15,079.5</b>	<b>17,399.8</b>	<b>20,062.4</b>	<b>23,003.5</b>	<b>26,233.0</b>	<b>29,751.0</b>	<b>33,550.2</b>
Selling, marketing and administrative expenses	-1,656.4	-1,562.4	-1,815.6	-1,698.5	-2,136.0	-2,680.0	-3,513.0	-4,041.7	-4,729.6	-5,509.2	-6,356.9	-7,329.7	-8,404.2	-9,584.1	-10,869.4	-12,257.4
<b>EBIT</b>	<b>1,922.0</b>	<b>2,128.0</b>	<b>2,338.9</b>	<b>2,072.5</b>	<b>3,530.0</b>	<b>4,697.0</b>	<b>6,102.6</b>	<b>7,021.0</b>	<b>8,215.9</b>	<b>9,570.3</b>	<b>11,042.9</b>	<b>12,732.7</b>	<b>14,599.3</b>	<b>16,648.9</b>	<b>18,881.7</b>	<b>21,292.8</b>
Net financial income	-32.2	-34.6	-69.0	-86.0	-96.0	-62.0	37.9	5.4	12.1	19.6	28.2	37.8	48.7	61.0	74.8	90.4
<b>Net income before tax</b>	<b>1,889.8</b>	<b>2,066.2</b>	<b>2,270.3</b>	<b>1,986.4</b>	<b>3,435.0</b>	<b>4,635.0</b>	<b>6,140.6</b>	<b>7,026.4</b>	<b>8,228.0</b>	<b>9,589.9</b>	<b>11,071.1</b>	<b>12,770.5</b>	<b>14,648.0</b>	<b>16,710.0</b>	<b>18,956.5</b>	<b>21,383.2</b>
Income tax	-669.3	-672.2	-751.0	-613.0	-1,016.0	-1,305.0	-1,895.6	-2,169.1	-2,540.0	-2,960.4	-3,417.7	-3,942.3	-4,521.9	-5,158.4	-5,851.9	-6,601.0
Net income from associates	5.3	16.6	15.9	16.1	34.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
<b>Net income</b>	<b>1,225.8</b>	<b>1,410.6</b>	<b>1,535.2</b>	<b>1,389.5</b>	<b>2,453.0</b>	<b>3,380.0</b>	<b>4,245.0</b>	<b>4,857.3</b>	<b>5,688.0</b>	<b>6,629.5</b>	<b>7,653.4</b>	<b>8,828.3</b>	<b>10,126.1</b>	<b>11,551.6</b>	<b>13,104.6</b>	<b>14,782.1</b>



# Capex: Fixed Assets



## I. Fixed Assets Forecast in line with Revenue Growth

Fixed Assets (in million €)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Land	158.4	155.3	164.0	171.6	199.0	191.0	196.2	201.5	207.0	212.6	218.3	224.2	230.3	236.5	243.0	249.5
Buildings	820.3	854.1	955.8	1,011.0	1,130.0	1,275.0	1,357.9	1,446.2	1,540.3	1,640.4	1,747.1	1,860.7	1,981.7	2,110.6	2,247.9	2,394.1
Industrial machinery, plant and equipment	301.9	335.7	363.4	424.3	471.0	457.0	484.9	514.5	545.9	579.2	614.5	652.0	691.8	734.0	778.8	826.3
Store fixtures and furnishing	769.4	887.7	1,013.3	1,044.2	1,225.0	1,433.0	1,566.1	1,711.7	1,870.7	2,044.5	2,234.4	2,442.1	2,668.9	2,916.9	3,187.9	3,484.1
Other PP&E	341.5	374.5	407.5	443.3	502.0	561.0	602.2	646.5	694.0	745.0	799.7	858.5	921.6	989.3	1,062.0	1,140.0
Fixed assets under construction	91.3	94.0	135.9	175.6	248.0	209.0	235.2	264.8	298.1	335.5	377.6	425.0	478.4	538.5	606.2	682.3
<b>Total</b>	<b>2,482.8</b>	<b>2,701.3</b>	<b>3,039.9</b>	<b>3,270.0</b>	<b>3,775.0</b>	<b>4,126.0</b>	<b>4,442.6</b>	<b>4,785.1</b>	<b>5,155.8</b>	<b>5,557.1</b>	<b>5,991.7</b>	<b>6,462.6</b>	<b>6,972.8</b>	<b>7,525.9</b>	<b>8,125.7</b>	<b>8,776.4</b>

# Capex: Fixed Assets



## II. Depreciation

<b>Annual Depreciation (in million €) and years of depreciation</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>
Buildings (35)		32.2	37.9	22.6	71.7	40.0	13.0	15.4	17.9	20.6	23.4	26.5	29.7	33.2	36.9	40.8
Industrial machinery, plant and equipment (15)		22.7	17.1	42.5	31.9	-8.0	11.3	13.1	15.1	17.2	19.4	21.8	24.3	26.9	29.7	32.7
Store fixtures and furnishing (6)		62.7	57.9	26.3	89.5	123.0	44.2	53.1	62.8	73.4	85.0	97.7	111.5	126.6	143.2	161.2
Other PP&E (6)		22.8	18.2	24.2	30.7	35.0	44.2	53.1	62.8	73.4	85.0	97.7	111.5	126.6	143.2	161.2
Impairment losses		16.7	10.5	10.2	46.3	36.0	27.7	31.6	35.9	40.9	46.5	53.0	60.3	68.6	78.1	88.8
<b>Total</b>	<b>0.0</b>	<b>157.1</b>	<b>141.6</b>	<b>125.8</b>	<b>270.1</b>	<b>226.0</b>	<b>140.5</b>	<b>166.3</b>	<b>194.6</b>	<b>225.5</b>	<b>259.4</b>	<b>296.6</b>	<b>337.3</b>	<b>382.0</b>	<b>431.0</b>	<b>484.8</b>

# Capex: Fixed Assets



## II. Depreciation

Depreciation Schedule (in million €)	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	
Buildings Acquired in 2018	33.80	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	
Buildings Acquired in 2019	101.70		2.91	2.91	2.91	2.91	2.91	2.91	2.91	2.91	2.91	2.91	2.91	2.91	2.91	
Buildings Acquired in 2020	55.20			1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	
Buildings Acquired in 2021	119.00				3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	
Buildings Acquired in 2022	145.00					4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	
Buildings Acquired in 2023	82.92						2.37	2.37	2.37	2.37	2.37	2.37	2.37	2.37	2.37	
Buildings Acquired in 2024	88.31							2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52	
Buildings Acquired in 2025	94.05								2.69	2.69	2.69	2.69	2.69	2.69	2.69	
Buildings Acquired in 2026	100.17									2.86	2.86	2.86	2.86	2.86	2.86	
Buildings Acquired in 2027	106.68										3.05	3.05	3.05	3.05	3.05	
Buildings Acquired in 2028	113.62											3.25	3.25	3.25	3.25	
Buildings Acquired in 2029	121.01												3.46	3.46	3.46	
Buildings Acquired in 2030	128.88													3.68	3.68	
Buildings Acquired in 2031	137.26														3.92	
<b>Total</b>		<b>0.00</b>	<b>0.97</b>	<b>3.87</b>	<b>5.45</b>	<b>8.85</b>	<b>12.99</b>	<b>15.36</b>	<b>17.88</b>	<b>20.57</b>	<b>23.43</b>	<b>26.48</b>	<b>29.73</b>	<b>33.18</b>	<b>36.87</b>	<b>40.79</b>

# Capex: Fixed Assets



## III. Capital Expenditures

Capital Expenditures (in million €)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Land	-	-3.1	8.7	7.6	27.4	-8.0	5.2	5.3	5.5	5.6	5.8	5.9	6.1	6.2	6.4	6.6
Buildings	-	66.0	139.6	77.8	190.7	185.0	95.9	103.7	111.9	120.7	130.1	140.1	150.7	162.1	174.1	187.0
Industrial machinery, plant and equipment	-	56.5	44.8	103.4	78.6	-22.0	39.2	42.7	46.5	50.5	54.8	59.3	64.1	69.1	74.5	80.2
Store fixtures and furnishing	-	181.0	183.5	57.2	270.3	331.0	177.4	198.6	221.8	247.2	275.0	305.3	338.4	374.6	414.2	457.4
Other PP&E	-	55.8	51.2	60.0	89.4	94.0	85.5	97.4	110.3	124.4	139.8	156.4	174.6	194.4	215.9	239.3
Fixed assets under construction	-	2.7	41.9	39.7	72.4	-39.0	26.2	29.5	33.3	37.4	42.1	47.4	53.4	60.1	67.6	76.1
<b>Total</b>	<b>-</b>	<b>358.9</b>	<b>469.7</b>	<b>345.7</b>	<b>728.8</b>	<b>541.0</b>	<b>429.3</b>	<b>477.2</b>	<b>529.3</b>	<b>585.9</b>	<b>647.5</b>	<b>714.4</b>	<b>787.3</b>	<b>866.5</b>	<b>952.7</b>	<b>1,046.6</b>

# Capex: Intangible Assets



## I. Intangible Assets Forecast in line with Revenue Growth

<b>Intangible Assets (in million €)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>
Softwares, licences, e-commerce website and patents	215.9	279.4	356.2	451.2	560.0	578.0	665.3	683.3	701.9	720.9	740.4	760.5	781.1	802.2	824.0	846.3
Other Intangible assets	84.7	141.2	136.3	134.1	143.0	141.0	151.6	163.1	175.4	188.7	202.9	218.2	234.7	252.4	271.5	292.0
Fixed assets under construction	15.8	22.0	32.8	36.8	38.0	19.0	19.5	20.0	20.6	21.1	21.7	22.3	22.8	23.5	24.1	24.7
<b>Total</b>	<b>316.4</b>	<b>442.6</b>	<b>525.3</b>	<b>622.1</b>	<b>741.0</b>	<b>738.0</b>	<b>836.5</b>	<b>866.5</b>	<b>897.8</b>	<b>930.7</b>	<b>965.0</b>	<b>1,001.0</b>	<b>1,038.6</b>	<b>1,078.1</b>	<b>1,119.6</b>	<b>1,163.0</b>

# Capex: Intangible Assets



## II. Amortization

Annual Amortization (in million €) and years of depreciation	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	
Softwares, licences, e-commerce website and patents (4)	0.0	15.9	35.1	58.8	86.0	90.5	112.4	116.9	121.5	126.2	131.1	136.1	141.3	146.6	152.0	
Other Intangible assets (4)	0.0	14.1	12.9	12.4	14.6	14.1	16.7	19.6	22.7	26.0	29.6	33.4	37.5	41.9	46.7	
Impairment losses	7.5	6.3	2.6	-8.9	5.0	3.7	4.4	5.3	6.4	7.6	9.1	10.9	13.0	15.5	18.6	
<b>Total</b>	<b>0.0</b>	<b>7.5</b>	<b>36.3</b>	<b>50.6</b>	<b>62.3</b>	<b>105.6</b>	<b>108.3</b>	<b>133.5</b>	<b>141.8</b>	<b>150.5</b>	<b>159.8</b>	<b>169.8</b>	<b>180.4</b>	<b>191.8</b>	<b>204.1</b>	<b>217.3</b>

# Capex: Intangible Assets



## II. Amortization

in million €	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Softwares ... and patents Acquired in 2018	63.50	15.88	15.88	15.88	15.88	15.88	15.88	15.88	15.88	15.88	15.88	15.88	15.88	15.88	15.88
Softwares ... and patents Acquired in 2019	76.80		19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20
Softwares ... and patents Acquired in 2020	95.00			23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75
Softwares ... and patents Acquired in 2021	108.80				27.20	27.20	27.20	27.20	27.20	27.20	27.20	27.20	27.20	27.20	27.20
Softwares ... and patents Acquired in 2022	18.00					4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Softwares ... and patents Acquired in 2023	87.31						21.83	21.83	21.83	21.83	21.83	21.83	21.83	21.83	21.83
Softwares ... and patents Acquired in 2024	18.03							4.51	4.51	4.51	4.51	4.51	4.51	4.51	4.51
Softwares ... and patents Acquired in 2025	18.52								4.63	4.63	4.63	4.63	4.63	4.63	4.63
Softwares ... and patents Acquired in 2026	19.02									4.75	4.75	4.75	4.75	4.75	4.75
Softwares ... and patents Acquired in 2027	19.53										4.88	4.88	4.88	4.88	4.88
Softwares ... and patents Acquired in 2028	20.06											5.02	5.02	5.02	5.02
Softwares ... and patents Acquired in 2029	20.61												5.15	5.15	5.15
Softwares ... and patents Acquired in 2030	21.16													5.29	5.29
Softwares ... and patents Acquired in 2031	21.74														5.43
<b>Total</b>	<b>0.00</b>	<b>15.88</b>	<b>35.08</b>	<b>58.83</b>	<b>86.03</b>	<b>90.53</b>	<b>112.35</b>	<b>116.86</b>	<b>121.49</b>	<b>126.24</b>	<b>131.13</b>	<b>136.14</b>	<b>141.29</b>	<b>146.58</b>	<b>152.02</b>

# Capex: Intangible Assets



## III. Capital Expenditures

Capital Expenditures (in million €)	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Softwares, licences, e-commerce website and patents	- 63.5	92.7	130.1	167.6	104.0	177.8	130.4	135.4	140.5	145.8	151.2	156.7	162.5	168.3	174.3
Other Intangible assets	- 56.5	9.2	10.7	21.3	12.6	24.7	28.2	31.9	35.9	40.2	44.9	49.9	55.2	61.0	67.2
Fixed assets under construction	- 6.2	10.8	4.0	1.2	-19.0	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Impairment losses	- 7.5	6.3	2.6	-8.9	5.0	3.7	4.4	5.3	6.4	7.6	9.1	10.9	13.0	15.5	18.6
<b>Total</b>	<b>- 133.7</b>	<b>119.0</b>	<b>147.4</b>	<b>181.2</b>	<b>102.6</b>	<b>206.8</b>	<b>163.5</b>	<b>173.1</b>	<b>183.3</b>	<b>194.2</b>	<b>205.7</b>	<b>218.1</b>	<b>231.3</b>	<b>245.5</b>	<b>260.8</b>



# Working Capital



## I. Working Capital Forecasted by Days

in million €	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Accounts & Notes Receivable	256	281	318	250	333	383	465	511	631	699	836	934	1095	1219	1406	1554
<i>Accounts receivable days</i>		16.41	15.87	16.21	11.84	11.26	11.26	11.26	11.26	11.26	11.26	11.26	11.26	11.26	11.26	11.26
Inventories and work-in progress	896	964	1,133	1,289	1,449	1,779	2154	2371	2924	3244	3873	4333	5076	5654	6515	7207
<i>Inventory days</i>		189.4	180.0	219.5	193.7	173.8	173.8	173.8	173.8	173.8	173.8	173.8	173.8	173.8	173.8	173.8
Payables	622	782	840	666	882	1,273	1304	1538	1959	1929	2707	2486	3592	3185	4618	4022
<i>Payable days</i>		137.79	129.04	126.68	103.12	105.75	104.44	104.44	104.44	104.44	104.44	104.44	104.44	104.44	104.44	104.44
Working Capital	530	463	610	873	900	889	1,315	1,343	1,596	2,014	2,002	2,780	2,580	3,687	3,302	4,739
<b>Change in Working Capital</b>		<b>-67</b>	<b>147</b>	<b>263</b>	<b>27</b>	<b>-11</b>	<b>426</b>	<b>29</b>	<b>253</b>	<b>418</b>	<b>-11</b>	<b>778</b>	<b>-201</b>	<b>1,108</b>	<b>-385</b>	<b>1,437</b>

# Net Financial Income



## I. Net Financial Income Forecast

in million €	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<b>Income from cash and cash equivalents</b>	<b>7.0</b>	<b>13.6</b>	<b>19.0</b>	<b>10.6</b>	<b>12.0</b>	<b>67.0</b>	<b>40.2</b>	<b>46.2</b>	<b>54.1</b>	<b>63.0</b>	<b>72.7</b>	<b>83.8</b>	<b>96.1</b>	<b>109.6</b>	<b>124.3</b>	<b>140.2</b>
Cash and cash equivalents	2,932	3,479	4,384	4,733	6,696	9,225	10,996	12,650	14,803	17,244	19,897	22,942	26,305	29,998	34,021	38,365
Interest on cash	0.2%	0.4%	0.4%	0.2%	0.2%	0.7%	<b>0.4%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.4%</b>
<b>Cost of net financial debt</b>	<b>-1.8</b>	<b>-0.9</b>	<b>-0.8</b>	<b>-1.2</b>	<b>0.0</b>	<b>-3.0</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>
Total borrowings	53.6	50.0	50.1	42.9	25.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0
Interest on financial debt	3.4%	1.8%	1.6%	2.8%	0.0%	8.1%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
<b>Interest expense on lease liabilities</b>	<b>0</b>	<b>0</b>	<b>-24.4</b>	<b>-28.7</b>	<b>-32.0</b>	<b>-43.0</b>	<b>-38.2</b>	<b>-38.2</b>	<b>-38.2</b>	<b>-38.2</b>	<b>-38.2</b>	<b>-38.2</b>	<b>-38.2</b>	<b>-38.2</b>	<b>-38.2</b>	<b>-38.2</b>
Lease liabilities	0	1,116	1,092	1,643	1,777	1,897	1,897.0	1,897.0	1,897.0	1,897.0	1,897.0	1,897.0	1,897.0	1,897.0	1,897.0	1,897.0
Interest on lease liabilities			2.2%	1.7%	1.8%	2.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

# Cash Flow Statement



## I. Cash Flow Statement Forecast

in million €	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	6,102.65	7,020.98	8,215.94	9,570.28	11,042.90	12,732.72	14,599.28	16,648.94	18,881.65	21,292.82
Income tax	-1,884.18	-2,169.54	-2,540.85	-2,961.69	-3,419.29	-3,944.37	-4,524.38	-5,161.28	-5,855.06	-6,604.29
NOPLAT	4,218.47	4,851.44	5,675.08	6,608.59	7,623.61	8,788.35	10,074.90	11,487.66	13,026.59	14,688.53
D&A	515.62	567.45	604.76	645.27	689.30	737.20	789.39	846.30	908.42	976.31
Change in working capital	-425.74	-28.52	-252.63	-417.64	11.31	-778.04	200.68	-1,107.64	385.15	-1,437.06
<b>Cash flow from operating activities</b>	<b>4,308.34</b>	<b>5,390.38</b>	<b>6,027.22</b>	<b>6,836.21</b>	<b>8,324.22</b>	<b>8,747.52</b>	<b>11,064.97</b>	<b>11,226.32</b>	<b>14,320.16</b>	<b>14,227.78</b>
Capex	-907.72	-913.21	-975.71	-1,043.34	-1,116.57	-1,195.90	-1,281.91	-1,375.21	-1,476.49	-1,586.52
<b>Cash flow from investing activities</b>	<b>-907.72</b>	<b>-913.21</b>	<b>-975.71</b>	<b>-1,043.34</b>	<b>-1,116.57</b>	<b>-1,195.90</b>	<b>-1,281.91</b>	<b>-1,375.21</b>	<b>-1,476.49</b>	<b>-1,586.52</b>
Change in net borrowing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest paid	-1.09	-1.09	-1.09	-1.09	-1.09	-1.09	-1.09	-1.09	-1.09	-1.09
Dividends paid	-1,372.40	-1,441.02	-1,513.07	-1,588.73	-1,668.16	-1,751.57	-1,839.15	-1,931.11	-2,027.66	-2,129.05
Buybacks	-256.36	-1,380.41	-1,384.26	-1,762.79	-2,885.03	-2,754.22	-4,579.66	-4,225.83	-6,793.02	-6,168.68
<b>Cash flow from financing activities</b>	<b>-1,629.86</b>	<b>-2,822.52</b>	<b>-2,898.42</b>	<b>-3,352.61</b>	<b>-4,554.29</b>	<b>-4,506.88</b>	<b>-6,419.90</b>	<b>-6,158.02</b>	<b>-8,820.77</b>	<b>-8,296.82</b>
Net increase in cash	1,770.76	1,654.65	2,153.08	2,440.26	2,653.36	3,044.73	3,363.16	3,693.09	4,022.90	4,344.44
Cash at the beginning of the year	9,225.00	10,995.76	12,650.41	14,803.49	17,243.75	19,897.11	22,941.85	26,305.00	29,998.09	34,020.99
Cash at end of the year	10,995.76	12,650.41	14,803.49	17,243.75	19,897.11	22,941.85	26,305.00	29,998.09	34,020.99	38,365.44

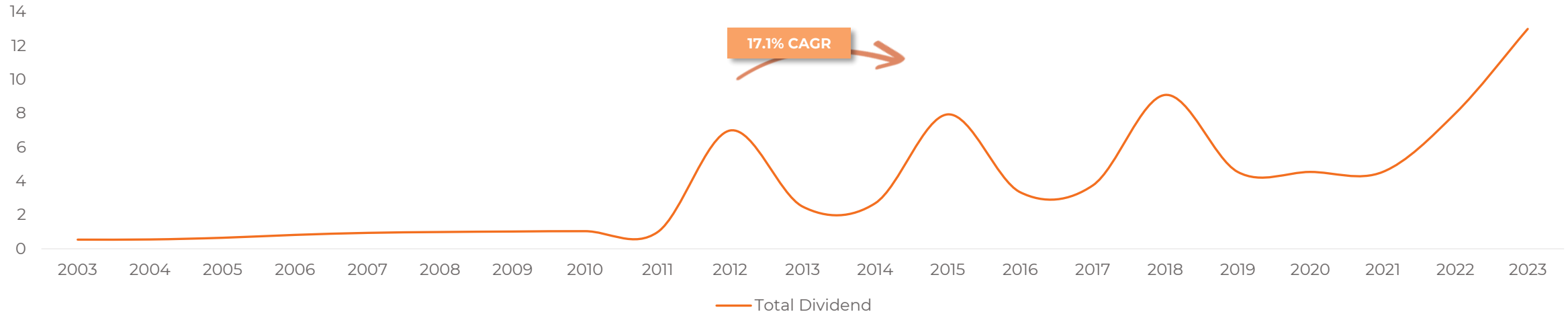
80% of the year's revenue

# Shareholder Remuneration



## I. Historical Dividends

*Dividends paid per share*



## II. Dividend Forecast

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	
Dividend per Share	13.00	13.65	14.33	15.05	15.80	16.59	17.42	18.29	19.21	20.17	+5%
Number of Shares Outstanding	105,569,400.00										
<b>Total Dividends Paid</b>	<b>1,372.40</b>	<b>1,441.02</b>	<b>1,513.07</b>	<b>1,588.73</b>	<b>1,668.16</b>	<b>1,751.57</b>	<b>1,839.15</b>	<b>1,931.11</b>	<b>2,027.66</b>	<b>2,129.05</b>	

# Shareholder Remuneration



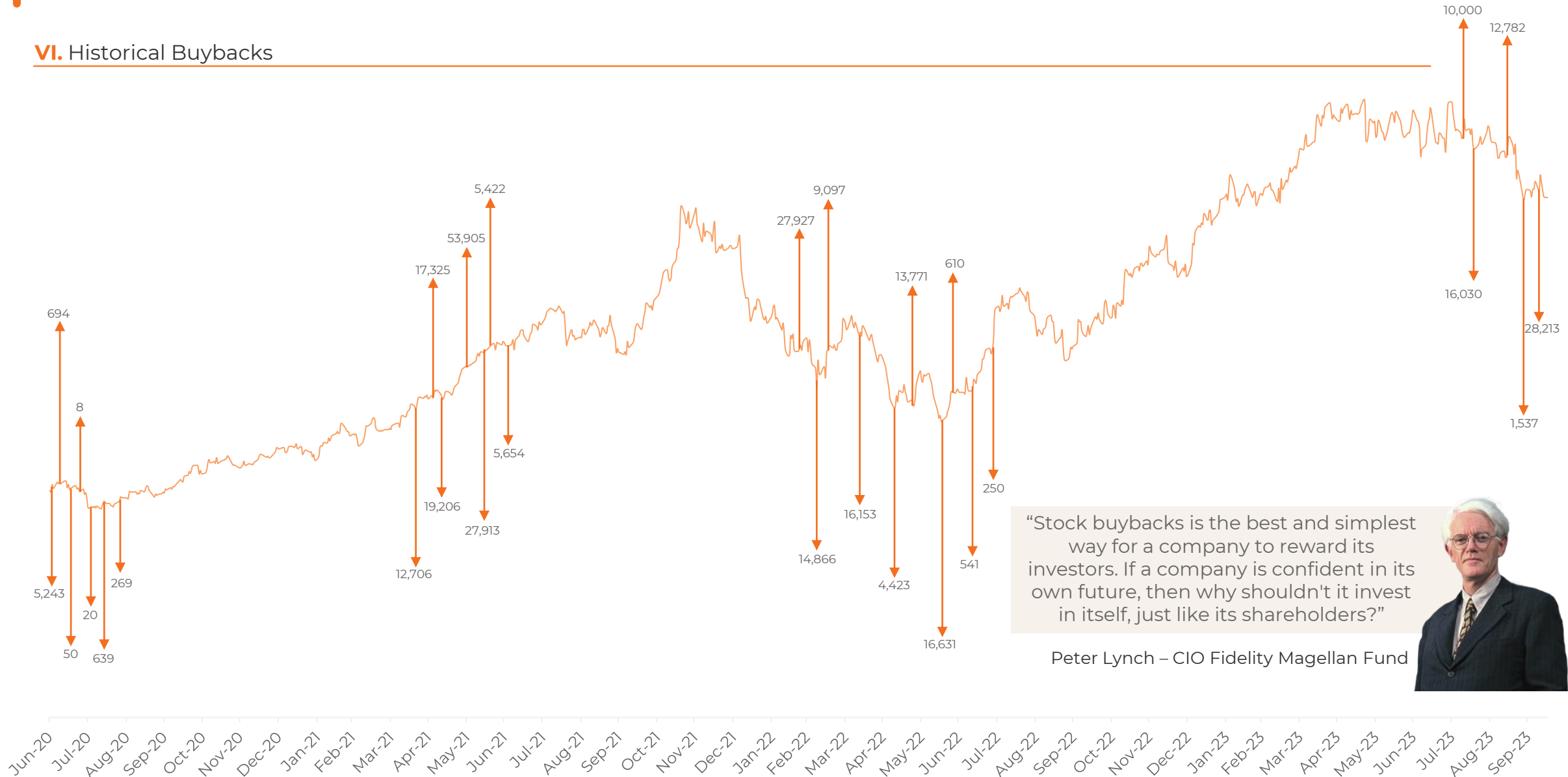
## III. Buybacks Forecast

in million €	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Buybacks	256.36	1,380.41	1,384.26	1,762.79	2,885.03	2,754.22	4,579.66	4,225.83	6,793.02	6,168.68
Share Price	1,812.40	2,155.14	2,168.31	2,181.60	2,198.66	2,226.94	2,254.26	2,300.63	2,344.23	2,416.48
<b>Number of shares bought back</b>	<b>141,450.00</b>	<b>640,519.45</b>	<b>638,405.60</b>	<b>808,025.25</b>	<b>1,312,178.16</b>	<b>1,236,775.60</b>	<b>2,031,556.83</b>	<b>1,836,808.71</b>	<b>2,897,756.53</b>	<b>2,552,756.02</b>
<b>Number of shares outstanding</b>	<b>105,427,950</b>	<b>104,787,431</b>	<b>104,149,025</b>	<b>103,341,000</b>	<b>102,028,822</b>	<b>100,792,046</b>	<b>98,760,489</b>	<b>96,923,680</b>	<b>94,025,924</b>	<b>91,473,168</b>
Equity Value	227,211.78	227,211.78	227,211.78	227,211.78	227,211.78	227,211.78	227,211.78	227,211.78	227,211.78	227,211.78
Final Share Price	2,155.14	2,168.31	2,181.60	2,198.66	2,226.94	2,254.26	2,300.63	2,344.23	2,416.48	2,483.92

# Shareholder Remuneration



## VI. Historical Buybacks



“Stock buybacks is the best and simplest way for a company to reward its investors. If a company is confident in its own future, then why shouldn't it invest in itself, just like its shareholders?”

Peter Lynch – CIO Fidelity Magellan Fund



# Free Cash Flow to Firm



## I. Free Cash Flow to Firm

in million €	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	1,922.0	2,128.0	2,338.9	2,072.5	3,530.0	4,697.0	6,102.6	7,021.0	8,215.9	9,570.3	11,042.9	12,732.7	14,599.3	16,648.9	18,881.7	21,292.8
Income tax	-669.3	-672.2	-751.0	-613.0	-1,016.0	-1,305.0	-1,884.2	-2,169.5	-2,540.9	-2,961.7	-3,419.3	-3,944.4	-4,524.4	-5,161.3	-5,855.1	-6,604.3
NOPLAT	1,252.7	1,455.8	1,587.9	1,459.5	2,514.0	3,392.0	4,218.5	4,851.4	5,675.1	6,608.6	7,623.6	8,788.3	10,074.9	11,487.7	13,026.6	14,688.5
Depreciation and Amortization	-	164.6	388.9	419.4	583.4	597.6	515.6	567.5	604.8	645.3	689.3	737.2	789.4	846.3	908.4	976.3
Capital Expenditures	-	-492.6	-588.7	-1,227.8	-1,232.0	-974.6	-907.7	-913.2	-975.7	-1,043.3	-1,116.6	-1,195.9	-1,281.9	-1,375.2	-1,476.5	-1,586.5
Change in working capital		67.3	-147.4	-262.9	-27.0	11.0	-425.7	-28.5	-252.6	-417.6	11.3	-778.0	200.7	-1,107.6	385.2	-1,437.1
<b>Free Cash Flow to Firm</b>	<b>1,252.7</b>	<b>1,195.1</b>	<b>1,240.7</b>	<b>388.2</b>	<b>1,838.4</b>	<b>3,026.0</b>	<b>3,400.6</b>	<b>4,477.2</b>	<b>5,051.5</b>	<b>5,792.9</b>	<b>7,207.7</b>	<b>7,551.6</b>	<b>9,783.1</b>	<b>9,851.1</b>	<b>12,843.7</b>	<b>12,641.3</b>

## II. Discounted Free Cash Flow to Firm

0	1	2	3	4	5	6	7	8	9	Perpetuity
3,400.6	4,143.2	4,325.9	4,590.7	5,285.8	5,124.8	6,143.9	5,725.1	6,907.4	6,291.4	337,527.0
										167,982.0



## I. Results of our DCF Model

---

Perpetuity Growth	4.0%
Long Term ROIC	60%
Enterprise Value	219,920.8
Net debt	-7,291
Equity Value	227,211.8
Number of Shares Outstanding	103,340,999.7
<b>Share Price</b>	<b>2,198.7</b>
Current Price	€ 1,812.40
Upside	21.31%



# Implicit Value



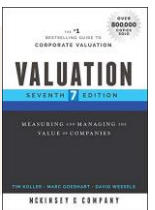
## I. Growth and Margins Implicit in the Stock's Current Price

### FCFF Market Consensus

	2023Y E	2024Y E	2025Y E
Revenue JP	13,329.0	15,161.0	16,741.0
Revenue UBS	13,364.0	15,006.0	16,452.0
Revenue BNP	13,303.0	14,756.0	16,530.0
Revenue BofA	13,747.0	15,640.0	17,643.0
<b>Revenue Consensus</b>	<b>13,470.3</b>	<b>15,157.8</b>	<b>16,813.5</b>
Growth		12.5%	10.9%
NOPAT JP	3,973.0	4,528.0	5,071.0
NOPAT UBS	4,051.0	4,510.0	5,066.0
NOPAT BNP	3,976.0	4,409.0	4,978.0
NOPAT BofA	3,970.0	4,512.0	5,164.0
<b>NOPLAT Consensus</b>	<b>3,984.8</b>	<b>4,470.0</b>	<b>5,018.0</b>
Margin	29.6%	29.5%	29.8%
Growth		12.2%	12.3%
FCFF JP	3,767.0	4,317.0	4,864.0
FCFF UBS	3,894.0	4,448.0	5,046.0
FCFF BNP	3,679.0	4,144.0	4,751.0
FCFF BofA	3,779.0	4,396.0	5,016.0
<b>FCFF Consensus</b>	<b>3,795.0</b>	<b>4,326.8</b>	<b>4,907.3</b>
WACC JP	7.5%		
WACC BNP	8.5%		
WACC BofA	8.1%		
<b>WACC</b>	<b>8.0%</b>		

Work Days	0	254	508
Present Value	3,795.0	4,005.0	4,204.6
<b>Total Present Value 23-25</b>	<b>12,004.6</b>		
Perpetuity Growth Model			
		2026-28	Perp
Perpetuity Growth Rate		<b>7.0%</b>	<b>4.0%</b>
NOPLAT Margin		<b>30.0%</b>	<b>27%</b>
Continuing Value		95,617.1	132,571.3
<b>Present Value</b>		<b>81,925.6</b>	<b>90,086.7</b>
EV		184,011.5	
Net Debt		-7,291.0	
Equity Value		191,302.5	
Numer of Shares Outstanding		105,569,400.0	
Share Price		1,812	

$$\text{Continuing Value} = \frac{(\text{revenue} \cdot \text{noplat margin} \cdot (1 + g)) * \left(1 - \frac{g}{\text{ROIC}}\right)}{\text{WACC} - g}$$





## I. Exit Multiple Analysis

	2023E	2024E	2025E	2026E
<b>EBITDA</b>	6618.3	7588.4	8820.7	10215.55
FCFE	3,401.5	4,484.1	5,066.3	5,816.6
Number of Shares Outstanding	103,340,999.7			
<b>FCFE/Share</b>	<b>32.9</b>	<b>43.4</b>	<b>49.0</b>	<b>56.3</b>
Multiple (EV/EBITDA)	30.0			25.0
Net Debt				-17,963.1
Share	-1,812.4			2,645.1
<b>Cash Flow to Shareholder</b>	<b>-1,779.5</b>	<b>43.4</b>	<b>49.0</b>	<b>2,701.4</b>
<b>TIR</b>	<b>16.55%</b>			



## II. Historical EV/EBITDA Multiple

*Historical Hermès EV/EBITDA Multiple*





## III. Historical P/E Multiple

*Historical Hermès P/E Multiple*

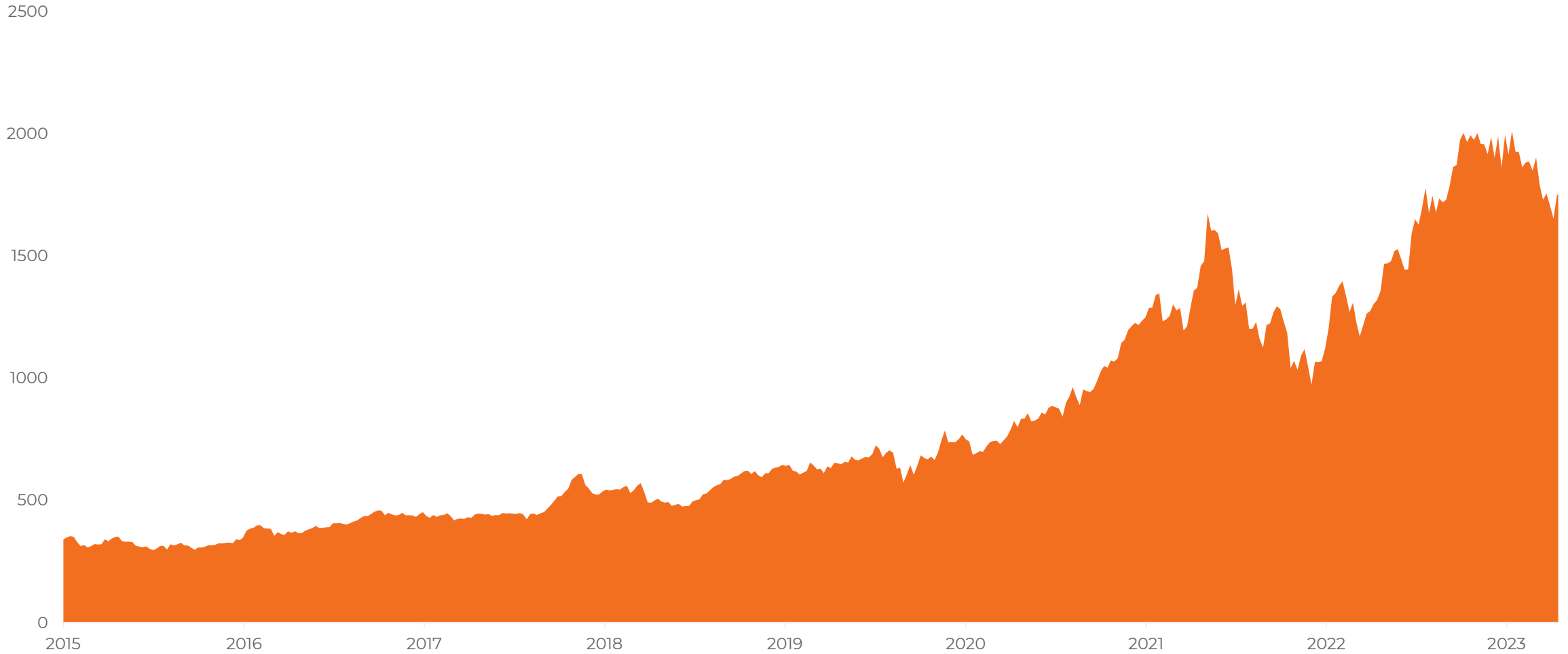


# Volume



## I. Trading Volume

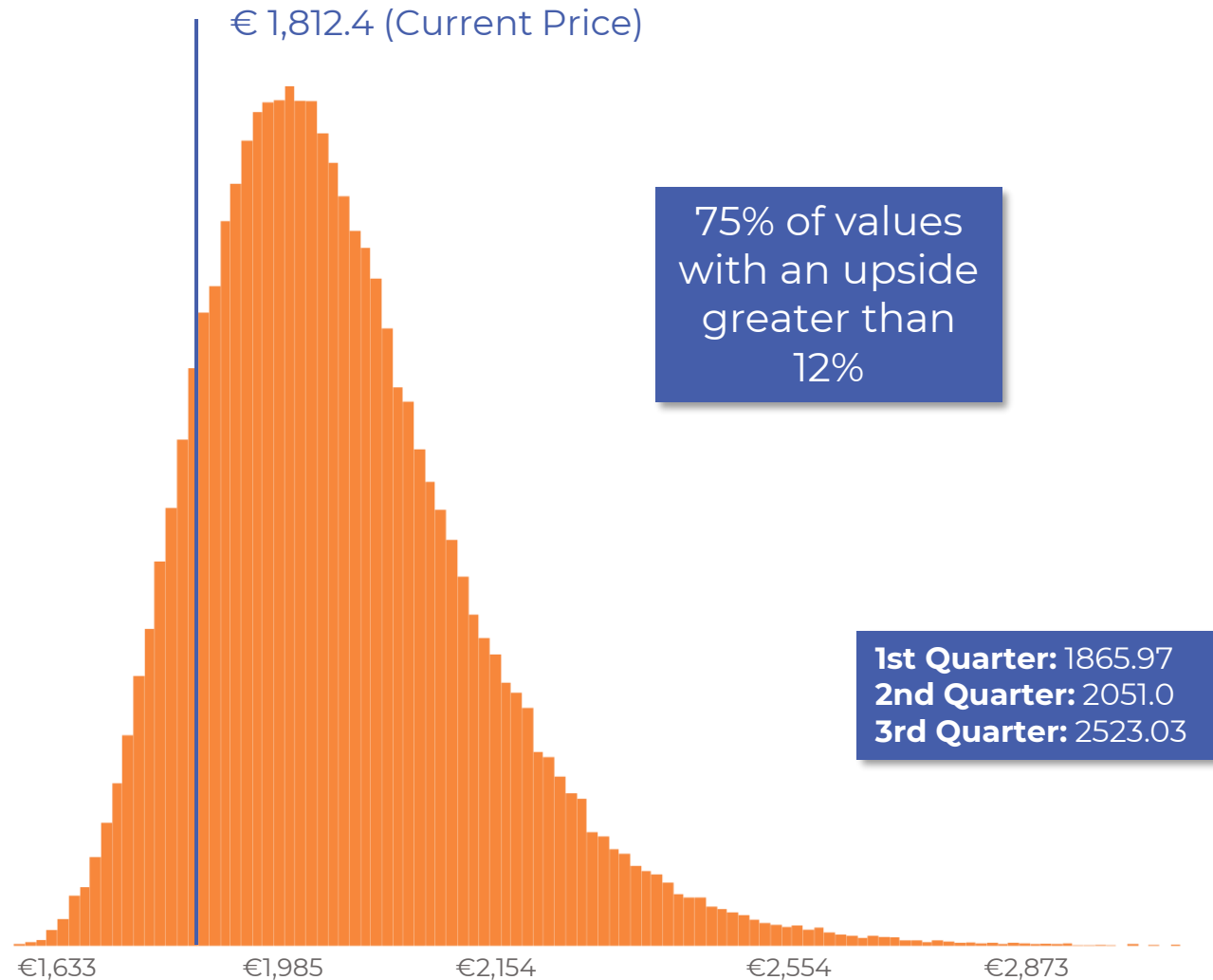
*Daily trading volume*



# Monte Carlo Simulation



## I. Stressing the perpetuity of our model



```
5 import numpy as np
6 import matplotlib.pyplot as plt
7
8 n=100000
9 ev_explicity=(51958)*1000000
10 g_media=0.04
11 g_desv=0.005
12 wacc_media=0.0806
13 wacc_desv=0.002
14 totalshares=91473167
15 debt=1934*1000000
16 cash=9225*1000000
17 FCFE=10010.1*1000000
18 preco_atual=1654.2
19
20 vps=np.zeros(n)
21 ev_perpetuity=np.zeros(n)
22 enterprise_value=np.zeros(n)
23 equity_value=np.zeros(n)
24 upside=np.zeros(n)
25
26 for i in range(n):
27     g=np.random.normal(loc=g_media, scale=g_desv, size=1)
28     wacc=np.random.normal(loc=wacc_media, scale=wacc_desv, size=1)
29     ev_perpetuity[i]=(FCFE*(1+g)/(wacc-g))
30     ev_perpetuity[i]=ev_perpetuity[i]/(1+wacc)**10
31     enterprise_value[i]=ev_perpetuity[i]+ev_explicity
32     equity_value[i]=(enterprise_value[i]-debt+cash)
33     vps[i]=equity_value[i]/totalshares
34     upside[i]=vps[i]/preco_atual-1
35
36 fig.hist(vps, bins=10000, color='green', density=True)
37 fig.xlim(min(vps), max(vps))
38 fig.xlabel('VPS', size=20)
39 fig.ylabel('Frequência')
40 q1=np.percentile(vps, 25)
41 q2=np.percentile(vps, 50)
42 q3=np.percentile(vps, 75)
43
44 print('Q1:', q1)
45 print('Q2:', q2)
46 print('Q3:', q3)
47 print('Valor Médio:', np.mean(vps))
48
```

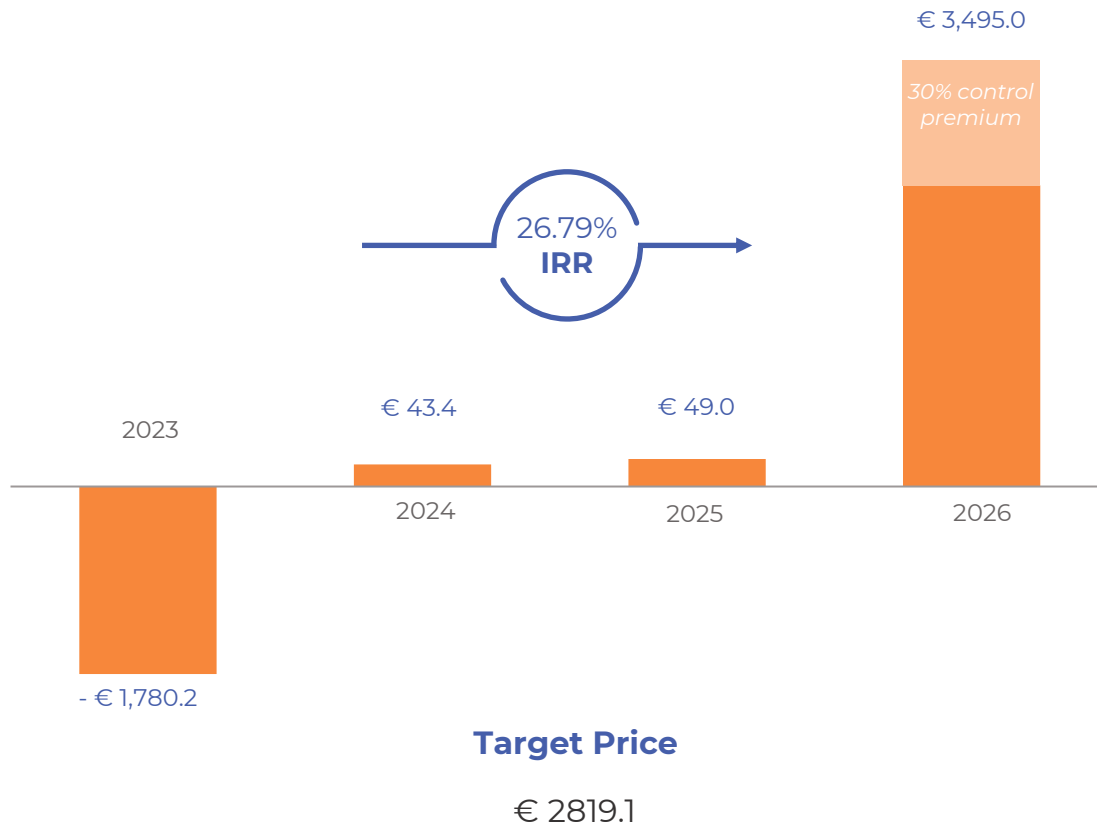


# M&A Options



## I. Takeover

Cash flow of 1 RMS share



## II. Programmatic M&A

Personal luxury excess total returns to shareholders

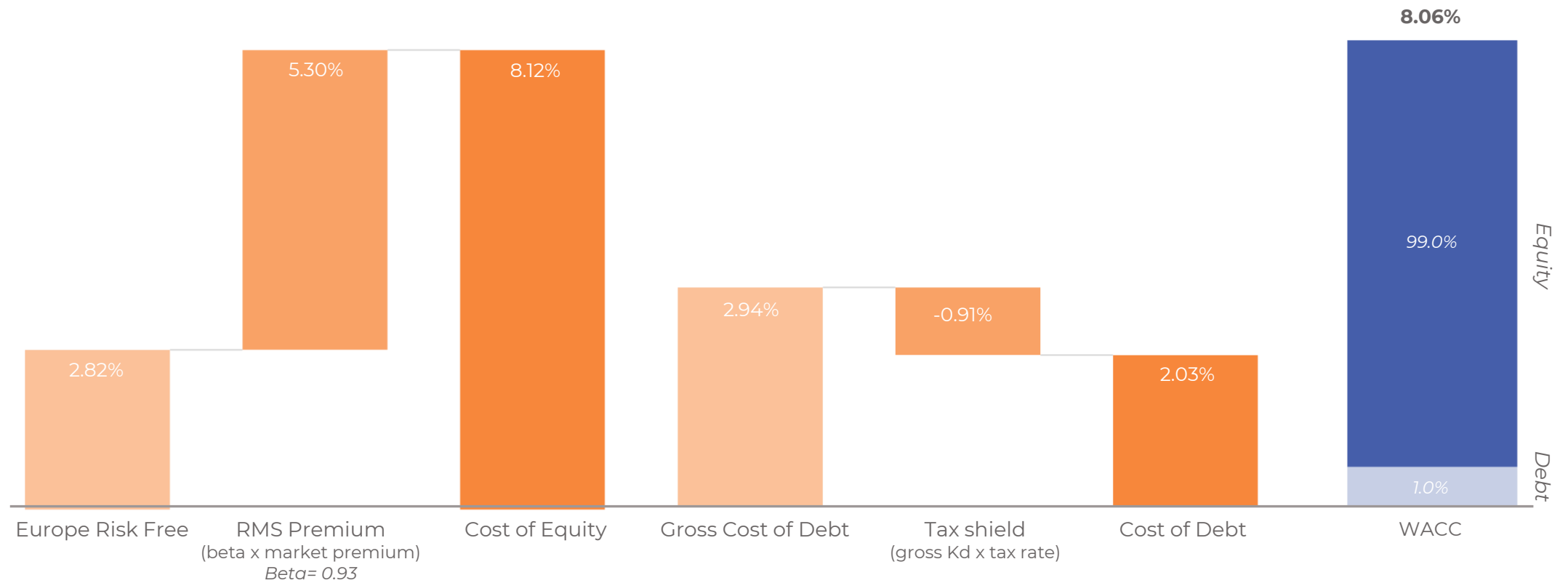


# Weighted Average Cost of Capital



## I. Discount Rate Build-up

WACC build-up (in %)





# Weighted Average Cost of Capital



## II. Cost of Debt

*LVMH Bond Current Yield*

MCFP 3 1/2 09/07/2033 REGS Corp				YAS		Menu de funções relacionadas	
MCFP 3 1/2	09/07/33	€ <b>↑95.529</b>	- .177	95.347 / 95.710	4.081 / 4.034	Source BGN	
		Às 12:59	-- X --				
MCFP 3 1/2 09/07/33 Corp				Config			
		95.347/95.710	4.081/4.034	BGN @ 12:59			
		1) Rendimento e spread		2) Gráficos		3) Precificação	
MCFP 3 1/2 09/07/33 ( FR001400KJ00 )							
Spread	112.89 pb	X	10y	DBR 2.6	08/15/33		
Preço	95.5285			97.77	15:22:55		
Rend	4.057659	Wst		<b>2.928794</b>	Anl		
Cálc	09/07/2033	@	100.00	Consenso	Rnd 6 6		
Liq	10/23/23			10/23/23			

# Recommendation to the Management

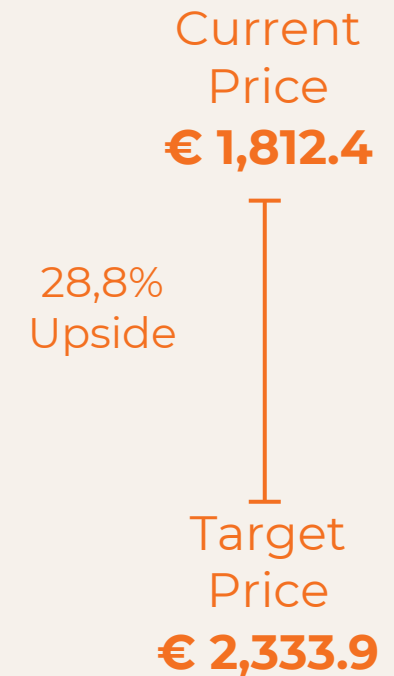


How Hermès could generate more value

## I. Hermès keeps unnecessary cash that could generate more value if distributed to shareholders

	2017	2018	2019	2020	2021	2022
<b>Net financial income</b>	<b>-32</b>	<b>-35</b>	<b>-69</b>	<b>-86</b>	<b>-96</b>	<b>-62</b>
Financial income	9	19	21	7	13	65
Financial expense	-41	-54	-90	-93	-108	-127
<b>Net Debt</b>	<b>-2878</b>	<b>-2313</b>	<b>-3243</b>	<b>-3047</b>	<b>-4894</b>	<b>-7291</b>
Debt	54	1,166	1,142	1,686	1,802	1,934
Cash	2,932	3,479	4,384	4,733	6,696	9,225

If Hermès stopped accumulating cash and kept only 10 billion euros and distributed the rest through buybacks:



# Hermès Beats Consensus

