

THE ISSUE RUNNING OUT OF SILK ROAD

LVMH Moët Hennessy Louis Vuitton, the French luxury conglomerate, operates 70 “maisons” (brands) across wines and spirits, fashion and leather, perfumes and cosmetics, and watches and jewellery. Its brands include Louis Vuitton, Sephora and Moët & Chandon.

Its recent third-quarter sales update reported 30% of its €11.4bn of revenues stemmed from Asia (ex Japan), with 16% revenue growth on the same period last year.

In addition to direct sales in Asian markets, the luxury sector is reliant on tourists spending in its western retail units. Recent trade tensions, slowing Chinese economic data and increased border enforcement are resulting in weaker consumer demand. A weaker currency also reduces Chinese purchasing power. Concerns about a slowdown in demand from China have sent the shares down about 15% since August.

THE BOSS BERNARD ARNAULT

Bernard Arnault, Europe’s richest man with a net worth estimated at \$71bn (€62bn), is the controlling shareholder, chairman and chief executive of LVMH. On graduating with an engineering degree in 1971, he joined his father’s civil engineering company, pivoting the company into real estate from construction. In 1984 he acquired a luxury goods company, stripping it of all assets except for the Christian Dior brand and the Le Bon

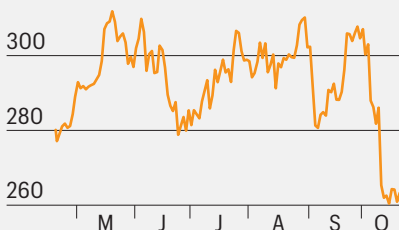
Marché department store. In 1988 he began amassing a stake in the newly created LVMH after the merger of Louis Vuitton and Moët & Chandon.

THE ANALYST PIERCE BYRNE, CANTOR

With global appeal brings a reliance on global markets. The current trade war between the US and China will likely weaken demand, hurting sales in the short term. This will have the direct impact of lowering LVMH’s sales and earnings growth. It remains to be seen if LVMH can find new growth markets to supplement Chinese slowdown. However, if this is the peak in the luxury cycle, LVMH is well placed to wait out the uncertainty and possibly add to its extensive list of maisons. LVMH currently trades at 20.5 times its 2018 earnings and has a dividend yield of 2.06%.

◆ LVMH

€320



Source: Yahoo

Market cap: €132.95bn; **Share price:** €263.25; **DPS:** 2.06%; **EPS:** FY18 €12.61
Shareholders: Group Arnault 47.03%, the Capital Group 2.02%, Blackrock 1.45%, Vanguard Group 1.43%, Norges Bank 1.18%