

FLASH REPORT

# LVMH (ENXTPA: MC) FY16 Results: Continued Strong Sales Momentum

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**Figure 1. LVMH FY16 Key Metrics**

	FY16	FY15	YoY Change
Revenues (EUR Mil.)	€37,600	€35,664	5.0%
Gross Margin	65.3%	64.8%	50 bps
SG&A/Sales	46.6%	46.3%	30 bps
Operating Margin	18.7%	18.6%	10 bps
Adjusted EPS (EUR)	€7.89	€7.08	11.4%

Source: Company reports/Fung Global Retail & Technology

- **LVMH Moët Hennessy Louis Vuitton increased revenues by 5.0% year over year in FY16, to €37,600 million, which was above the consensus estimate of €37,316 million. Revenues increased by 6.0% year over year on an organic basis.**
- **The company's gross margin expanded by 50 basis points year over year, to 65.3%. However, the SG&A margin expanded by 30 basis points, resulting in the operating margin expanding by 10 basis points, to 18.7%. FY16 adjusted EPS increased by 11.4% and beat consensus.**
- **Revenues were driven by strength in the US and Europe. In terms of business segments, sales growth was driven by Perfumes & Cosmetics, Selective Retailing and Wines & Spirits.**

## FY16 Results

LVMH's FY16 revenues increased by 5.0% year over year, to €37,600 million, which was above the consensus estimate of €37,316 million. Revenues increased by 6.0% year over year on an organic basis. In FY16, gross profit and profit from recurring operations both climbed by 6%, while EPS jumped by 11% to €7.89, ahead of consensus of €7.86.

In 4Q16, revenues increased by 9.0% year over year and by 8.0% on an organic basis, marking a sequential improvement from 6.0% organic growth in 3Q16. 4Q16 revenues of €11,274 million were ahead of the consensus estimate of €11,147 million.

## FY16 Performance by Segment

In its Wines & Spirits business, LVMH's FY16 organic revenues grew by 7% year over year. The US continued to enjoy solid growth and China showed improved momentum during the year, following the destocking of distributors in 2015. The division's profit from recurring operations climbed by 10% year over year.

Fashion & Leather Goods' total organic revenues grew by 4% year over year. Louis Vuitton maintained solid momentum, aided by the launch of Louis Vuitton perfumes, and the Fendi brand reported robust revenue growth. The division's profit from recurring operations increased by 10% year over year.

In the Perfumes & Cosmetics business, organic revenues grew by 8% year over year. The Parfums Christian Dior line continued its strong performance, gaining market share in all regions. The Make Up For Ever, Fresh and Kat Von D brands all delivered sound performance. Profit from recurring operations in the division rose by 5% year over year.



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In Watches & Jewelry, organic revenues increased by 5% year over year. Bulgari continued to gain market share and TAG Heuer made great progress in a difficult market, benefiting particularly from the success of new collections and its connected watch model. The division's profit from recurring operations increased by 6% year over year.

In the Selective Retailing business, organic revenues grew by 8% year over year. Sephora continued to gain market share in all geographic regions and recorded double-digit revenue and profit growth. Sephora launched online sales in six new regions during the period. Profit from recurring operations in the Selective Retailing business fell by 2% year over year.

**Guidance**

The company did not provide specific numerical guidance for FY17.

Analysts estimate that LVMH will generate €39,823 million in net sales in FY17, along with €7,448 million in EBIT and EPS of €8.82. Consensus estimates imply FY17 year-over-year revenue growth of 5.9%, EBIT growth of 6.1% and EPS growth of 11.8%.



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