

# LVMH (ENXTPA: MC) 1H17 Results: Continuation of Very Strong Sales Momentum

**Figure 1. LVMH 1H17 Key Metrics**

	1H17	1H16	YoY Change
Revenues (€ Mil.)	€19,714	€17,188	15.0%
Gross Margin	65.1%	65.6%	(50) bps
SG&A/Sales	46.6%	48.4%	(180) bps
Operating Margin	18.5%	17.2%	130 bps
Adjusted EPS (€)	€4.20	€3.39	23.9%

Source: Company reports/FGRT

- LVMH Moët Hennessy Louis Vuitton increased revenues by 15.0% year over year in 1H17, to €19,714 million, which was above the consensus estimate of €19,492 million. Revenues increased by 12% year over year on an organic basis.
- The company's gross margin contracted by 50 basis points year over year, to 65.1%, and its SG&A margin contracted by 180 basis points, to 46.6%. Its operating margin expanded by 130 basis points, to 18.5%.
- Revenues were driven by strength in Asia excluding Japan and Europe. In terms of business segments, sales growth was driven by the Fashion & Leather Goods and Watches & Jewelry divisions.

## 1H17 Results

LVMH reported that 1H17 revenues increased by 15.0% year over year, to €19,714 million, which was above the consensus estimate of €19,492 million. Revenues increased by 12% year over year on an organic basis. In 2Q17, revenues also increased by 12% year over year on an organic basis, marking a slight sequential deceleration from 13% organic growth in 1Q17.

The company's gross margin contracted by 50 basis points year over year, to 65.1%, and its SG&A margin contracted by 180 basis points, to 46.6%. Its operating margin expanded by 130 basis points, to 18.5%.

## Performance by Segment

In LVMH's Wines & Spirits business, 1H17 organic revenues grew by 10% year over year. All the champagne houses performed well in Europe and the US. Hennessy cognac continued to show strong growth in the US market, while demand continued to recover in China.

In Fashion & Leather Goods, total organic revenues grew by 14% year over year. Louis Vuitton maintained dynamic momentum that was aided by the launch of collaborations with artist Jeff Koons and cult New York skatewear brand Supreme. Fendi continued its strong growth and good growth was seen at Céline, Loewe and Kenzo.

In the Perfume & Cosmetics business, organic revenues grew by 12% year over year. Parfums Christian Dior continued its strong performance, which was driven by sustained vitality in its iconic fragrances business and the performance of its latest makeup products. Guerlain enjoyed a successful launch of its new perfume, Mon Guerlain, represented by Angelina Jolie.



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In Watches & Jewelry, organic revenues increased by 13% year over year. Bulgari enjoyed an excellent first half and continued to gain market share in both jewelry and watches, particularly in Europe and China. TAG Heuer made great progress in a difficult market, benefiting particularly from the success of new collections and its connected watch model.

In Selective Retailing, organic revenues grew by 12%. Sephora continued to make progress and reinforced its omnichannel strategy. Le Bon Marché developed a new online shopping experience by launching its digital platform, 24 Sèvres, and DFS experienced better momentum in Asia.

**Guidance**

The company did not provide specific numerical guidance for FY17.

The company stated that the Wines & Spirits business will experience a slowdown in volume growth in 2H17 due to existing supply constraints.

Analysts estimate that LVMH will generate €41,412 million in net sales in FY17, along with €8,078 million in EBIT and EPS of €9.69. Consensus estimates imply FY17 year-over-year revenue growth of 10.1%, EBIT growth of 15.0% and EPS growth of 20.4%.



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