LVMH Acquisition of Ralph Lauren

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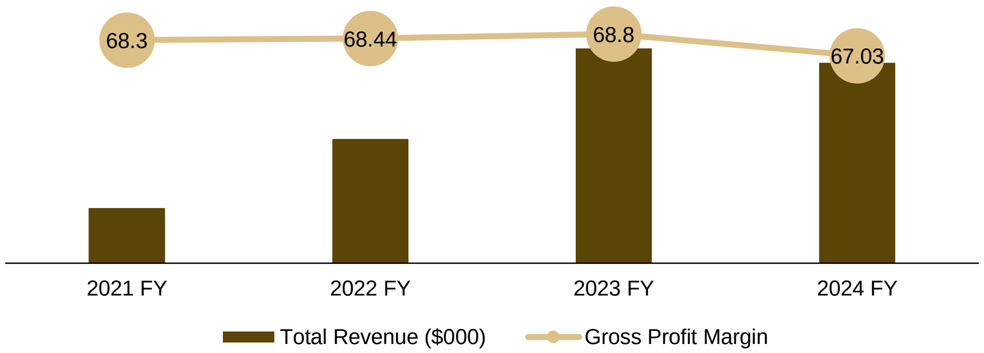
LVMH Overview

SORTINO M&A GROUP

LVMH is a major luxury and fashion conglomerate, founded in 1971, through the merger of Louis Vuitton and Moët Hennessy. The firm has established itself as a global leader in the luxury goods industry through strategic acquisitions of top luxury and fashion brands

Company Highlights

- 6307 stores, 75 maisons, +215,000 employees globally
- **2024 Key Financials:** $91.6bn revenue, $13.6bn net income, 23.1% operating margin, $24.3bn EBITDA, $21.2bn EBIT, 27.18 diluted EPS, 26.1x P/E, 14.1x EV/EBITDA
- Market capitalization of €365bn (trading at €688 per share on 25/02 with a volume of ~ 55600 shares)
- **Geographical Revenue Breakdown:** 8% France, 17% Rest of Europe, 25% US, 9% Japan, 28% Rest of Europe, 13% Other Markets
- Strong YoY growth in FY'23 revenue and net income
- FY'24 net income decline reflects a regional revenue decrease in Asia (from 31 to 28%, exc. Japan)
- Decline in 3/5 business segments in FY'24 due to inflationary pressures, reduced consumer spending, and macroeconomic uncertainty
- Fashion & Leather Goods is the largest and most profitable business segment
- **Leadership:** Bernard Arnault (Chairman & CEO), Delphine Arnault (Managing Christian Dior), Pietro Beccari (Managing Louis Vuitton)



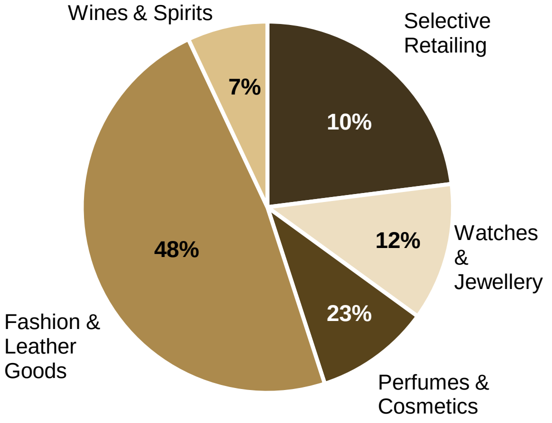
ROA 8.36%

ROE 19.64%

ROIC 11.53%

Business Segments

- **Wines & Spirits:** ex. Moët & Chandon, Hennessy, *-8% YoY*
- **Fashion & Luxury Goods:** ex. Louis Vuitton, Christian Dior, *-1% YoY*
- **Perfume & Cosmetics:** ex. Guerlain, Givenchy, *+4% YoY*
- **Watches & Jewellery:** Bulgari, Tiffany & Co , *-2% YoY*
- **Selective Retailing:** Le Bon Marché, Sephora, *+6% YoY*



Key Acquisitions

2011 — **€3.7bn Bulgari:** Luxury Jewellery

2013 — **$2bn Loro Piana:** Premium Fabrics and Luxury Apparel

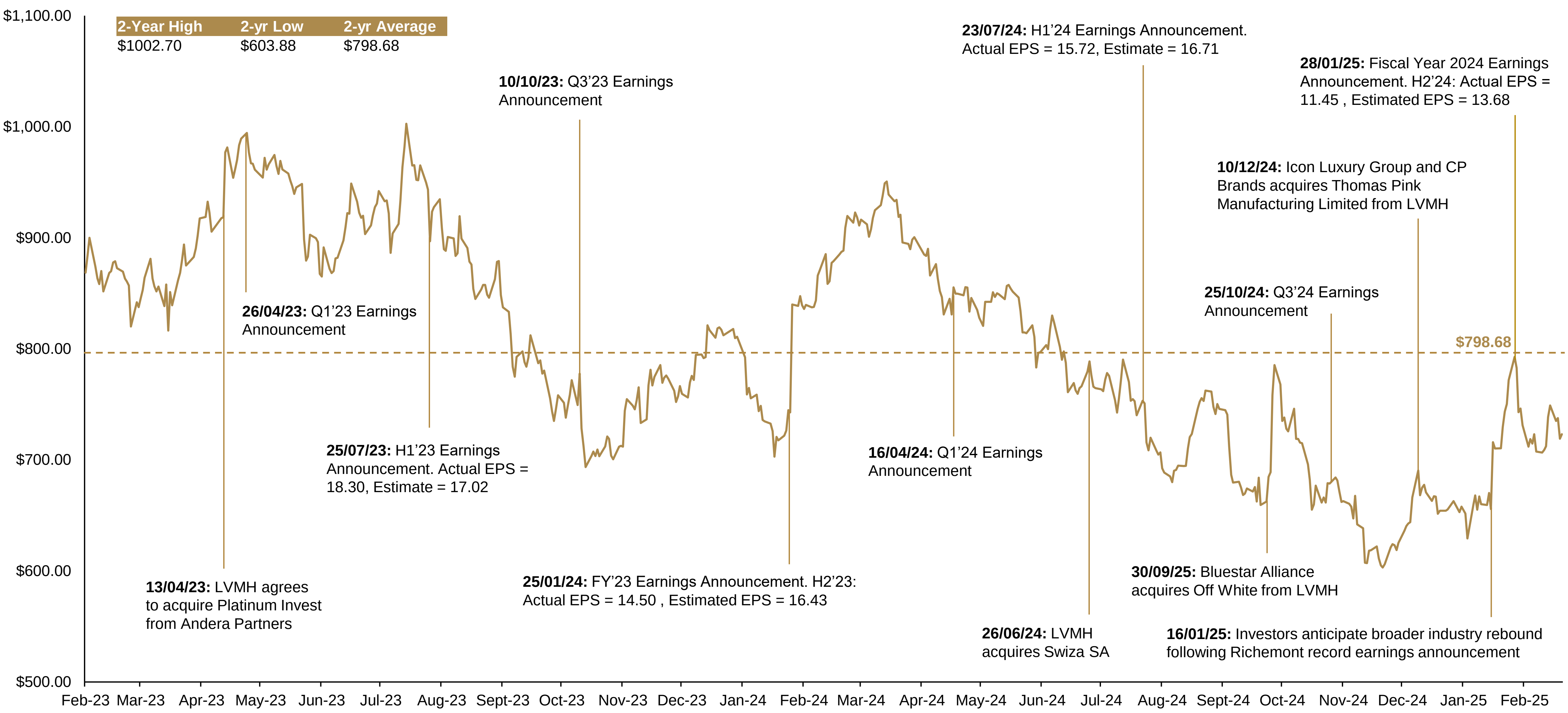
2017 — **€13bn Christian Dior Couture:** Luxury Fashion

2019 — **€2.6bn Belmond:** Luxury Hospitality

2021 — **$15.8bn Tiffany & Co.:** Luxury Jewellery

Sources: S&P Capital IQ Pro, LVMH Investors, Reuters, Euronext Live Markets

LVMH Moët Hennessy Louis Vuitton SE (EPA: MC)



Sources: S&P Capital IQ Pro

Ralph Lauren Overview

Ralph Lauren, founded in 1967, is a globally recognised American luxury brand. The company operates in the premium and luxury fashion segments, offering apparel, footwear, accessories, fragrances, and home furnishings

Company Highlights

- Operates in 80+ countries with 500+ directly operated stores, alongside a vast wholesale and e-commerce network
- **2024 Key Financials:** $6.63bn revenue, $0.65bn net income, $1.02bn EBITDA, $0.79bn EBIT, 10.92 diluted EPS
- **Valuation Metrics:** $17.15bn market cap, $17.69bn enterprise value; EV/Revenue: 2.55x, EV/EBITDA: 15.17x, Forward P/E: 20.66x (as of 23/02/2025)
- The firm oversees a **diversified portfolio**: luxury & premium (ex. Ralph Lauren Purple Label, Ralph Lauren Collection); mainstream (ex. Polo Ralph Lauren, Lauren Ralph Lauren); and casualwear & sportswear (RRL, Chaps, Club Monaco)
- As of February 2025, Ralph Lauren Corporation has demonstrated robust financial performance, reflecting its strategic initiatives and market positioning
- FY24 revenue rose 3% to $6.6bn, with North America ($3.0bn, +7% QoQ), Europe ($2.0bn, +16% QoQ), and Asia ($1.6bn, +14% QoQ)
- EBITDA and sales remain stable and steady growing in all regions, particularly in Asia despite uncertainty due to reduced consumer spending in China and weakened demand for luxury and fashion goods
- **Margins & Profitability:** 67.51% TTM gross margin and 12.06% TTM operating margin
- 5% inventory reduction in LFQ, linked to strong performances in sales.
- **Leadership:** Patrice Louvet (CEO), Ralph Lauren (Executive Chairman and CCO), Mercedes Abramo (North America CEO)

Growth Strategy

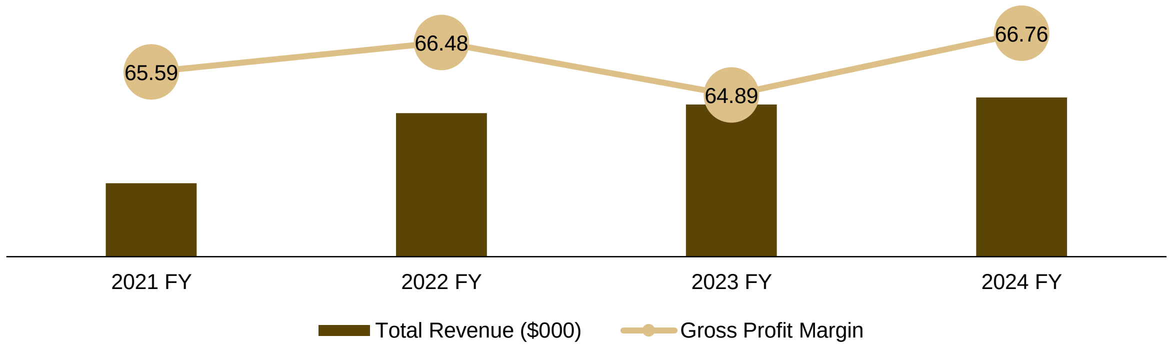
- Since September 2022, Ralph Lauren unveiled a three-year **'Strategic Growth Plan'** to deliver sustainable, long-term growth and value creation and has three strategic growth drivers:

(i) Elevate and energize our lifestyle brand – Attract new consumers, and boost retention, ultimately maximizing Customer Lifetime Value

(ii) Drive the core and expand for more – Sustain the iconic products while growing underdeveloped, high-potential categories that align with the evolving consumer lifestyles

(iii) Win in key cities with our consumer ecosystem – Scale the digitally-led, cohesive ecosystem strategy across our top 30 cities around the world

- Ralph Lauren has focused on direct-to-consumer (DTC) expansion, investing heavily in e-commerce, store optimization, and brand elevation
- In recent years, the firm has exited lower-end segments to reposition itself as a higher-tier luxury brand, including the sale of Club Monaco (2021) to Regent LP
- Ralph Lauren has primarily focused on organic growth, though it has explored small acquisitions in digital and sustainability-focused fashion



ROA

7.43%

ROE

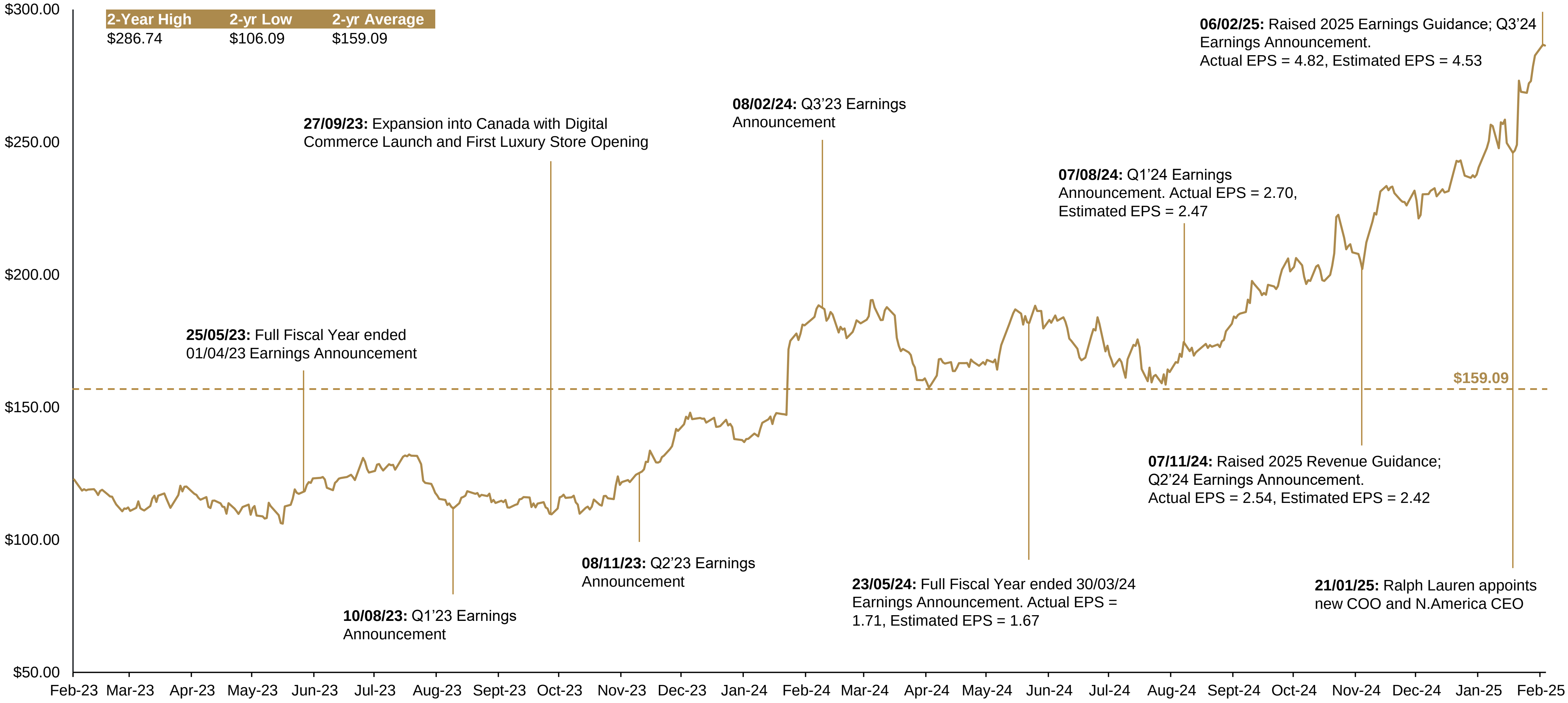
26.48%

ROIC

9.53%

Sources: *Ralph Lauren 2024 Annual Report, Ralph Lauren Corporation Investors Relation, Yahoo Finance*

Ralph Lauren Corporation (NYSE: RL)



Sources: S&P Capital IQ Pro

Industry Overview

The global luxury goods industry consists of high-end sectors like clothing, leather goods, jewellery, watches, beauty, and hospitality, characterised by exclusivity, premium pricing, and strong brand identities. Global revenue in the luxury goods market amounted to $473 billion USD in 2024 and is expected to grow at a CAGR of 3.94% until 2029

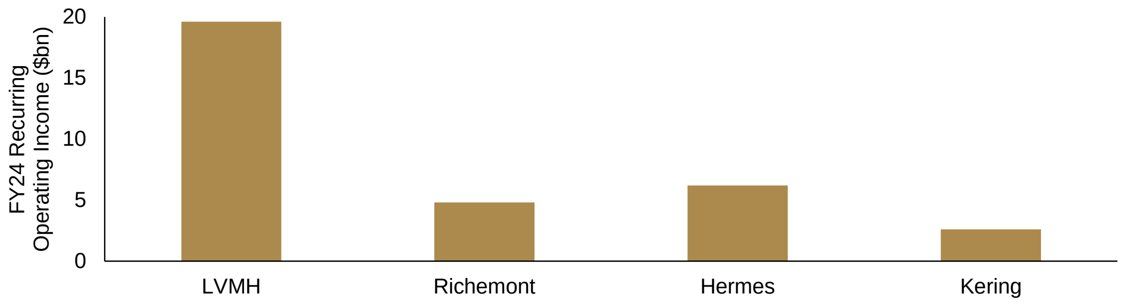
Growth Drivers

- Growing appetite for luxury goods within emerging markets, particularly South Asia
- Expansion of digital channels through digital marketing and e commerce
- Growing demand for personalized brand experiences amongst younger audiences

Downside Risks

- Global economic slowdown due to recessions in US or Chinese markets
- Shifting brand preferences in younger generations and weakened brand loyalty
- Demand shifting towards luxury experiences rather than goods

- 2024 is the first year since the pandemic that the luxury goods sector has seen a decline in CAGR
- LVMH is the largest luxury conglomerate, maintaining control through scale and diversification, while Hermes and Richemont have outperformed LVMH in the short term, their equity in the luxury market not as substantial, and Kering continues to underperform market expectations
- For LVMH to continue its market dominance, it will require continued investment in emerging markets, digital transformation, sustainability and a potential shift of emphasis onto luxury experiences, which has begun showing with the recent emergence of large luxury hospitality projects from LVMH



Key Trends

Sustainability & ESG:

- Consumer demand for ecofriendly brands is driving the adoption sustainable materials, carbon footprint reduction, and ethical supply chains
- Luxury brands are increasingly integrating initiatives like carbon-neutral production, reuse and resale platforms, and upcycling
- LVMH'S 360 Program focuses on reducing environmental impact through renewable energy and sustainable sourcing

Experimental Luxury:

- Various brands are shifting from product-centric to experience-centric luxury, emphasizing personalized experiences alongside material goods
- Brands are collaborating with hospitality providers to cater to this demand, such as LVMH's Cheval Blanc hotels and Dior and Louis Vuitton opening restaurants and cafés

Economic Uncertainty:

- Economic challenges and inflation reducing discretionary spending, most prominently among the shrinking middle class
- Increased competition from mid-tier luxury brands like Michael Kors and Ralph Lauren is driving pricing pressure, as demand for high-end luxury weakens

Digital Transformation:

- The luxury industry is adapting to embrace growing consumer demand across e-commerce, online marketing and virtual experiences to engage younger, tech savvy audiences
- Brands are exploring virtual clothing fittings, virtual fashion, and implementing blockchain technologies through NFT's

Sources: Refinitiv, McKinsey, LVMH, McKinsey, Deloitte, Bain

Deal Rationale

Revenue Synergies

- The proposed acquisition of Ralph Lauren by LVMH was first discussed in 2022, but no public updates have emerged since. With Founder and Chief Creative Officer Ralph Lauren preparing for succession, the timing presents a strong strategic opportunity
- The acquisition would significantly strengthen LVMH's presence in the US, particularly as its revenue share from the region declined from 27% of the group total in 2022 to 25% in 2024
- LVMH, already owning Tiffany & Co, could become a luxury leader also in the US and addressing a region with increasing consumer spending and a stable growing economy, driven by private debt, de-regulation and investments
- By adding Ralph Lauren to its portfolio, LVMH would solidify its position as a luxury leader in the US, complementing its ownership of Tiffany & Co. This would allow LVMH to address a region with increasing consumer spending and a stable growing economy, driven by private debt, de-regulation and investment
- Ralph Lauren's 564 retail locations worldwide would provide LVMH with established retail infrastructure, enabling a seamless ownership transition. LVMH's established presence in the US would further facilitate integration and growth
- The acquisition would unlock brand and creative synergies, giving LVMH greater control over Ralph Lauren's product lines, luxury hospitality segment, and overall brand positioning. It would allow LVMH to tap into the mass-market luxury segment, expanding its customer base
- LVMH recently (February 2025) asked the French financial authority (AMF) to authorize a buyback, signalling that the firm believes its shares to be undervalued
- Ralph Lauren Corporation would increase its global presence, leverage LVMH marketing and branding power for more sales and expansion

Cost & Financial Synergies

- Ralph Lauren experienced a steady and consistent sales and revenue growth in the timespan 2021-2024; retail sales grew to $4,351bn in 2024, signalling a strong retail presence, customer base and management
- The acquisition would result in supply chain and creative expertise integrations. Such integrations would also positively impact on income statement, potentially reducing SG&A and R&D expenses
- LVMH has recently completed acquisitions through debt and credit lines. The Tiffany & Co deal included several credit lines. LVMH could finance the Ralph Lauren acquisition through credit facilities, taking advantage of favourable interest rates in the Eurozone and a good debt to equity ratio of 0.61 (as of February 2025)
- Given the expectations of US tariffs to the European Union, LVMH could increase its US based production and, should the US dollar appreciate more than the Euro, US-based revenue in dollars would provide a significant advantage to LVMH
- Ralph Lauren displays strong financials: increased performances YOY for sales, revenue, net profit, and enough cash to cover short term liabilities

Regulatory Considerations

- From a regulatory perspective, LVMH and Ralph Lauren operate in distinct luxury segments. LVMH focuses on ultra-luxury, while Ralph Lauren caters to mass-market luxury, minimizing potential antitrust concerns
- LVMH's previous acquisition of Tiffany & Co., a larger and more complex deal within the same luxury segment, faced no significant regulatory hurdles from the Federal Trade Commission (FTC), the Committee on Foreign Investment in the United States (CFIUS), or the US Patent and Trademark Office (USPTO)
- Ralph Lauren Corporation has no pending public lawsuits, further reducing legal risks. Given these factors, the acquisition is unlikely to encounter major regulatory or legal challenges

Sources: Ralph Lauren Corporation Investor Relations, Forbes, LVMH Investor Relations, Reuters, White & Case, European Central Bank, Finance Charts

Ralph Lauren Weighted Average Cost of Capital

Weighted Average Cost of Capital (WACC)			
	Low:	**Base:**	**High:**
Total Equity ($000)	2,450,300	2,450,300	2,450,300
Total Debt ($000)	2,683,700	2,683,700	2,683,700
Cost of Debt	3.23%	3.23%	3.23%
Marginal Tax Rate	21.00%	21.00%	21.00%
% Debt to Capital	52.27%	52.27%	52.27%
Kd (After Tax Cost of Debt)	**2.55%**	**2.55%**	**2.55%**
Risk Free Rate (10Y)	4.42%	4.42%	4.42%
Expected Market Return (10Y)	11.52%	12.52%	13.52%
Equity Risk Premium	7.10%	8.10%	9.10%
Beta (Levered)	1.41	1.51	1.61
% Equity to Capital	47.73%	47.73%	47.73%
Ke (Cost of Equity)	**14.43%**	**16.65%**	**19.07%**
WACC	**8.22%**	**9.28%**	**10.44%**

Notes:
1. WACC = % Equity to Capital * [R_f + β * (R_m – R_f)] + % Debt to Capital * Cost of Debt * (1-T)
2. Risk-free rate was taken as the 10Y U.S Treasury Bond Yield as of 24/02/2025
3. Weighted average cost of debt is based on leases within 2024 FY statements

The following points illuminate the decomposition of the discount rate:

The 'After-Tax Cost of Debt' (*Kd*) was calculated by multiplying the Cost of Debt by '1-T', where T denotes the marginal tax rate

- The 'Cost of Debt Before Tax' was calculated by taking a weighted average using coupon rates from Ralph Lauren's outstanding public debt
- The marginal tax rate utilised is assumed to be the statutory corporate tax rate of 21%

The Cost of Equity (*Ke*) was calculated by multiplying Beta *(β)* by the Equity Risk Premium and adding this to the risk-free rate *(R_f)*

- The S&P500 index was used as a proxy for the 12.52% expected market return, with a range of ±1% applied in the sensitivity analysis to reflect how WACC may be affected by bullish or bearish investor sentiment
- A levered beta of 1.51 (5Y average) was extracted from Finbox. As of late 2023, Ralph Lauren's beta has primarily sat between the low value of 1.41 and the current (base) value of 1.51, excluding a 3-month period of reasonably higher volatility. On the other hand, a high value of 1.61 is merely applied as a bound to hypothetically outline the effects of more extreme scenarios on the discount rate

Cost of Equity

Levered Beta	Expected Market Return: 11.52%	12.52%	13.52%
1.41	14.43%	15.84%	17.25%
1.51	15.14%	16.65%	18.16%
1.61	15.85%	17.46%	19.07%

WACC

Levered Beta	Expected Market Return: 11.52%	12.52%	13.52%
1.41	8.22%	8.90%	9.57%
1.51	8.56%	9.28%	10.00%
1.61	8.90%	9.67%	10.44%

Sources: S&P Capital IQ Pro, S&P Global, St Louis Fed, Finbox, YCharts

Ralph Lauren Discounted Cash Flow Analysis

$'000,000s	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	TV
Net revenues	**4,400.8**	**6,218.5**	**6,443.6**	**6,631.4**	**7,050.7**	**7,312.7**	**7,553.7**	**7,748.5**	**7,950.4**	**8,117.4**
YoY Growth	*-28.6%*	*41.3%*	*3.6%*	*2.9%*	*6.3%*	*3.7%*	*3.3%*	*2.6%*	*2.6%*	*2.1%*
Cost Of Goods Sold	1,539.4	2,071.0	2,277.8	2,199.6	2,256.2	2,413.2	2,492.7	2,557.0	2,623.6	2,678.7
Gross Profit	**2,861.4**	**4,147.5**	**4,165.8**	**4,431.8**	**4,794.5**	**4,899.5**	**5,061.0**	**5,191.5**	**5,326.8**	**5,438.6**
% Gross margin	*65.0%*	*66.7%*	*64.7%*	*66.8%*	*68.0%*	*67.0%*	*67.0%*	*67.0%*	*67.0%*	*67.0%*
Other Operating Exp., Total	2,905.0	3,349.1	3,461.6	3,675.4	3,913.1	3,919.6	3,965.7	4,083.5	4,166.0	4,269.7
Operating Income / EBIT	**(43.6)**	**798.4**	**704.2**	**756.4**	**881.3**	**979.9**	**1,095.3**	**1,108.0**	**1,160.8**	**1,168.9**
% Operating margin	*-1.0%*	*12.8%*	*10.9%*	*11.4%*	*12.5%*	*13.4%*	*14.5%*	*14.3%*	*14.6%*	*14.4%*
Depreciation & Amortization	**(247.6)**	**(229.7)**	**(220.5)**	**(229.0)**	**(205.1)**	**(207.9)**	**(201.9)**	**(189.6)**	**(181.2)**	**(175.7)**
EBITDA	**(291.2)**	**568.7**	**483.7**	**527.4**	**676.3**	**772.0**	**893.4**	**918.4**	**979.6**	**993.2**
Operating Taxes	(46.3)	(154.5)	(169.2)	(131.1)	(155.5)	(177.6)	(205.5)	(211.2)	(225.3)	(228.4)
Tax Rate	15.9%	-27.2%	-35.0%	-24.9%	*-23.0%*	*-23.0%*	*-23.0%*	*-23.0%*	*-23.0%*	*-23.0%*
NOPAT	**(337.5)**	**414.2**	**314.5**	**396.3**	**520.7**	**594.4**	**687.9**	**707.2**	**754.3**	**764.8**
(+) Depreciation & Amortisation	247.6	229.7	220.5	229.0	205.1	207.9	201.9	189.6	181.2	175.7
(-) Capital Expenditure	(107.8)	(166.9)	(217.5)	(164.8)	(216.9)	(182.8)	(151.1)	(154.6)	(158.4)	(175.7)
(-) Change in NWC	(88.1)	(79.4)	(213.4)	130.9	(47.5)	(56.4)	(31.0)	(18.5)	(19.1)	(19.8)
Unlevered Free Cash Flow	**(285.8)**	**397.6**	**104.1**	**591.4**	**461.4**	**563.2**	**707.8**	**723.7**	**758.0**	**745.0**
Year		**1**		**2**		**3**		**4**		**5**
PV of FFCF		**422.16**		**471.40**		**542.03**		**507.06**		**485.91**
Sum of PV of FFCF		2,428.56								

Valuation	
WACC	9.3%
Growth Rate (g)	2.1%
Terminal Value	10,347.24
PV of Terminal Value	6,633.21
Enterprise Value (EV)	**9,061.77**
(+) Cash	1,662.2
(-) Debt	1,140.5
(-) Minority Interest	-
Equity Value	**9,583**
Diluted Shares Outstanding	61.764215
Implied Share Price	**155.16**

Enterprise Value Sensitivity

		Terminal Growth Rate				
		1.60%	**1.85%**	**2.10%**	**2.35%**	**2.60%**
WACC	**8.90%**	9080.01	9335.31	**9609.39**	9904.39	10222.80
	9.10%	8830.69	9070.64	**9327.74**	9603.88	9901.27
	9.30%	**8594.34**	**8820.21**	**9061.77**	**9320.70**	**9598.96**
	9.50%	8369.99	8582.90	**8810.19**	9053.38	9314.19
	9.70%	8156.75	8367.71	**8571.89**	8800.64	9045.49

Implied Share Price Sensitivity

		Terminal Growth Rate				
		1.60%	**1.85%**	**2.10%**	**2.35%**	**2.60%**
WACC	**8.90%**	155.46	159.59	**164.03**	168.80	173.96
	9.10%	151.42	155.31	**159.47**	163.94	168.75
	9.30%	**147.59**	**151.25**	**155.16**	**259.35**	**163.86**
	9.50%	143.96	147.41	**151.09**	155.03	159.25
	9.70%	140.51	143.76	**147.23**	150.93	154.90

Commentary

FY25E is expected to perform above expectations. Revenue is expected to grow 6-7% in constant currency, though FX fluctuations may reduce sales by 1-1.5% in foreign markets

Strong Q3 performance (+11% above expectations) was driven by holiday sales, full-price demand, and cost discipline, prompting an upward revision of full-year revenue and margin expectations

Operating margins are projected to expand 1.2-1.6%, with gross margin improvement of 1.3-1.7%, supported by cost management and brand elevation

Despite marketing investments, cost-saving initiatives maintained a strong balance sheet, FCF growth, and solid inventories. The company also repurchased $74M of class A common stock in Q3

Looking ahead, inflation, tariffs, and supply chain disruptions pose risks. The industry is expected to mature, with higher growth expected in Europe and Asia due to US market saturation

Sources: S&P Capital IQ Pro

Ralph Lauren Comparable Company Analysis

SORTINO M&A GROUP

Ralph Lauren's comparables are selected primarily for their competition in the accessible luxury market. Some companies in the comparable set represent holding companies, like PVH, which own Tommy Hilfiger and Calvin Klein. Only LTM multiples were used in the benchmarking process

	LTM Multiples			
Company	EV/Revenue	EV/EBITDA	EV/EBIT	P/E
RALPH LAUREN (RL)	**2.5x**	**14.7x**	**18.1x**	**24.8x**
PVH CORP (PVH)	0.7x	4.9x	6.4x	6.3x
HUGO BOSS (BOSS)	0.8x	4.7x	9.6x	14.5x
ABERCROMBIE & FITCH (ANF)	1.1x	6.0x	7.2x	9.8x
G-III APPAREL GROUP (GIII)	0.4x	4.7x	5.2x	7.0x
CAPRI HOLDINGS (CPRI)	0.9x	12.8x	33.8x	-2.4x
GUESS (GES)	0.2x	2.7x	3.7x	6.3x
TAPESTRY (TPR)	3.1x	16.4x	19.9x	25.0x
Min	0.2x	2.7x	3.7x	-2.4x
Average	**1.0x**	**7.4x**	**12.2x**	**9.5x**
Median	0.8x	4.9x	7.2x	7.0x
Max	3.1x	16.4x	33.8x	25.0x

Commentary

Ralph Lauren in is in a transitory period regarding its brand image, complicating the selection of the comparables set. The company aims to elevate its prestige to compete amongst more luxury fashion brands such as Tom Ford, Valentino and Prada. As the company is still in the early phases of this process, such companies were excluded from the set

Ralph Lauren's multiples are notably above its peers. Much of this effect has been exacerbated by a share price run from $159 to $275 in the last 7 months. It is worth noting that this has moved RL's financial ratios considerably closer to more luxury fashion houses such as Prada (P/E 28.54) and Kering (P/E 29.44)

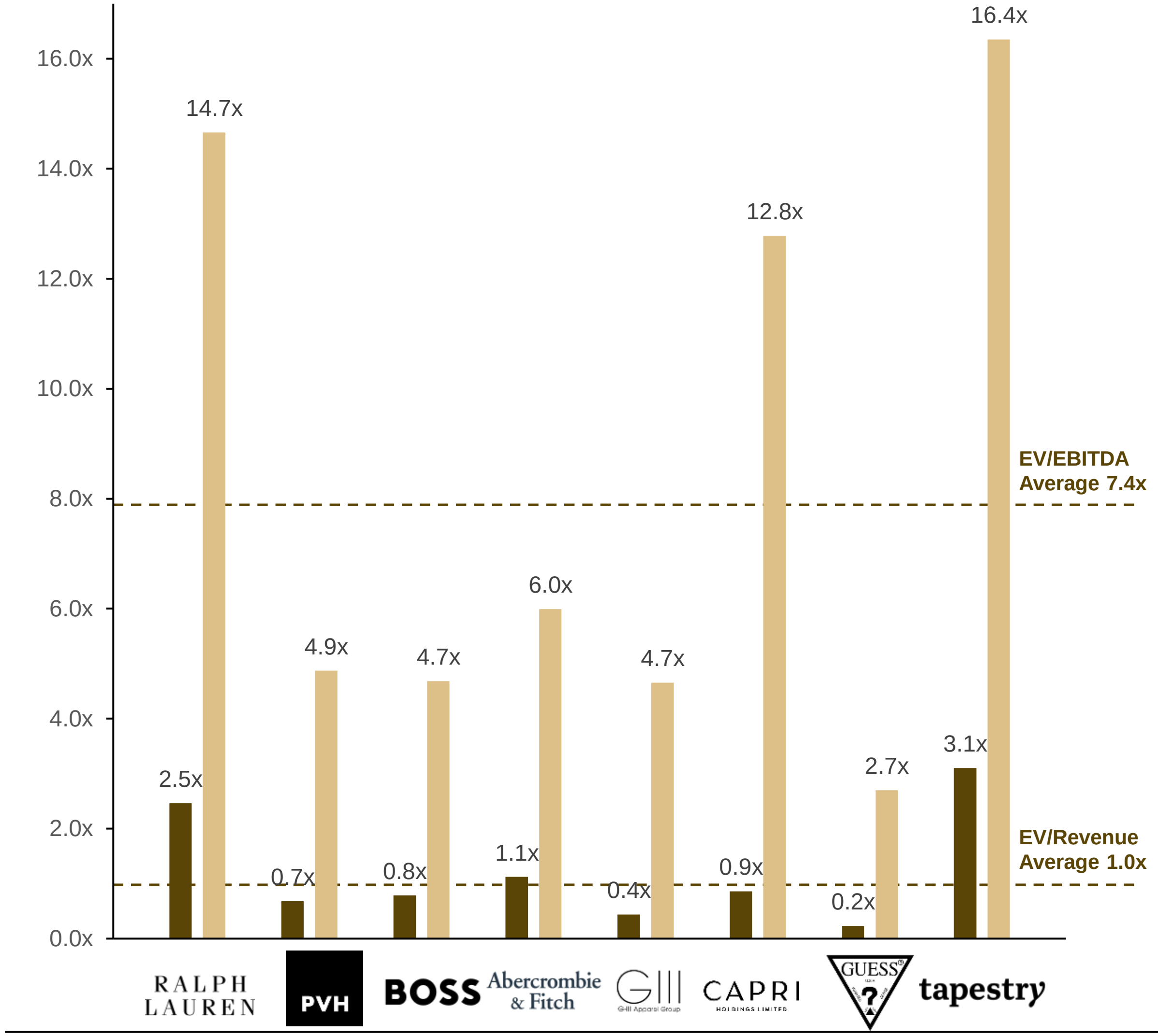
An excellent growth profile, particularly in a slowing China, and initial signs of success in their transition plan have given investors confidence in the business. It is unlikely that Ralph Lauren is overvalued but is instead changing its marketing position and successfully, granting it pricing power in years to come

Sources: S&P Capital IQ Pro

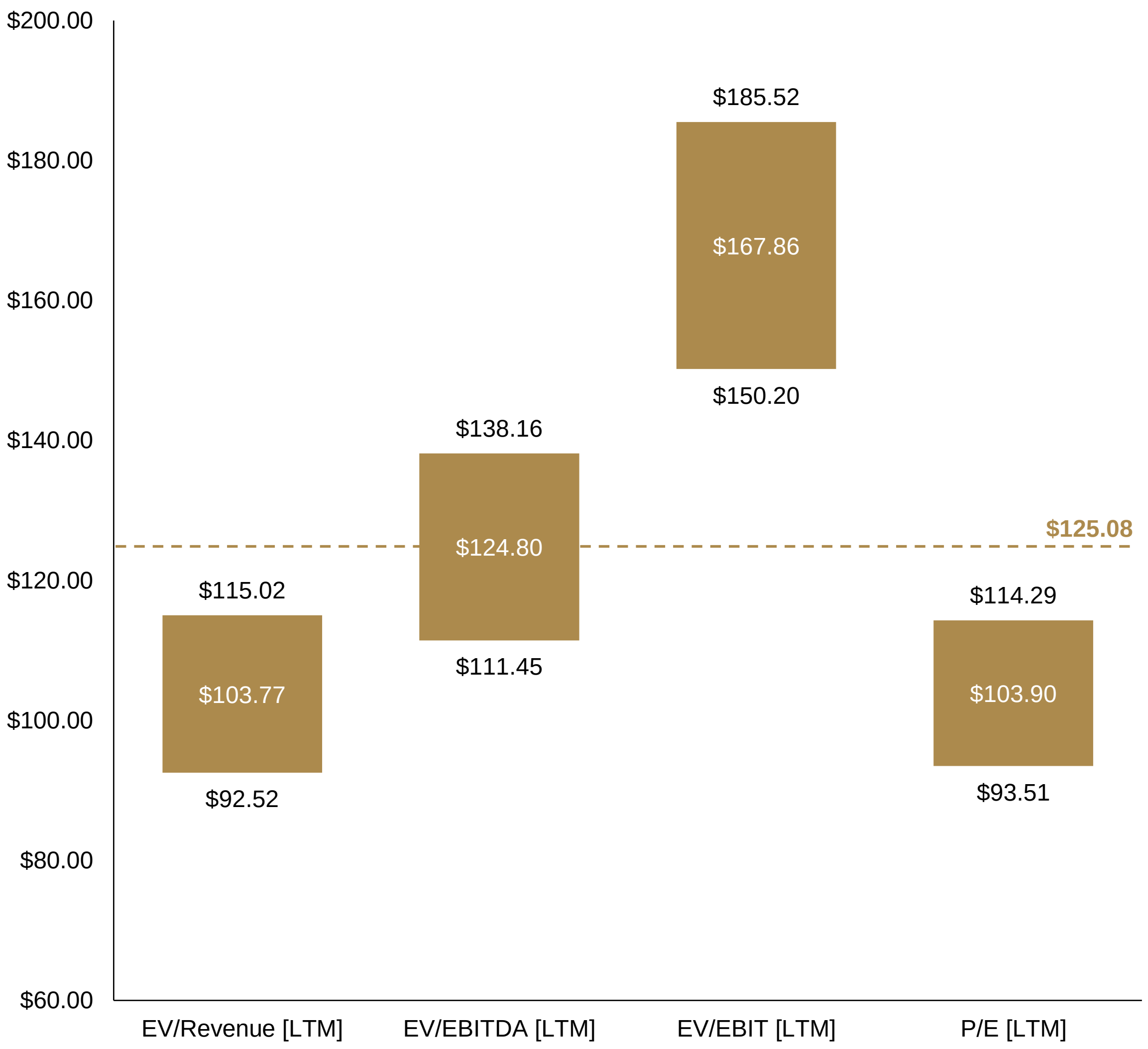
Ralph Lauren Comparable Company Analysis

SORTINO M&A GROUP

LTM Multiples



Football Field Analysis



Sources: S&P Capital IQ Pro

Risks & Mitigants

Risks	Implications	Mitigations
Market Risk	▪ **Macroeconomic Headwinds & Cyclicality:** The 2024 luxury market slowdown and weaker consumer confidence resulted in a 14% decline in LVMH's total operating profit ▪ **Shifting Consumer Behaviour:** Since 2023, the luxury sector has lost 50M consumers due to rising living costs and growing demand for second-hand goods	▪ **Market Optimism:** LVMH, Richemont, and Burberry exceeded Q4'24 analyst expectations, raising investor optimism ▪ **U.S. Market Resilience:** Increased exposure to the U.S. market will be beneficial, given improved consumer sentiment and economic outlook ▪ **Emerging Markets:** Ralph Lauren's presence provides growth opportunities
Regulatory & Geopolitical Risk	▪ **Antitrust Risk:** Potential regulatory scrutiny over reduced competition ▪ **Increased Regulatory Complexity:** Navigating different tax laws, compliance standards, and legal frameworks across multiple jurisdictions may raise costs and cause delays ▪ **Chinese Market Exposure**: Exposure to trade restrictions and economic instability in key markets may impact profitability and supply chain efficiency	▪ **Global Operations**: LVMH operates globally, with 25% of its 2024 revenues coming from the U.S, 25% from Europe, and 28% from Asia (excluding Japan) ▪ **China's Market Stabilisation:** After a decline in 2024, China's luxury market is expected to stabilise in 2025
Operational Risk	▪ **Currency & Operational Cost Risk:** Exchange rate fluctuations and cost variability from differing reporting currencies and global operations may impact financial performance ▪ **Management Friction:** LVMH's centralized management may conflict with Ralph Lauren's decentralized structure, creating potential integration challenges	▪ **Proven Integration Capability:** LVMH's successful acquisition track record demonstrates its ability to efficiently integrate complex supply chains and manage global operations ▪ **Global Supply Chains:** In 2023, LVMH sourced 78% of its suppliers from Europe, 10% from North America, and 10% from Asia
Portfolio Risk	▪ **Potential Brand Misalignment:** LVMH exclusive European luxury contrasts to Ralph Lauren's accessible American luxury and broader retail presence ▪ **Creative Control Conflict**: Ralph Lauren's founder-led creative autonomy may clash with LVMH's centralized decision-making, leading to challenges in brand direction and design ▪ **Portfolio Overlap:** Maintaining clear differentiation within LVMH's portfolio may be difficult, potentially leading to internal competition	▪ **LVMH'S Diverse Portfolio**: LVMH's portfolio covers 75 brands across luxury fashion, jewellery, spirits, and cosmetics, demonstrating its ability to cater to a wide range of market segments ▪ **Tailored Strategies:** Custom marketing campaigns and retail strategies will facilitate smooth integration
Financial Risk	▪ **High Acquisition Cost:** Ralph Lauren's all-time high share price reflects its strong brand, market position, and consistent financial performance ▪ **High Premium:** The fragmented ownership structure, with 65.72% held by institutions and private corporations, suggests a high control premium ▪ **Potential share price decline:** Investor concerns over overvaluation may lead to a drop in LVMH's share price	▪ **Strong Balance Sheet:** LVMH has a relatively low Net Debt/EBITDA ratio of 1.18x, $14.1bn of Cash & ST Investments), and strong credit rating (AA-, Aa3) ▪ **Comparable Purchase Price:** Ralph Lauren's EV of $17.15bn is comparable to LVMH's $15.8bn acquisition of Tiffany & Co in 2021 ▪ **Accretive Deal Potential:** LVMH's higher diluted EPS (27.18 to 10.92) indicates potential for accretion, boosting LVMH's share price

Sources: Financial Times, Bloomberg, LVMH, Ralph Lauren, Bain & Company, S&P Capital IQ Pro