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JOURNALISTE :Angelina Rascoue…

► 18 juin 2025 - 09:36

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Bernard Arnault Grapples With the Biggest Slump in LVMH’s History

The luxury goods maker is reeling from a sharp downturn in the €364 billion industry — and questions about succession are growing louder.

By Angelina Rascouet and Tara Patel

In a conference hall deep under the glass pyramid of Paris’ Louvre Museum, Bernard Arnault was visibly annoyed.

The billionaire chief executive officer of the world’s biggest luxury group is contending with an unprecedented demand slump in China and the threat of steeper US tariffs that have hammered his company’s shares and knocked him from first to 10th among the world’s wealthiest people. But on this April morning, Arnault’s displeasure was directed at the elevator music playing as investors trooped into LVMH Moët Hennessy Louis Vuitton SE’s annual general meeting.

“Sorry we have the same music as last year, which I personally don’t find great,” groused the tycoon — a classical pianist. As an uncomfortable laughter filled the packed room, he asked an executive on the podium with him to ensure it won’t feature at next year’s gathering.

Not much is going right these days for the 76-year-old tycoon who built his sprawling €85 billion ($98 billion) empire with an iron-grip control, down to details like the AGM’s music. LVMH, which rode the luxury sector’s stellar rise as global wealth soared, is traversing what’s arguably the worst downturn in his 36 years at its helm.

As the tide has rapidly gone out on the €364 billion personal luxury goods industry, rivals like Birkin bag maker Hermès International SCA and Cartier owner Compagnie Financière Richemont SA have proved more resilient, starkly revealing LVMH’s weaknesses. All indications are things will get worse before they get better for the purveyor of such brands as Louis Vuitton, Christian Dior Couture and Moët & Chandon.

Interviews with more than a dozen people — company insiders, investors and close observers of its operations — reveal problems at fashion label Dior and alcoholic beverages unit Moët Hennessy, and even rumblings of trouble at mega-brand Louis Vuitton. They also show that some of LVMH’s struggles are of its own making — an acquisition binge has left it with more than 75 brands, making it unwieldy and hard to manage, and the lack of a clear succession plan is making investors nervous.

“Over the last 20 years since we started covering LVMH, we have never seen so many red flags,” said Pierre-Olivier Essig, head of research at AIR Capital. “The global financial crisis, the pandemic were

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major challenges, but the size of LVMH today is much bigger, making the recent destruction of value unprecedented. This is clearly the biggest crisis in LVMH history."

LVMH Loses Value

LVMH declined to comment for this article.

The company's shares have almost halved from their April 2023 peak, wiping about €221 billion off its market value. LVMH is no longer among the three biggest stocks in Europe, nor is it France's most-valuable company — a distinction now ironically held by rival Hermès, a firm Arnault once tried and failed to stealthily acquire.

About a year ago, Arnault was at the top of the Bloomberg Billionaires Index ranking, the first person from outside North America and the only consumer tycoon to reach the pinnacle. His net worth hit a high of $231 billion in March 2024, surpassing that of Elon Musk and Jeff Bezos. The year also saw LVMH steal some of the limelight for its brands at the Paris Olympics. Now, Arnault is looking a lot less Olympian, and his wealth has shrunk to about $149 billion as LVMH's stock has plunged.

That's not to say LVMH's finances aren't solid. Its net debt-to-equity ratio, or gearing, fell to about 13 percent last year from 20 percent in 2021 and its operating free cash flow reached €10.5 billion in 2024, up by more than a quarter from the previous year.

Also, the Arnault clan — which at the end of the last year owned 49 percent of the company's capital and 65 percent of the voting rights — has gone on a stock-buying spree during the precipitous drop in LVMH shares. Since LVMH reported disappointing results at the end of January, the family's Christian Dior SE and Financière Agache SA holding companies have bought more than €1.1 billion in its shares, regulatory filings show.

"There's every reason to be convinced as I am that the extraordinary power of attraction of our sector will continue and must remain our guide for the long term," Arnault, who's still the richest man in Europe, told investors at the AGM.

In many ways, the current turmoil isn't like others LVMH has weathered. The Sept. 11 terror attacks in 2001 and the global financial crisis in 2008 were both intense external shocks, but their impact was softened by China's economic boom and Chinese love for pricey French goods synonymous with personal success. This time around, that key growth engine is sputtering as China clamps down on flashy living and the country's consumers spend more on domestic brands just as the US, another crucial market, is entangled in President Donald Trump's on-again-off-again tariff threats.

As tariff talks have heated up, Arnault has flaunted his decades-old ties with Trump. The Frenchman, who has known Trump since the 1980s when he briefly dabbled in the US real estate market, was at the president's inauguration. He and his son Alexandre were also invited to the White House last month since LVMH's Tiffany & Co. designed the trophy for the 2026 World Cup football tournament in North America. Although Trump called the duo "two of my very good friends" and they secured some face time with him, the encounter yielded no tariff relief. A few weeks later the president threatened a 50 percent levy on goods from the European Union.

All industry players are contending with the macro environment and putting their houses in order to mitigate its impact — Gucci owner Kering SA, for instance, just named Luca de Meo, the architect of carmaker Renault SA's turnaround, as its new CEO.

LVMH's task is compounded by Arnault's penchant for acquisitions. His often-ruthless takeovers of rivals earned him the moniker "wolf in cashmere" and have left LVMH with a ragbag of assets. No other luxury firm has its fingers in as many pies.

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The group's assets range from its cash-cow Louis Vuitton — making handbags, clothing and chocolate — to the alcoholic beverages division Moët Hennessy, cosmetics retailer Sephora, luxury hotels chain Cheval Blanc and even Parisian bistro L'Ami Louis that offers roast chicken for more than $100. The disparate performance of the businesses has prompted some investors to slap a conglomerate discount on its shares. The single-brand Hermès trades at about 50 times forward earnings compared with roughly 20 for LVMH, according to data compiled by Bloomberg.

"As long as LVMH was growing significantly, investors weren't too bothered by the group structure, but when times get tougher investors are quick to penalise them with a conglomerate discount," said Ariane Hayate, a fund manager at Edmond de Rothschild Asset Management, which holds some LVMH shares. The group should "do a portfolio review," she said, suggesting it could sell some labels.

LVMH has sold underperforming brands such as Off-White and Stella McCartney in the past year and is expected to continue reviewing assets, notably in its wines and spirits division. The group explored a potential spinoff of lower-margin retailer Sephora, according to people familiar with the matter, with one of them saying LVMH considered listing it in Amsterdam in 2021.

The alcohol division Moët Hennessy was another potential spinoff candidate after Diageo Plc, which owns 34 percent of the business, suggested listing it in 2023, something Arnault dismissed, people familiar with the matter said. Mounting problems at the unit raise questions about that partnership — Moët Hennessy's CEO was ousted and it's cutting 13 percent of its workforce as Champagne and Cognac sales fall. Diageo declined to comment.

Hanging on to Sephora, which is "probably non-core" may not make sense in the long term, and Hennessy Cognac could be fixed up and merged with a rival before an eventual spinoff, said Erwan Rambourg, an analyst at HSBC.

The alcohol division and Dior, LVMH's second-biggest fashion label, stand out as the group's laggards and have put two of Arnault's five children in uncomfortable positions.

Arnault's oldest child and only daughter took charge in 2023 of Dior — a brand that's lost steam on her watch. Delphine, 50, came to the label after spending a decade at Louis Vuitton. Her appointment was seen as a vote of confidence from her father, who started his luxury foray in the 1980s with Dior. But after years of double-digit growth, with blockbuster products like the Dior Book tote bag that can go for €2,750 and designs worn by the likes of Rihanna and Jennifer Lawrence, the brand has underperformed the larger Louis Vuitton in recent quarters. Some analysts lay the blame on unreasonable product price increases.

Dior also ran into trouble in Italy last year after some of its subcontractors were accused of exploiting undocumented workers to slash costs. The brand settled the matter last month, but not before a lot of bad press.

Fixing Dior — which accounts for 14 percent of group profit, behind Louis Vuitton at 55 percent, according to HSBC estimates — is critical for LVMH. To revive growth, it just named Jonathan Anderson the label's new creative director, overseeing womenswear, haute couture collections and menswear. Although Anderson's first womenswear collection — more significant commercially than menswear — is set to be unveiled at the Paris Fashion Week this autumn, it will be a while before those designs hit stores and make an impact.

Moët Hennessy, the other business in turmoil, was caught in an inflationary spiral in the US, with its Cognac losing ground to rivals and cheaper tequila and Bourbon. It is also in the crosshairs of a tariff battle between Beijing and the EU, which has sent Chinese Cognac sales plunging.

In February, its CEO was replaced with Jean-Jacques Guiony, the group's former chief financial officer, and Arnault's third child, Alexandre, 33, who had just finished a four-year stint in New York helping

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oversee the relaunch of Tiffany, the US jewellery brand LVMH purchased in 2021. The Guiony-Alexandre Arnault duo is off to rough start, saying in a video recording to employees — seen by Bloomberg — a day before France's May 1 Labor Day that a slump in sales means 1,200 jobs need to be cut.

The luxury slowdown is also drawing attention to the hodgepodge mix of products at LVMH's main brand Louis Vuitton and raising questions about who it's really targeting, according to HSBC, which said the issue may start weighing on the group.

Heavyweights

Meanwhile, hanging over LVMH's operational concerns is the elephant in the room: succession. Septuagenarian Arnault shows no signs of letting go, and at this year's AGM got the CEO age-cap extended to 85 from 80.

"Harder times make founders, who look at their company as their baby, work even more intensely to overcome challenges," said Raffi Amit, a professor at the Wharton School of business. "There is no reason to believe that just because he's 76 years old that this has changed."

Unlike the heads of some other dynasties, Arnault has managed to keep his children — Delphine, Antoine, Alexandre, Frédéric and Jean — engaged in the business and papered over any differences among the siblings. But investors are increasingly focused on the succession question, even talking of a governance discount.

"Governance is in flux, there are lots of offspring," said Flavio Cereda, a luxury brand portfolio manager a GAM UK Ltd. "He's testing one against the other."

With his children still learning the ropes, Arnault last year picked Stéphane Bianchi as his deputy. The former Arthur Andersen consultant spent nearly his entire career running small family-controlled cosmetics and fashion firms, with a focus on mentoring heirs. He's relatively new at LVMH, having joined in 2018 to run the watch division, including the brand Tag Heuer, where he worked closely with Frédéric.

Bianchi, 60, said at the AGM that LVMH has succession plans for the medium-term and in case of a "sudden" event. Still, with no obvious successor, investors are not reassured.

For now, LVMH remains in the tight grip of Arnault, who laid out his guiding principle in 2016. Speaking at the Oxford Union debating society, he said, "A company, even if it's successful, should be managed as if it could go under within 12 months."