AZ STOCKS
Stocks from A to Z

Kering

A portfolio of great brands that depends on Gucci reconnecting with consumers

DEEP DIVE

November 2026

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COMPANY PROFILE

Kering

THESIS

Kering is going through the worst cycle in its recent history, with falling revenue and a Gucci that has lost cultural relevance. In this report I assess whether, despite being a weaker business than Hermès, the current price makes it an interesting investment.

TARGET PRICE
EUR 230

UPSIDE / DOWNSIDE
+22.9%

SECTOR
Luxury

EXCHANGE
Euronext Paris

CURRENCY
EUR

LAST UPDATED
November 2026

THE COMPANY

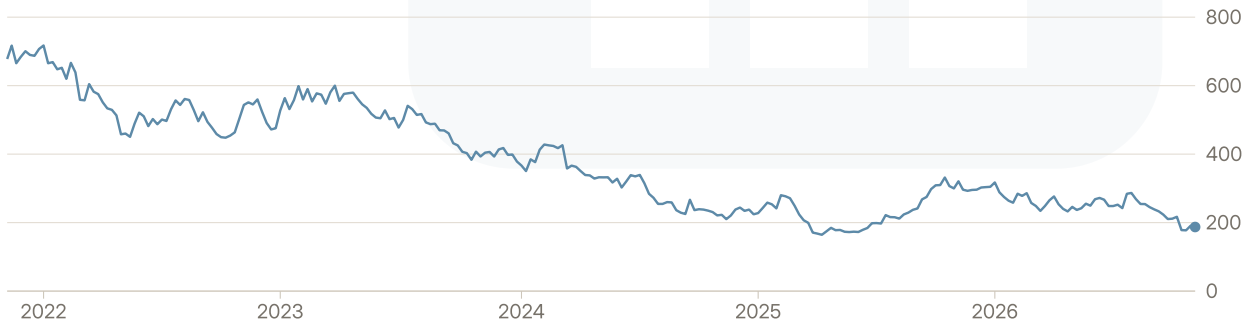
Kering is the third-largest luxury group in the world by market capitalization. It works as a holding company of independent houses: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni and a stake in Valentino, plus Kering Eyewear.

Gucci represents close to 50% of revenue, and that concentration explains much of the problem: between 2023 and 2025 revenue fell every year and operating margin went from 30.1% in 2019 to 11.1% in 2025.

MARKET DATA AS OF 2026-11-06

PRICE	52-WEEK RANGE	5-YEAR CHANGE	BETA (5Y)
EUR 187.20	173.50 – 325.55	-72%	1.48

WEEKLY SHARE PRICE, LAST 5 YEARS



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SECTION 01

Introduction

In 1963, a man from Brittany named François Pinault, who had left school at just sixteen because of the bullying he suffered from his classmates, started a timber business. Decades later, that same man would build one of the largest luxury empires in Europe. Kering's story does not begin with a craftsman in Paris or an aristocratic family: it begins with a timber merchant in Brittany who had the vision to turn a materials business into a global cultural conglomerate.

Kering is today the third-largest luxury group in the world by market capitalization, behind LVMH and Hermès. It controls brands such as Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen and Brioni, and holds a significant stake in Valentino. Unlike its more profitable competitors, Kering is fundamentally a manager of fashion brands: it buys creative talent, builds aspirational narratives and sells global consumers the idea of belonging to an aesthetic class.

The 2023-2025 cycle was catastrophic for Kering. Revenue fell 3.9% in 2023, 12.1% in 2024 and 14.7% in 2025. Operating margin collapsed from 30.1% in 2019 to 11.1% in 2025. Gucci, which represents approximately 50% of the group's revenue and an even larger share of operating profit, has been losing cultural relevance at an accelerating pace. Debt/EBITDA reached 4.83x.

In this report we will see whether Kering is an interesting investment today. It is undoubtedly a worse business than Hermès, but let's see whether it can still be attractive.

To do this, we first need to understand two things: the history of the group as a company and the specific mechanics of aspirational luxury as an industry. Both are extraordinary, for reasons very different from Hermès'.

History: from timber to luxury

THE ORIGINS: FRANÇOIS PINAULT AND THE PIVOT TO LUXURY

François Pinault founded his company in 1963 in Rennes as a timber and building materials trading business. For two decades he built a solid but unglamorous and undifferentiated business. What set him apart was not the sector he chose but his method: disciplined acquisitions, fast restructurings and an appetite for risk his competitors did not share.

The strategic shift came in the 1980s. Pinault began acquiring distribution and retail companies: the Conforama chain in 1991, Fnac in 1994. But it was in 1999 that the group made the leap that would define its identity for the 21st century: the acquisition of 42% of the Gucci house, triggering one of the most epic corporate battles in the history of European luxury.

THE BATTLE FOR GUCCI: PINAULT VS ARNAULT

In the late nineties, Gucci was a brand being resurrected under the creative direction of Tom Ford and the executive leadership of Domenico De Sole. Bernard Arnault, already established as the architect of LVMH, had begun building up stakes in Gucci with the clear goal of absorbing it into his conglomerate. The response of De Sole and Gucci's management team was to look for a white knight to block the hostile takeover.

Pinault came in as that white knight in 1999, acquiring a 42% stake through his holding company Artémis. The legal and financial battle that followed lasted years, involved Dutch courts, cross-accusations of market manipulation and a shareholding restructuring that resulted in Arnault being shut out. Pinault won. Gucci stayed out of LVMH's reach. And the group then called Pinault-Printemps-Redoute (PPR) now had its strategic bet on luxury.

The historical irony is obvious: in the same period in which the Hermès family was shielding itself from Arnault through the H51 holding company, Pinault was becoming the main obstacle to Arnault's expansionist ambitions on another front. European luxury in the early 21st century is, to a large extent, the story of how two men competed for the same brands for twenty years.

BUILDING THE PORTFOLIO: 2000-2020

Under the management of François-Henri Pinault, François' son, who became executive chairman in 2005, the group accelerated its transformation into pure luxury. In 2013 the company completed the sale of its non-luxury retail businesses (Fnac, Redoute) and changed its name from PPR to Kering, a word with no previous meaning designed specifically to be pronounceable in any language in the world.

In that period, Kering acquired Bottega Veneta (2001), Balenciaga (2001), Alexander McQueen (2000), Stella McCartney (2001, with a minority stake), Brioni (2011), Pomellato (2013) and Ulysse Nardin (2014), among other brands. Each acquisition followed the same logic: brands with verifiable craft heritage, premium positioning and potential for geographic expansion in Asia.

The peak of the portfolio came between 2015 and 2018 under Alessandro Michele's creative direction at Gucci. Michele transformed the house's aesthetic with an eclectic maximalism that dominated global pop culture: ubiquitous logos, layered historical references, an aesthetic that became the visual language of a generation of millennial consumers with growing purchasing power. In 2017 and 2018, Gucci grew 43% and 36% respectively. Analysts compared Kering with Hermès in terms of business quality. The valuation multiple approached those of the best companies in the sector.

THE CREATIVE COLLAPSE AND THE STRUCTURAL CRISIS: 2022-2025

What followed that peak is the most instructive story in the luxury sector of the last decade. In November 2022, Kering announced Alessandro Michele's departure as Gucci's creative director. His replacement, Sabato De Sarno, presented his first collection in September 2023 with a radically different aesthetic: minimalism, earth tones, references to the Italian nineties. The market expected a reinvention. What came was a transition consumers did not embrace. At the same time, Kering was executing an elevation strategy: closing wholesale channels and outlets, raising prices and trying to reduce its reliance on aspirational consumers. The direction may be right (it is exactly what separates true luxury from perceived luxury); time will tell whether consumers see it the same way. In my opinion, the problem may have been timing: creative direction in transition and, at the same time, the Chinese consumer disappeared. China's property crisis devastated the wealth effect for the upper-middle aspirational class that bought Gucci bags as a symbol of social mobility. That consumer does not buy Gucci when the property market collapses: the bag was a status signal, and when the status no longer justifies the price, they stop buying.

The combination was lethal: a creative direction in transition, a vanished Chinese consumer and a business model that depended on both at the same time. The results of 2023, 2024 and 2025 documented the collapse in real time. Kering became the most discussed case study in the sector on the difference between real luxury and perceived luxury.

SECTION 02

Business model

Kering defines itself as a group of luxury and lifestyle houses. In practice, that means it acts as an operating holding company for a portfolio of independent brands, each with its own management team, creative direction and brand identity, under a corporate umbrella that centralizes support functions, finance and strategy.

Unlike Hermès, which is a single brand with multiple product categories, Kering is a portfolio of different brands that share infrastructure but not identity. That structural difference has profound consequences for the nature of the business's risk: an individual brand can become culturally irrelevant, and when that brand represents 50% of the group's revenue, the impact is systemic.

The group's houses and units

Kering reports its business in four main segments: Gucci, Saint Laurent, Bottega Veneta, Other Houses (which groups Balenciaga, Alexander McQueen, Brioni and the jewelry brands) and Kering Eyewear. Each unit has a different financial profile, and reading each one's metrics separately is the most direct way to understand why the group depends so heavily on Gucci and which assets have the potential to compensate.

GUCCI

Gucci is the engine of the group and also its biggest vulnerability. With €5,992M of revenue in 2025, it represents ~41% of the group total but generates a disproportionate share, more than half, of consolidated operating profit. The trajectory of the last three years is the story of the collapse: from an operating margin of 37.5% in 2021 to 16.1% in 2025. The appointment of Demna Gvasalia (controversial, in my opinion) as the new creative director from July 2025 marks the start of a new creative cycle whose impact on sales is not yet visible in the annual numbers.

GUCCI — Métricas clave (€M)					
	2021	2022	2023	2024	2025
Revenue	9.731	10.490	9.862	7.654	5.992
Rec. Op. Income	3.655	3.745	3.482	1.588	966
Margen EBIT	37,5%	35,6%	35,3%	20,7%	16,1%
Var. Revenue YoY	—	+8%	-6%	-22%	-22%

SAINT LAURENT

Saint Laurent is the most stable asset in the portfolio and the one that best shows Kering can manage a luxury brand with discipline when the creative direction is stable. Under Anthony Vaccarello, the brand peaked in 2022 with more than €1,000M of EBIT and a margin above 30%. The fall in 2024-2025 was significant in volume, but the margin held at 20%, one of the best in the sector for a brand of its scale. It is the main argument that Kering's problem is Gucci, not the management model itself.

SAINT LAURENT — Métricas clave (€M)					
	2021	2022	2023	2024	2025
Revenue	2.520	3.305	3.170	2.879	2.643
Rec. Op. Income	~660	>1.000	~970	593	529
Margen EBIT	~26%	>30%	>30%	20,6%	20,0%
Var. Revenue YoY	—	+31%	-4%	-9%	-8%

BOTTEGA VENETA

Bottega Veneta is the asset with the most genuine craft moat in the portfolio. Its intrecciato technique is hard to replicate, its products have an active secondary market and its super-premium positioning is the most defensive in the group. The most revealing number: in 2024, when Gucci fell 22% and Saint Laurent 9%, Bottega grew 4%. In 2025 it kept revenue stable with positive comparable growth of 3%, the only large house in the group with that dynamic. Its 15.6% margin is low relative to its potential, but it reflects investment in communication and the store network.

BOTTEGA VENETA — Métricas clave (€M)					
	2021	2022	2023	2024	2025
Revenue	~1.496	1.718	1.636	1.706	1.706
Rec. Op. Income	~280	366	312	255	~266
Margen EBIT	~19%	21%	19%	14,9%	15,6%
Var. Revenue YoY	—	+15%	-5%	+4%	0% (cc: +3%)

OTHER HOUSES

The Other Houses segment groups Balenciaga, Alexander McQueen, Brioni and the jewelry brands (Boucheron, Pomellato, Qeelin, DoDo). It is the most heterogeneous segment and the one that suffered most in 2025: it reported an operating loss of €112M, mainly attributable to McQueen, whose restructuring is still ongoing. Within the segment, however, there are relevant contrasts: Boucheron and Brioni showed growth, and Balenciaga showed resilience in North America under the new direction of Pierpaolo Piccioli. EBIT data for each brand within this segment is not published separately.

KERING EYEWEAR

Kering Eyewear is the unit with the most consistent growth profile in the group and the one that best diversifies the risk of dependence on fashion. It designs, manufactures and distributes eyewear for the group's brands plus Lindberg and Maui Jim. It grew from approximately €700M in 2021 to €1,631M in 2025, a CAGR close to 24%. EBIT margin fell from 20% to ~16% in 2025 because of investment in distribution, but it is a structurally healthy business.

KERING EYEWEAR — Métricas clave (€M)					
	2021	2022	2023	2024	2025
Revenue	~700	1.113	~1.350	~1.580	1.631
Rec. Op. Income	~80	203	~280	~310	252
Margen EBIT	~11%	18%	~21%	~20%	15,8%
Var. Revenue YoY	—	+58%	~+21%	~+17%	+3%

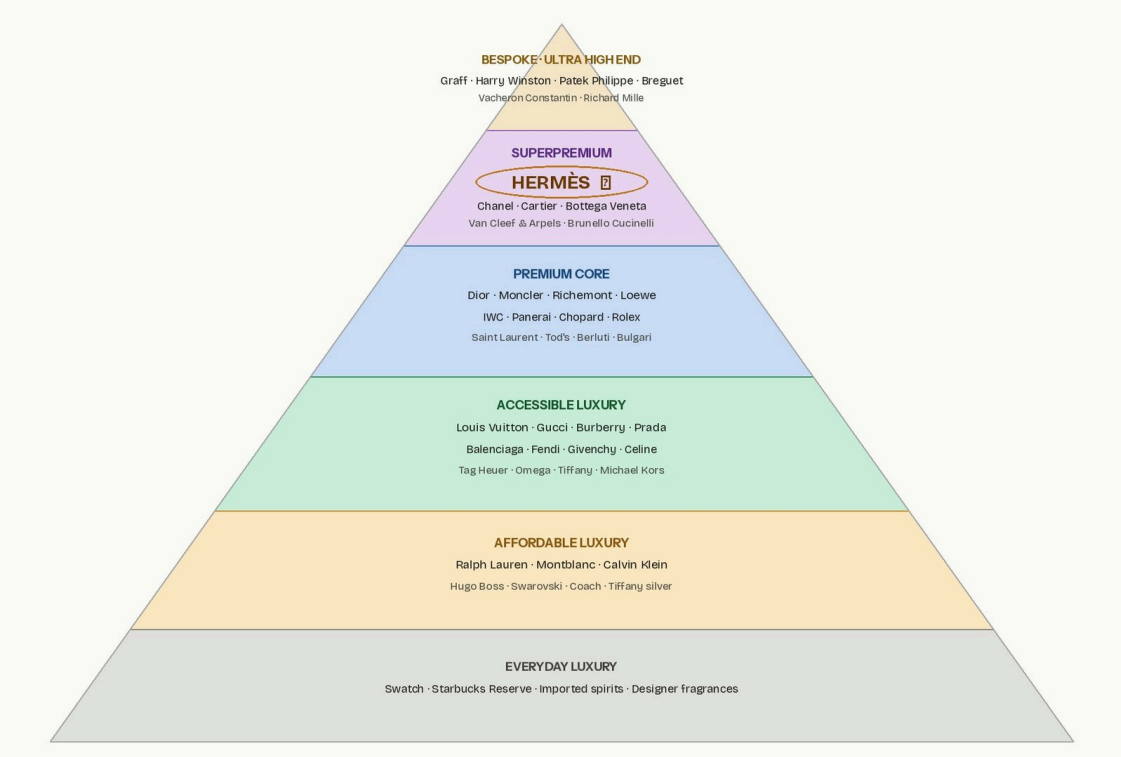
The distribution model

Kering sells mainly through its own stores and a selective distribution network. Unlike Hermès, which operates exclusively through its own channels, Kering keeps a presence in luxury department stores in markets where opening its own stores is not efficient. That difference has consequences for price control and the perception of exclusivity. For this reason, as I mentioned at the beginning, Kering started closing wholesale channels in an effort to elevate its brands.

Kering's store network exceeded 1,700 in 2025, spread across the group's brands. The store density of Gucci in particular is significantly higher than Hermès', which creates a structural dilemma: more stores mean more volume but also more pressure on the perception of exclusivity in the aspirational segment.

The luxury pyramid: where Kering sits

In the luxury pyramid, Kering operates fundamentally at the **Accessible Luxury** level, with some brands trying to position themselves in the **Premium Core** (Bottega Veneta, and Saint Laurent at moments of greater creative relevance). Gucci is the textbook case of a brand that during the Michele era tried to climb to the Superpremium without having the craft assets to justify it permanently.

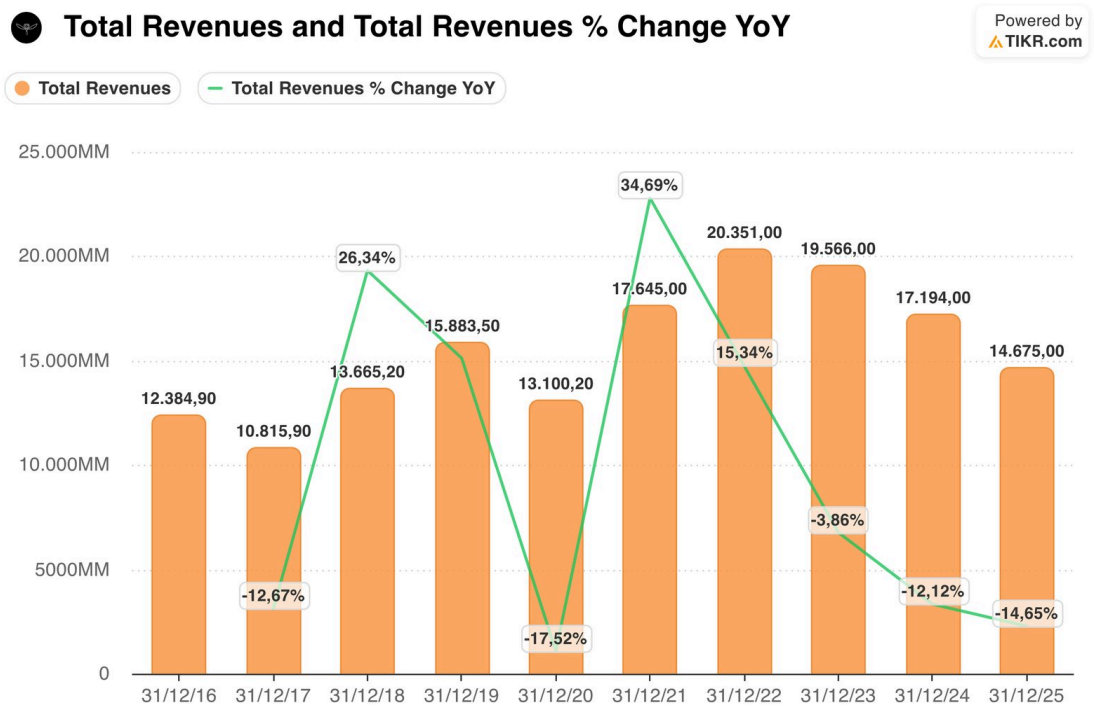


The difference between the Accessible Luxury where Gucci operates and the Superpremium where Hermès operates is not just price: it is the mechanics of demand. In Accessible Luxury, price is an obstacle consumers overcome when the economic cycle allows it. In the Superpremium, price is a signal of exclusivity that reinforces desire. That difference explains why Gucci suffers when China's economy contracts, while the Birkin keeps its waiting list.

SECTION 03

Business quality

Revenue



Kering's revenue trajectory over the last decade is the clearest case of the difference between a luxury business with a structural moat and one that depends on the creative cycle and the aspirational consumer.

For several years Kering delivered consistent double-digit growth, driven mainly by Gucci under Alessandro Michele. Revenue went from €12,385M in 2016 to €15,884M in 2019, with an operating margin that reached 30.1%. Many analysts at the time argued that Kering had closed the quality gap with Hermès. The numbers seemed to justify it.

What followed proved that thesis wrong. In 2020, the pandemic hit Kering harder than Hermès: a fall of 17.5% vs 7.2% for Hermès. In 2021 and 2022, the rebound was solid. But since 2023, the paths have diverged in a way that has no precedent among companies in the same sector listed on the same exchange.

Kering 2023: -3.9%. Kering 2024: -12.1%. Kering 2025: -14.7%. 2025 revenue (€14,675M) is lower than 2019's (€15,884M), wiping out six years of growth. In the same period, Hermès grew from €6,883M in 2019 to more than €16,000M in 2025.

What matters about those numbers is not the size of the fall itself, but the context: the pandemic was universal and affected the whole sector. The 2023-2025 collapse was more specific to Kering. It was not just a macroeconomic problem: it was a problem of brand positioning, concentration in a single

asset (Gucci) and exposure to the aspirational Chinese consumer who disappeared with the property crisis.

Latest results: third quarter of 2026

On October 22 Kering reported third-quarter sales. It billed **€3,350M, practically the same as a year earlier (-1% comparable)**. In the first nine months sales reached €10,570M, down 2% on a reported basis and stable on a comparable basis. After three years of declines, it is the first time the group shows something resembling stabilization.

The problem is still Gucci. The brand billed €1,290M in the quarter, down 6% on a comparable basis, with its own stores falling 9% because of lower traffic in mainland China and Japan. Excluding Gucci, sales in the fashion brands' own stores grew 2%: Saint Laurent grew in Western Europe and North America, Bottega Veneta again outperformed and Balenciaga showed resilience in leather goods.

The most positive news came from the smaller units: Kering Jewelry grew 11% comparable (€239M), with Boucheron and Pomellato leading in Asia, and Kering Eyewear 4% (€373M). The group also sped up the rationalization of its network: in nine months it closed 105 net stores and expects to end the year with at least 125.

Luca de Meo, the group's CEO, was clear: "the recovery of Gucci remains our defining priority". Kering confirmed its goal of improving recurring operating margin in 2026 thanks to cost reductions. The market, however, punished Gucci's weakness: the stock now trades at around €187.

Vertical analysis

INCOME STATEMENT

Fiscal year Income Statement — % of revenue	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of Goods Sold	(37.1%)	(26.8%)	(25.4%)	(25.9%)	(27.4%)	(25.9%)	(25.3%)	(23.7%)	(26.5%)	(27.4%)	**(25.9%)**	**(25.8%)**
Gross Profit	**62.9%**	**73.2%**	**74.6%**	**74.1%**	**72.6%**	**74.1%**	**74.7%**	**76.3%**	**73.5%**	**72.6%**	**74.1%**	**74.2%**
Selling General & Admin Expenses	(25.4%)	(16.6%)	(15.2%)	(14.4%)	(15.8%)	(13.9%)	(13.9%)	(15.2%)	(17.5%)	(18.9%)	**(17.2%)**	**(15.9%)**
Total Operating Expenses	**(47.7%)**	**(48.3%)**	**(45.8%)**	**(44.1%)**	**(48.7%)**	**(45.6%)**	**(47.2%)**	**(52.0%)**	**(59.0%)**	**(61.5%)**	**(57.5%)**	**(53.1%)**
Operating Income	**15.2%**	**24.9%**	**28.9%**	**30.1%**	**23.9%**	**28.4%**	**27.5%**	**24.3%**	**14.5%**	**11.1%**	**16.6%**	**21.1%**
Interest Expense	(1.1%)	(1.1%)	(0.6%)	(1.1%)	(1.2%)	(0.9%)	(0.9%)	(1.8%)	(3.6%)	(4.2%)	**(3.2%)**	**(2.3%)**
EBT Incl. Unusual Items	**9.5%**	**21.3%**	**25.8%**	**27.3%**	**22.5%**	**25.6%**	**25.2%**	**21.7%**	**9.3%**	**2.7%**	**11.2%**	**16.9%**
Income Tax Expense	(2.4%)	(5.1%)	(6.4%)	(13.4%)	(5.8%)	(7.3%)	(7.0%)	(5.9%)	(2.7%)	(2.4%)	**(3.7%)**	**(5.1%)**
Net Income	**6.6%**	**16.5%**	**27.2%**	**14.5%**	**16.4%**	**18.0%**	**17.8%**	**15.2%**	**6.7%**	**0.5%**	**7.5%**	**11.6%**
EBITDA	19.0%	29.8%	32.5%	33.2%	28.3%	32.0%	31.1%	28.6%	20.2%	17.3%	**22.0%**	**25.8%**

Source: author's analysis based on Tikr data.

The analysis of Kering's income statement reveals a company whose financial structure has deteriorated rapidly over the last three years. The gross margin of 72.6% in 2025 is high in absolute terms, but it is compressed compared with 76.3% in 2023. That compression reflects operating deleverage: with lower volume, the fixed costs of production and distribution represent a larger share of revenue.

Operating margin is where the deterioration is most visible and most worrying. The EBIT margin of 11.1% in 2025 is clearly below 27.5% in 2022 and 30.1% in 2019. That compression of almost 20 percentage points in six years reflects the combination of operating deleverage (fixed costs on a smaller revenue base) and continued investment in advertising and distribution that did not deliver the expected return.

The net margin of 0.5% in 2025 is the result of two factors that combined in a particularly adverse way. On one side, a growing financial burden from higher debt. On the other, a tax line that not only did not shrink with the fall in operating profit, but rose disproportionately. The reason is the French

2025 Finance Law, which introduced an exceptional contribution of 41.2% for large groups with more than €3,000M of revenue in France, calculated on the **average tax paid in 2024 and 2025**. For Kering, that meant paying a contribution partly based on 2024 profits (a more profitable year) applied to a 2025 with almost no profit. The effect is brutal: a deteriorated business that has to bear a disproportionate tax burden.

The comparison with Hermès' vertical analysis makes Kering's data look even more severe: Hermès has an operating margin of 41.8% and a net margin of 28.3%. The gap is 30 points in operating margin and almost 28 points in net margin. That is not a cyclical gap: it is a structural gap that fundamentally reflects the difference between having genuine pricing power (Hermès) and having pricing power that depends on the creative relevance of an artistic direction (Kering/Gucci).

BALANCE SHEET

Fiscal year Balance Sheet — % of total assets	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Cash And Short Term Investments	**4.4%**	**8.4%**	**10.4%**	**8.4%**	**12.3%**	**16.9%**	**12.8%**	**9.5%**	**8.1%**	**10.5%**	**9.4%**	**11.5%**
Total Receivables	**5.4%**	**5.6%**	**4.4%**	**4.7%**	**5.5%**	**5.8%**	**4.6%**	**4.7%**	**3.9%**	**3.2%**	**3.9%**	**4.4%**
Inventory	10.1%	10.6%	11.3%	10.9%	10.2%	10.8%	13.2%	11.0%	9.2%	8.9%	**9.7%**	**10.6%**
Total Current Assets	**23.4%**	**28.6%**	**33.1%**	**27.8%**	**32.2%**	**36.7%**	**34.4%**	**28.8%**	**24.5%**	**26.1%**	**26.5%**	**30.1%**
Net Property Plant And Equipment	9.1%	8.9%	10.4%	25.3%	23.7%	23.4%	24.5%	25.0%	28.0%	22.3%	**25.1%**	**24.6%**
Long-term Investments	1.3%	0.9%	5.7%	4.5%	5.5%	2.8%	2.0%	5.0%	4.6%	5.6%	**5.1%**	**4.0%**
Goodwill	14.6%	13.4%	11.2%	9.3%	8.8%	9.3%	11.9%	17.2%	14.5%	8.9%	**13.5%**	**12.4%**
Other Intangibles	46.7%	43.6%	34.6%	26.7%	24.9%	22.6%	21.7%	19.8%	21.4%	19.3%	**20.2%**	**21.0%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Total Current Liabilities	**20.3%**	**22.5%**	**30.0%**	**30.0%**	**24.0%**	**28.2%**	**25.1%**	**20.9%**	**22.1%**	**19.6%**	**20.8%**	**23.2%**
Long-Term Debt	17.0%	16.3%	14.6%	11.5%	13.6%	9.6%	12.8%	24.2%	24.4%	25.0%	**24.5%**	**19.2%**
Capital Leases	0.4%	0.3%	0.2%	13.3%	12.7%	12.3%	13.0%	10.9%	11.7%	12.2%	**11.6%**	**12.0%**
Total Liabilities	**50.4%**	**50.6%**	**52.9%**	**61.6%**	**57.0%**	**55.8%**	**56.4%**	**61.3%**	**63.7%**	**62.3%**	**62.4%**	**59.9%**
Total Equity	**49.6%**	**49.4%**	**47.1%**	**38.5%**	**43.0%**	**44.2%**	**43.6%**	**38.7%**	**36.3%**	**37.7%**	**37.6%**	**40.1%**
Total Debt	**22.5%**	**20.3%**	**18.4%**	**34.7%**	**34.5%**	**31.9%**	**35.0%**	**43.1%**	**46.5%**	**45.1%**	**44.9%**	**40.3%**
Net Debt	18.1%	11.9%	8.0%	26.2%	22.3%	15.0%	22.2%	33.6%	38.4%	34.6%	**35.5%**	**28.8%**

Source: author's analysis based on Tikr data.

Kering's balance sheet at the end of 2025 shows the result of years of aggressive investment in capacity, acquisitions and capital returns in a growth period that then did not last. Net debt at December 31, 2025 was **€14,251M**, including lease liabilities. That compares with a net cash position of €12,239M at Hermès.

Equity fell from €16,010M in 2023 to €15,515M in 2025. Goodwill and intangibles (mainly brands) represent a significant share of total assets, which creates sensitivity to impairment tests in a context of negative results.

Debt is the most critical point of the balance sheet. Long-term debt exceeds €10,300M, with an additional €5,032M of capital leases. That structure was built in a period of low rates and strong growth. In the current environment, servicing the debt consumes a growing share of a deteriorated EBITDA.

CASH FLOW

Fiscal year Cash Flow — % of revenue	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Net Income	**6.6%**	**16.5%**	**27.2%**	**14.5%**	**16.4%**	**18.0%**	**17.8%**	**15.2%**	**6.7%**	**0.5%**	**7.5%**	**11.6%**
Total Depreciation & Amortization	**3.8%**	**4.9%**	**3.7%**	**7.8%**	**10.8%**	**8.2%**	**8.2%**	**9.4%**	**12.4%**	**14.0%**	**11.9%**	**10.4%**
Cash from Operations	**14.3%**	**27.9%**	**24.7%**	**16.4%**	**22.0%**	**27.6%**	**21.0%**	**22.8%**	**27.9%**	**21.5%**	**24.1%**	**24.2%**
Capital Expenditure	(4.9%)	(5.6%)	(6.1%)	(6.0%)	(6.0%)	(5.4%)	(5.3%)	(13.3%)	(19.6%)	(5.7%)	**(12.9%)**	**(9.9%)**
Cash Acquisitions	(0.0%)	0.0%	(0.1%)	(0.3%)	0.0%	(2.6%)	(7.7%)	(26.0%)	(0.2%)	(3.3%)	**(9.8%)**	**(8.0%)**
Cash from Investing	**(5.4%)**	**(6.7%)**	**(7.0%)**	**(7.5%)**	**(1.5%)**	**(2.6%)**	**(13.6%)**	**(37.3%)**	**(18.9%)**	**8.3%**	**(16.0%)**	**(12.8%)**
Total Debt Issued	**4.6%**	**2.8%**	**0.5%**	**9.1%**	**11.0%**	**1.2%**	**10.2%**	**32.6%**	**14.8%**	**5.4%**	**17.6%**	**12.8%**
Total Debt Repaid	**(8.9%)**	**(7.2%)**	**(10.5%)**	**(5.8%)**	**(12.9%)**	**(7.7%)**	**(8.5%)**	**(9.4%)**	**(11.7%)**	**(18.9%)**	**(13.3%)**	**(11.2%)**
Repurchase of Common Stock	–	–	(1.2%)	(2.5%)	(0.4%)	(3.0%)	(5.1%)	(0.1%)	–	–	**(0.0%)**	**(1.6%)**
Common Dividends Paid	(4.1%)	(5.4%)	(5.5%)	(8.3%)	(7.6%)	(5.7%)	(7.3%)	(8.7%)	(10.2%)	(5.0%)	**(8.0%)**	**(7.4%)**
Cash from Financing	**(10.2%)**	**(12.0%)**	**(17.6%)**	**(9.7%)**	**(12.4%)**	**(16.6%)**	**(10.5%)**	**12.1%**	**(11.2%)**	**(23.5%)**	**(7.5%)**	**(9.9%)**
Free Cash Flow	9.4%	22.3%	18.6%	10.4%	16.0%	22.2%	15.7%	9.4%	8.3%	15.9%	**11.2%**	**14.3%**

Source: author's analysis based on Tikr data.

Free cash flow in 2025 was €2,328M, a recovery from €1,400M in 2024 but still below historical levels. The fall in capex in 2025 (€830M vs €3,309M in 2024) was the main reason for the FCF recovery, signaling that the company is slowing investment in the face of deteriorating operating results.

The quality of FCF is one of the few positive points in Kering's profile: even in the worst cycle of its history as a luxury group, the company still generates positive operating cash. That is the result of having a portfolio of brands with structurally high gross margins that do not disappear even when operating margins shrink. The problem is that the cash generated is not enough to cover debt service and capital returns at the same time.

Financial ratios

- **Growth**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Growth												
Revenue growth		(12.7%)	26.3%	16.2%	(17.5%)	34.7%	15.3%	(3.9%)	(13.8%)	(13.0%)	**(10.2%)**	**3.9%**
EBIT growth		42.7%	46.6%	21.1%	(34.4%)	60.0%	11.4%	(15.1%)	(48.6%)	(33.2%)	**(32.3%)**	**(5.1%)**
Diluted EPS growth		102.6%	56.7%	(16.3%)	(0.7%)	47.0%	15.4%	(16.8%)	(65.7%)	(102.9%)	**(61.8%)**	**(24.6%)**
Change in diluted shares (dilution / buybacks)		–	–	–	(0.8%)	–	(1.6%)	(0.8%)	0.8%	–	**0.0%**	**(0.3%)**

Source: author's analysis based on Tikr data.

Sales fell three years in a row (-3.9%, -13.8% and -13.0% according to Tikr data) and EBIT more than halved between 2022 and 2025. Unlike other companies in the sector, Kering has no dilution problem: the share count has barely changed in ten years.

- **Profitability**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Profitability												
Gross margin	62.9%	73.2%	74.6%	74.1%	72.6%	74.1%	74.7%	76.3%	73.5%	72.6%	**74.1%**	**74.2%**
SG&A % revenue	25.4%	16.6%	15.2%	14.4%	15.8%	13.9%	13.9%	15.2%	17.5%	18.9%	**17.2%**	**15.9%**
R&D % revenue	–	–	–	–	–	–	–	–	–	–	**–**	**–**
EBIT margin	15.2%	24.9%	28.9%	30.1%	23.9%	28.4%	27.5%	24.3%	14.5%	11.1%	**16.6%**	**21.1%**
EBITDA margin (EBIT + D&A)	19.0%	29.8%	32.5%	37.8%	34.7%	36.6%	35.7%	33.7%	26.9%	25.1%	**28.6%**	**31.6%**
Net margin	6.6%	16.5%	27.2%	14.5%	16.4%	18.0%	17.8%	15.2%	6.7%	0.5%	**7.5%**	**11.6%**
Stock-based compensation % revenue	–	–	–	–	–	–	–	–	–	–	**–**	**–**
Effective tax rate	25.2%	23.9%	24.6%	49.1%	25.7%	28.3%	27.6%	27.4%	28.9%	90.1%	**48.8%**	**40.5%**

Source: author's analysis based on Tikr data.

Gross margin stays above 72%, which confirms that the problem is not the selling price. The deterioration is further down: overhead went from 13.9% of sales in 2022 to 18.9% in 2025, and EBIT margin fell from 28.4% in 2021 to 11.1%. The 2025 net margin (0.5%) is also hit by the exceptional tax contribution in France.

- **Cash flow and reinvestment**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Cash flow & reinvestment												
Cash from operations % revenue	14.3%	27.9%	24.7%	16.4%	22.0%	27.6%	21.0%	22.8%	27.9%	21.5%	**24.1%**	**24.2%**
FCF margin (TIKR FCF / revenue)	9.4%	22.3%	18.6%	10.4%	16.0%	22.2%	15.7%	9.4%	8.3%	15.9%	**11.2%**	**14.3%**
FCF conversion (FCF / net income)	142.9%	134.9%	68.4%	71.5%	97.5%	123.4%	88.5%	62.0%	123.6%	3233.3%	**1139.6%**	**726.1%**
Capex % revenue	4.9%	5.6%	6.1%	6.0%	6.0%	5.4%	5.3%	13.3%	19.6%	5.7%	**12.9%**	**9.9%**
D&A % revenue	3.8%	4.9%	3.7%	7.8%	10.8%	8.2%	8.2%	9.4%	12.4%	14.0%	**11.9%**	**10.4%**
Capex / D&A	1.3x	1.1x	1.6x	0.8x	0.6x	0.7x	0.6x	1.4x	1.6x	0.4x	**1.1x**	**0.9x**
D&A % beginning net PP&E		24.0%	22.2%	55.4%	20.6%	21.9%	22.9%	22.1%	20.3%	16.9%	**19.8%**	**20.8%**
Acquisitions % revenue	0.0%	(0.0%)	0.1%	0.3%	(0.0%)	2.6%	7.7%	26.0%	0.2%	3.3%	**9.8%**	**8.0%**

Source: author's analysis based on Tikr data.

Free cash flow held up better than earnings: 15.9% of sales in 2025. The key was capex, which had jumped to 13-20% of sales in 2023-2024 because of purchases of flagship real estate in Paris, Milan and New York, and went back to 5.7% in 2025. The 2023 acquisitions (26% of sales), with the stake in Valentino and Creed, are also visible.

- **Working capital**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Working capital												
Receivables days (DSO)	38.4	48.8	25.1	29.3	42.1	37.2	27.9	35.7	36.4	32.6	**34.9**	**34.0**
Inventory days (DIO)	193.2	339.7	254.2	262.9	289.3	268.7	316.3	358.0	325.2	334.3	**339.2**	**320.5**
Payables days (DPO)	87.3	156.2	78.5	71.9	151.4	138.9	160.3	173.1	170.9	172.5	**172.2**	**163.2**
Cash conversion cycle (DSO + DIO − DPO)	144.3	232.3	200.8	220.4	179.9	167.0	183.9	220.6	190.7	194.3	**201.9**	**191.3**
Deferred revenue % revenue	–	–	–	–	–	–	–	–	–	–	–	–
Operating NWC % revenue	10.6%	10.8%	3.6%	7.3%	15.5%	9.3%	12.2%	16.3%	15.2%	14.5%	**15.3%**	**13.5%**

Source: author's analysis based on Tikr data.

Inventory is the big issue: Kering has more than 330 days of inventory, against about 270 days at the start of the decade. When sales fall faster than production, stock builds up. The cash conversion cycle is around 190-200 days.

- **Returns on capital**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Returns on capital												
NOPAT = EBIT × (1 − normalized tax rate)	1,341	1,913	2,804	3,397	2,229	3,567	3,973	3,374	1,735	1,160	**2,089**	**2,762**
Invested capital = debt + equity − cash & ST inv.	16,327	15,668	11,765	17,563	18,267	18,406	22,321	29,909	32,354	29,766	**30,676**	**26,551**
ROIC = NOPAT / average invested capital		12.0%	20.4%	23.2%	12.4%	19.5%	19.5%	12.9%	5.6%	3.7%	**7.4%**	**12.2%**
ROIC incl. cash = NOPAT / average (debt + equity)		10.9%	17.6%	20.1%	10.7%	15.7%	15.8%	11.2%	5.0%	3.3%	**6.5%**	**10.2%**
Pre-tax ROIC = EBIT / average invested capital (reference)		16.8%	28.8%	32.6%	17.5%	27.4%	27.4%	18.2%	7.8%	5.3%	**10.4%**	**17.2%**
ROE = net income / average equity		14.5%	32.7%	22.5%	19.1%	24.6%	25.3%	19.4%	7.1%	0.5%	**9.0%**	**15.4%**
ROA = net income / average total assets		7.2%	15.8%	9.5%	7.8%	10.8%	11.1%	7.9%	2.7%	0.2%	**3.6%**	**6.5%**

Source: author's analysis based on Tikr data.

ROIC went from 23% in 2019 to just 3.7% in 2025. Invested capital grew from €18,000M to €30,000M (acquisitions and real estate), while NOPAT fell to a third. **Today Kering earns less on its capital than it costs.** The central question of the thesis is whether that deterioration is cyclical or structural.

- **Leverage and liquidity**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Leverage & liquidity												
Net debt (debt − cash & ST inv.)	4,363	3,042	1,703	7,124	6,232	4,670	7,538	13,899	16,624	14,251	**14,925**	**11,396**
Net debt / EBITDA	1.9x	0.9x	0.4x	1.2x	1.4x	0.7x	1.0x	2.1x	3.7x	3.9x	**3.2x**	**2.3x**
Interest coverage (EBIT / interest expense)	13.9x	23.6x	46.8x	27.6x	19.2x	33.0x	30.9x	13.1x	4.0x	2.6x	**6.6x**	**16.7x**
Debt / (debt + equity), book	31.2%	29.1%	28.1%	47.4%	44.6%	41.9%	44.5%	52.7%	56.1%	54.5%	**54.4%**	**50.0%**
Current ratio	1.15	1.27	1.10	0.93	1.34	1.30	1.37	1.38	1.11	1.34	**1.28**	**1.30**

Source: author's analysis based on Tikr data.

Net debt (including leases) went from €4,670M in 2021 to €14,251M in 2025, almost 4 times EBITDA. Interest coverage fell from 33 to 2.6 times. The sale of Kering Beauté to L'Oréal for €4,000M, closed in 2026, is the main tool to reduce that leverage.

- **Shareholder returns and valuation**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Shareholder returns & market valuation (TIKR, at fiscal year end)												
Dividends + buybacks % FCF	43.4%	24.1%	36.4%	104.2%	50.3%	39.2%	78.6%	93.2%	122.6%	31.6%	**82.5%**	**73.0%**
EV / EBITDA	13.9x	17.0x	12.3x	15.0x	22.2x	16.5x	10.2x	10.4x	13.4x	21.0x	**14.9x**	**14.3x**
EV / revenue	2.6x	5.1x	4.0x	5.0x	6.3x	5.3x	3.2x	3.0x	2.7x	3.6x	**3.1x**	**3.5x**
P/E	33.1x	27.8x	13.9x	31.7x	34.5x	27.5x	16.1x	16.3x	25.8x	512.5x	**184.9x**	**119.6x**
FCF yield (FCF / market cap)	4.3%	4.9%	4.9%	2.3%	2.8%	4.5%	5.5%	3.8%	4.8%	6.3%	**5.0%**	**5.0%**

Source: author's analysis based on Tikr data.

Between 2022 and 2024 Kering returned more than 80% of its free cash flow to shareholders, even above 100% in 2024, just as the business was starting to deteriorate. In 2025 it cut the dividend. The stock ended 2025 at 21 times EBITDA, a high multiple on very depressed results, with an FCF yield of 6.3%.

SECTION 04

Management and capital allocation

François-Henri Pinault, Chairman

François-Henri Pinault is, in many ways, the heir to a business tradition rather than a craft one. The son of François Pinault, he became executive chairman of the group in 2005 and led all the major strategic decisions until 2025: the divestment of the non-luxury retail businesses, the name change from PPR to Kering, the construction of the current portfolio and the response (late, according to many analysts) to Gucci's collapse.

His management philosophy is that of the disciplined conglomerate: creative autonomy for each house, centralized corporate support and a long-term view of each brand's positioning within the luxury pyramid. That philosophy worked exceptionally well when the cycle was favorable. Its weakness showed when the cycle turned: Gucci's creative autonomy included the decision to appoint Sabato De Sarno as Alessandro Michele's successor, a bet the market is still waiting to see validated.

Management has been explicit about the nature of the crisis: at the February 2026 results presentation, it acknowledged that Gucci is in a "normalization" process that will take time and that the 2025 results do not reflect the brand's potential. That narrative is management's bet: that the deterioration is cyclical and creative, not structural, and that the brand can regain relevance under the new artistic direction.

Luca de Meo, CEO

In September 2025 Kering took a step that until recently seemed unthinkable: separating the roles of chairman and CEO and bringing in someone from outside the group and the industry. **Luca de Meo**, the executive who led Renault's turnaround, became CEO, while François-Henri Pinault remained chairman of the board.

The choice says a lot about the diagnosis: Kering does not just need a new creative direction, it needs operating discipline, cost cuts, deleveraging and more rigorous capital allocation. De Meo started there: he sold the beauty business to L'Oréal for €4,000M, sped up the closure of low-productivity stores and cut overhead. It is still early to judge his management, but the change in the leadership profile is, in my opinion, the best news for the company in the last three years.

The dilemma of Gucci's creative transition

Managing Gucci's creative transition is the most critical chapter in Kering's recent history and the one that most divides analysts. There are two possible readings. The first: Alessandro Michele's departure was inevitable because his aesthetic had run its course and the brand needed to reinvent itself. The second: the way Kering handled the transition, with no overlap period, no clear narrative for consumers and at the worst moment of the Chinese macro cycle, turned what could have been an evolution into a collapse.

What is clear is that Kering does not have the advantage Hermès has against this kind of risk: when the craftsman who signs a Birkin retires, another craftsman trained in the same trade takes over. When a Gucci creative director leaves, the brand enters a period of uncertainty the market cannot value. That asymmetry of risk is the most important difference between the two business models.

SECTION 05

Competitive position

Industry analysis

The global personal luxury goods market exceeds €350,000M a year. The fundamental dynamic of the sector has a feature that sets it apart from almost any other industry: price can be a signal of quality. However, that dynamic works with very different intensity depending on the level of the luxury pyramid a brand sits in.

For Kering, which operates fundamentally in Accessible Luxury, price dynamics are more complex than for companies like Hermès. The Gucci consumer buys when the economic cycle is favorable and the brand is culturally relevant. When either of those two conditions fails, demand falls. That is exactly what happened in 2023-2025: the Chinese macro cycle undermined the economic condition and the creative transition undermined cultural relevance. Both conditions failed at the same time.

The 2024-2025 cycle was the best test for understanding the difference between the levels of the pyramid. Accessible Luxury brands suffered the biggest contractions. Superpremium brands (Hermès, Chanel) grew or held steady. Bottega Veneta, Kering's asset closest to the Superpremium, was the brand in the portfolio with the best relative performance.

Main competitors

LVMH

LVMH is the unavoidable benchmark in any analysis of the luxury sector: the largest group in the world with 75 brands, led by Bernard Arnault. For Kering, LVMH is at the same time the main competitor in the aspirational bags and accessories market and the conglomerate management model Kering has tried to replicate with less scale and less diversification.

The key difference between LVMH and Kering is not the portfolio philosophy (both are conglomerates of acquired brands) but diversification and the position of Louis Vuitton. LV generates more than €20,000M of annual revenue and has enough pricing power to sustain margins even in adverse cycles. Kering has no equivalent asset: Gucci at its best generated approximately €10,000M, with structurally lower margins than LV. In the adverse 2024-2025 cycle, LVMH fell 1.7% and 4.6%, while Kering fell 12.1% and 14.7%. That difference in amplitude reflects the greater fragility of Kering's portfolio in the face of the aspirational consumer slowdown.

HERMÈS

Hermès is the anti-Kering by definition and, as discussed in detail in the report dedicated to that company, operates in a fundamentally different category. What matters is understanding why the comparison is instructive but not appropriate for relative valuation.

Hermès has a 187-year craft moat that makes its demand structurally defensive. Kering has a portfolio of creative brands whose demand is structurally cyclical. That difference is not one of degree but of nature. An investor who buys Kering expecting it to behave like Hermès in a recession is buying the wrong company. An investor who buys Kering understanding that it is a quality cyclical business that can recover profitability in the next favorable cycle is making a different bet, more speculative but not necessarily wrong.

RICHEMONT

Richemont competes with Kering only marginally, mainly in high-end jewelry, where Kering has exposure through Pomellato, Qeelin and Boucheron. In watchmaking and high jewelry, Richemont has a dominant position (Cartier, Van Cleef & Arpels) that Kering cannot replicate with its current portfolio.

The margin comparison is unfavorable for Kering: Richemont has an EBIT margin of 21% in 2025 vs Kering's 11.1%. But Richemont has its own volatility: ROIC fell to 13.7% in 2025 from 25.5% in 2023, reflecting the cycles of high watchmaking. In any case, Richemont is not Kering's main direct competitor.

MONCLER

Moncler is the most interesting competitor to analyze comparatively because it shows that a moat can be built in Accessible Luxury with enough discipline. Moncler's gross margin in 2025 was 78.1% and its EBIT margin 28.9%, both far above Kering's in the same period.

The fundamental difference is product concentration: Moncler has an iconic product (the down jacket) with a demand cycle less dependent on the creative relevance of an artistic director. Gucci, on the other hand, needs a creative direction that actively generates desire. That difference in the structure of desire explains why Moncler was able to sustain margins in the adverse cycle while Kering could not.

PRADA

Prada is the case most directly comparable with Kering because it represents exactly what Kering needs to achieve: a successful turnaround of an Accessible Luxury brand that had lost relevance. Pre-2021 Prada had structural problems similar to today's Gucci: compressed margins, confused positioning, excessive reliance on luxury tourism.

Prada's turnaround was driven by a rejuvenated Miu Miu, which captured a specific cultural moment, and by an improvement in product mix towards high-margin leather and accessories. Prada's EBIT margin rose from 5.6% in 2020 to 22.7% in 2025. That trajectory is, implicitly, the optimistic scenario for Kering: if Gucci's new creative direction captures a cultural moment similar to Miu Miu's, the margin recovery can be fast. The risk is that the same analysis applied to pre-Michele Gucci in 2014 would have reached the same conclusion, and Michele's reinvention took two years to be validated.

BRUNELLO CUCINELLI

Brunello Cucinelli is the benchmark of the craft model in luxury apparel. With revenue in the €1,200-1,400M range and growth of 10-12% even in the adverse 2024-2025 cycle, Brunello Cucinelli shows that the model of limited production and high prices has structural demand that survives cycles. Its Superpremium positioning makes it fundamentally different from Kering in business philosophy.

For Kering, Brunello Cucinelli is relevant as a reminder of what Bottega Veneta could be if the group decided to position it more radically in the high-craft, lower-volume segment. That path exists but requires a distribution discipline that Kering's current store model does not make easy.

Comparison vs competitors

The comparison universe is six listed companies the market classifies as direct or close peers of Kering: Hermès, LVMH, Richemont, Moncler, Brunello Cucinelli and Prada. Each has a different business profile, but they all compete for the same high-net-worth consumer and are the reference analysts use to build comparative valuation multiples. The data covers 2016-2025, which includes the full cycle: pre-pandemic growth, the 2020 fall, the post-reopening boom of 2021-2022 and the adverse 2024-2025 cycle.

Revenues

REVENUES

% Change YoY	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA		6,7%	7,5%	15,4%	-7,2%	40,6%	29,2%	15,7%	13,0%	5,5%
Moncler SpA		14,7%	19,0%	14,6%	-11,5%	42,1%	27,2%	14,7%	4,2%	0,7%
LVMH Moet Hennessy Louis Vuitton SE		13,4%	9,8%	14,6%	-16,8%	43,8%	23,3%	8,8%	-1,7%	-4,6%
Kering SA		-12,7%	26,3%	16,2%	-17,5%	34,7%	15,3%	-3,9%	-12,1%	-14,7%
Brunello Cucinelli SpA		12%	8%	10%	-11%	31%	29%	24%	12%	10%
Compagnie Financiere Richemont SA		-4%	3%	27%	2%	-8%	27%	19%	3%	4%
Prada SpA		-23%	15%	3%	-25%	39%	25%	13%	15%	5%

Looking at revenue in historical perspective reveals something the annual data on its own does not convey as clearly: between 2016 and 2022 Kering was one of the most brilliant growth stories in the sector. And between 2023 and 2025, the most painful.

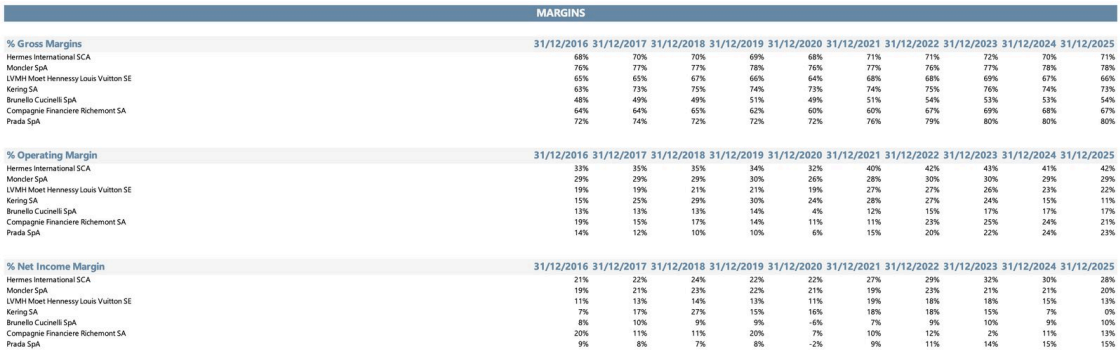
In the boom period, Kering grew from €12,385M in 2016 to €20,351M in 2022, driven almost exclusively by Gucci under Alessandro Michele. That growth outpaced LVMH in relative terms in the peak years and brought Kering's multiples close to Hermès'. The market, for a moment, believed Gucci's moat was comparable to the Birkin's.

The 2020 pandemic was the first warning. Kering fell 17.5%, more than LVMH (-16.8%) and much more than Hermès (-7.2%) and Moncler (-11.5%). Only Prada, with a fall of 24.9%, did worse. Richemont, at -1.8%, and Hermès showed that the ultra-wealthy customer base is structurally more defensive. Kering does not have that base: it has the aspirational Chinese consumer, who disappeared earlier and faster than any other segment of luxury.

What has happened since 2023 has no precedent among companies in the same sector listed on the same exchange in the same period. **Kering 2023: -3.9%. Kering 2024: -12.1%. Kering 2025: -14.7%.** In the same period, Hermès grew 15.7%, 13.0% and 5.5% respectively. Brunello Cucinelli grew 23.9%, 12.2% and 10.1%. Even LVMH, which also suffered from the adverse cycle, only fell 1.7% in 2024 and 4.6% in 2025.

As I mentioned earlier, the explanation is not only macroeconomic but more specific to Kering: concentration in Gucci, exposure to the aspirational Chinese consumer and a creative transition poorly executed at the worst moment of the cycle.

Margins



MARGINS

% Gross Margins	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	68%	70%	70%	69%	68%	71%	71%	72%	70%	71%
Moncler SpA	76%	77%	77%	78%	76%	77%	76%	77%	78%	78%
LVMH Moet Hennessy Louis Vuitton SE	65%	65%	67%	66%	64%	68%	68%	69%	67%	66%
Kering SA	63%	73%	75%	74%	73%	74%	75%	76%	74%	73%
Brunello Cucinelli SpA	48%	49%	49%	51%	49%	51%	54%	53%	53%	54%
Compagnie Financiere Richemont SA	64%	64%	65%	62%	60%	60%	67%	69%	68%	67%
Prada SpA	72%	74%	72%	72%	72%	76%	79%	80%	80%	80%

% Operating Margin	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	33%	35%	35%	34%	32%	40%	42%	43%	41%	42%
Moncler SpA	29%	29%	29%	30%	26%	28%	30%	30%	29%	29%
LVMH Moet Hennessy Louis Vuitton SE	19%	19%	21%	21%	19%	27%	27%	26%	23%	22%
Kering SA	15%	25%	29%	30%	24%	28%	27%	24%	15%	11%
Brunello Cucinelli SpA	13%	13%	13%	14%	4%	12%	15%	17%	17%	17%
Compagnie Financiere Richemont SA	19%	15%	17%	14%	11%	11%	23%	25%	24%	21%
Prada SpA	14%	12%	10%	10%	6%	15%	20%	22%	24%	23%

% Net Income Margin	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	21%	22%	24%	22%	22%	27%	29%	32%	30%	28%
Moncler SpA	19%	21%	23%	22%	21%	19%	23%	21%	21%	20%
LVMH Moet Hennessy Louis Vuitton SE	11%	13%	14%	13%	11%	19%	18%	18%	15%	13%
Kering SA	7%	17%	27%	15%	16%	18%	18%	15%	7%	0%
Brunello Cucinelli SpA	8%	10%	9%	9%	-6%	7%	9%	10%	9%	10%
Compagnie Financiere Richemont SA	20%	11%	11%	20%	7%	10%	12%	2%	11%	13%
Prada SpA	9%	8%	7%	8%	-2%	9%	11%	14%	15%	15%

The margin story is where Kering's collapse becomes most visible. The three margins (gross, EBIT and net) tell different and complementary stories.

In **gross margin**, Kering is not the weakest company in the group. In 2025, its 72.6% is the fourth highest, behind Prada (80.3%) and Moncler (78.1%) and practically in line with Hermès (71.1%). That structurally high gross margin is proof that Kering's brands keep pricing power at the product level: the problem is not the selling price or the manufacturing cost, but the operating expenses that turn that gross profit into operating profit.

EBIT margin is where the collapse becomes evident. In 2025, Kering has the lowest operating margin in the group: 11.1%. The only company that comes close to Kering's levels is Brunello Cucinelli at 16.7%, but in that case the low margin is the consequence of making everything by hand in Italy, not of operating deterioration.

The trajectory over time makes the analysis even more severe. Kering went from an EBIT margin of 30.1% in 2019 to 27.5% in 2022 and 11.1% in 2025. That is a compression of almost 19 points in three years, the largest and fastest in the whole group analyzed. Hermès, in the same period, rose from 34.4% to 41.8%. The gap between the two companies went from 4 points in 2019 to 30 points in 2025. That is not a cycle: it is the manifestation of the difference between a craft moat and a creative moat.

The **net margin** of 0.5% in 2025 is the most worrying number in the whole comparison. I already said it is mainly due to a tax issue, but it had already been deteriorating in previous years. Moncler has 20.0%, LVMH 13.5%, Hermès 28.3%, Prada 14.9%, Brunello Cucinelli 9.6%. Kering is the only member of the group practically at breakeven. That level of margin offers no cushion against further deterioration: a fall in revenue with stable fixed costs would take Kering to net losses.

Balance Sheet

BALANCE SHEET

ASSETS

Total Cash And Short Term Investments	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	39%	43%	41%	44%	43%	48%	53%	52%	50%	50%
Moncler SpA	21%	29%	34%	30%	34%	22%	19%	21%	24%	25%
LVMH Moet Hennessy Louis Vuitton SE	7%	6%	7%	7%	19%	8%	8%	8%	9%	10%
Kering SA	4%	8%	10%	8%	12%	17%	13%	9%	8%	10%
Brunello Cucinelli SpA	11%	14%	11%	7%	7%	9%	9%	8%	11%	10%
Compagnie Financiere Richemont SA	39%	39%	52%	34%	29%	38%	41%	45%	46%	41%
Prada SpA	14%	19%	13%	6%	7%	14%	15%	9%	12%	11%

Accounts Receivable	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	5%	4%	3%	3%	2%	2%	2%	2%	2%	2%
Moncler SpA	9%	9%	10%	7%	6%	5%	6%	7%	6%	5%
LVMH Moet Hennessy Louis Vuitton SE	5%	4%	4%	4%	3%	3%	3%	3%	3%	3%
Kering SA	5%	5%	4%	4%	3%	3%	3%	3%	2%	2%
Brunello Cucinelli SpA	11%	10%	12%	6%	7%	6%	6%	6%	5%	5%
Compagnie Financiere Richemont SA	3%	3%	2%	2%	2%	2%	2%	2%	2%	2%
Prada SpA	5%	6%	7%	5%	4%	5%	4%	5%	5%	4%

Total Current Assets	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	64%	66%	59%	62%	60%	64%	68%	69%	67%	65%
Moncler SpA	44%	52%	56%	45%	48%	34%	35%	38%	40%	40%
LVMH Moet Hennessy Louis Vuitton SE	33%	30%	32%	27%	37%	27%	30%	30%	32%	34%
Kering SA	23%	29%	33%	28%	32%	37%	34%	29%	25%	26%
Brunello Cucinelli SpA	62%	63%	62%	37%	36%	35%	36%	38%	39%	38%
Compagnie Financiere Richemont SA	71%	72%	77%	62%	55%	60%	63%	74%	73%	69%
Prada SpA	40%	41%	38%	24%	25%	31%	33%	28%	29%	28%

Net Property Plant And Equipment	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	22%	19%	28%	25%	28%	25%	21%	20%	21%	23%
Moncler SpA	11%	10%	11%	31%	29%	21%	23%	22%	23%	25%
LVMH Moet Hennessy Louis Vuitton SE	20%	20%	20%	32%	28%	27%	28%	30%	31%	31%
Kering SA	9%	9%	10%	25%	24%	23%	25%	25%	28%	22%
Brunello Cucinelli SpA	26%	26%	25%	58%	57%	57%	54%	52%	50%	52%
Compagnie Financiere Richemont SA	12%	13%	9%	10%	19%	17%	16%	17%	18%	20%
Prada SpA	32%	32%	34%	57%	55%	51%	49%	53%	53%	49%

Goodwill	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	1%	0%	0%	0%	0%	0%	0%	0%	1%	1%
Moncler SpA	14%	11%	10%	6%	6%	14%	13%	12%	11%	10%
LVMH Moet Hennessy Louis Vuitton SE	17%	20%	18%	17%	15%	21%	18%	17%	14%	13%
Kering SA	15%	13%	11%	9%	9%	9%	12%	17%	14%	9%
Brunello Cucinelli SpA	0%	2%	1%	1%	1%	1%	0%	0%	0%	0%
Compagnie Financiere Richemont SA	1%	1%	1%	12%	11%	10%	9%	1%	2%	2%
Prada SpA	11%	11%	11%	7%	8%	7%	7%	7%	6%	14%

Other Intangibles	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	2%	2%	2%	2%	2%	2%	1%	1%	1%	1%
Moncler SpA	23%	20%	17%	11%	10%	25%	23%	22%	20%	19%
LVMH Moet Hennessy Louis Vuitton SE	22%	24%	23%	18%	16%	20%	19%	18%	18%	16%
Kering SA	47%	44%	35%	27%	25%	23%	22%	20%	21%	19%
Brunello Cucinelli SpA	7%	5%	6%	1%	1%	1%	1%	1%	1%	1%
Compagnie Financiere Richemont SA	2%	1%	1%	10%	8%	7%	6%	1%	1%	1%
Prada SpA	8%	9%	9%	5%	5%	5%	4%	4%	4%	3%

LIABILITIES

Accounts Payable	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	7%	6%	5%	4%	3%	3%	4%	3%	3%	3%
Moncler SpA	12%	12%	14%	10%	8%	8%	10%	11%	10%	9%
LVMH Moet Hennessy Louis Vuitton SE	7%	7%	7%	6%	5%	6%	7%	6%	6%	6%
Kering SA	5%	5%	3%	3%	5%	6%	7%	5%	5%	5%
Brunello Cucinelli SpA	15%	15%	15%	9%	8%	9%	10%	12%	10%	9%
Compagnie Financiere Richemont SA	2%	2%	2%	3%	2%	2%	2%	2%	2%	2%
Prada SpA	6%	7%	7%	5%	4%	6%	5%	6%	6%	6%

Current Liabilities	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	22%	20%	20%	20%	17%	19%	17%	16%	16%	13%
Moncler SpA	24%	22%	23%	22%	20%	21%	21%	20%	19%	16%
LVMH Moet Hennessy Louis Vuitton SE	21%	21%	23%	23%	23%	22%	23%	23%	23%	21%
Kering SA	20%	23%	30%	30%	24%	28%	25%	21%	22%	20%
Brunello Cucinelli SpA	35%	29%	33%	27%	29%	25%	29%	31%	28%	27%
Compagnie Financiere Richemont SA	21%	19%	25%	22%	19%	23%	26%	30%	28%	24%
Prada SpA	17%	19%	21%	18%	19%	20%	20%	19%	20%	20%

Long-Term Debt	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moncler SpA	7%	5%	5%	3%	1%	1%	1%	1%	0%	0%
LVMH Moet Hennessy Louis Vuitton SE	6%	10%	8%	5%	13%	10%	8%	8%	8%	9%
Kering SA	17%	16%	15%	12%	14%	10%	13%	24%	24%	25%
Brunello Cucinelli SpA	9%	8%	5%	3%	6%	6%	4%	2%	9%	11%
Compagnie Financiere Richemont SA	2%	2%	17%	14%	13%	17%	15%	15%	14%	11%
Prada SpA	11%	13%	10%	8%	7%	7%	5%	4%	3%	12%

Capital Leases	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	0%	0%	11%	9%	13%	11%	9%	8%	8%	8%
Moncler SpA	0%	0%	0%	21%	19%	14%	15%	13%	14%	16%
LVMH Moet Hennessy Louis Vuitton SE	1%	0%	0%	11%	10%	9%	9%	10%	10%	9%
Kering SA	0%	0%	0%	13%	13%	12%	13%	11%	12%	12%
Brunello Cucinelli SpA	0%	0%	0%	39%	40%	40%	36%	33%	33%	33%
Compagnie Financiere Richemont SA	0%	0%	0%	0%	9%	8%	8%	8%	9%	9%
Prada SpA	0%	0%	0%	28%	26%	23%	23%	22%	23%	23%

EQUITY

Additional Paid In Capital	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
Moncler SpA	9%	11%	11%	7%	6%	17%	16%	15%	14%	13%
LVMH Moet Hennessy Louis Vuitton SE	4%	4%	3%	2%	2%	2%	1%	0%	0%	0%
Kering SA	-	-	-	-	-	-	-	-	-	-
Brunello Cucinelli SpA	13%	13%	12%	6%	5%	5%	4%	4%	3%	3%
Compagnie Financiere Richemont SA	0%	0%	0%	0%	0%	0%	0%	0%	3%	3%
Prada SpA	9%	9%	9%	6%	6%	6%	6%	5%	5%	4%

Retained Earnings	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Hermes International SCA	18%	18%	17%	15%	13%	18%	19%	21%	20%	19%
Moncler SpA	44%	49%	48%	42%	50%	40%	45%	49%	50%	52%
LVMH Moet Hennessy Louis Vuitton SE	7%	8%	9%	7%	4%	10%	10%	11%	8%	8%
Kering SA	-	-	-	-	-	-	-	-	-	-
Brunello Cucinelli SpA	33%	41%	43%	23%	18%	21%	22%	26%	24%	24%
Compagnie Financiere Richemont SA	60%	61%	49%	51%	45%	42%	40%	36%	35%	39%
Prada SpA	7%	5%	4%	4%	-1%	4%	6%	9%	10%	8%

The comparative balance sheet analysis reveals differences that go well beyond the cycle and say a lot about each company's capital allocation decisions during the boom years.

The most striking data point is the cash position. Hermès has 50.3% of its assets in cash and short-term investments. Kering has 10.5%, in line with LVMH (9.5%) and below Richemont (40.9%) and Moncler (24.5%). That difference is not accidental: Kering used the cash flows of the growth years to fund acquisitions, capital returns and store network expansion. Hermès accumulated them. The difference between the two strategies becomes critical when the adverse cycle arrives: Hermès has €12,239M of net cash to operate fully independently of capital markets. Kering has €14,251M of net debt it needs to service at a time of deteriorated EBITDA.

In goodwill and intangibles, Kering has one of the highest positions in the group: goodwill of €3,666M (8.9% of assets) and intangibles of €7,962M (19.3% of assets). Those figures reflect the price paid for historical acquisitions (Gucci, Bottega Veneta, Balenciaga) recorded on the balance sheet. With deteriorating results, those positions are vulnerable to impairment tests that could hit equity.

In long-term debt, Kering has 25.0% of its assets funded with long-term debt, the highest figure in the group. LVMH has 8.8%, Moncler practically zero, Hermès zero. Brunello Cucinelli, which is also in a debt-funded expansion cycle, has 11.1%. Kering's debt structure was built in a period of low rates and strong growth. Refinancing it in the current environment, with deteriorated EBITDA and higher rates, has a real cost.

Liquidity ratios

RATIOS

LIQUIDITY										
Current [Current Assets / Current Liabilities]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	2,96x	3,29x	2,90x	3,01x	3,62x	3,43x	3,94x	4,40x	4,26x	4,99x
Moncler SpA	1,86x	2,40x	2,40x	2,08x	2,47x	1,64x	1,68x	1,89x	2,16x	2,42x
LVMH Moet Hennessy Louis Vuitton SE	1,51x	1,41x	1,40x	1,17x	1,58x	1,23x	1,26x	1,32x	1,41x	1,58x
Kering SA	1,15x	1,27x	1,10x	0,93x	1,34x	1,30x	1,37x	1,38x	1,11x	1,34x
Brunello Cucinelli SpA	1,79x	2,12x	1,85x	1,34x	1,25x	1,41x	1,24x	1,24x	1,40x	1,42x
Compagnie Financiere Richemont SA	3,42x	3,70x	3,07x	2,74x	2,86x	2,61x	2,42x	2,47x	2,65x	2,90x
Prada SpA	2,38x	2,17x	1,79x	1,38x	1,35x	1,53x	1,63x	1,49x	1,48x	1,38x
Quick [(Cash + Marketable securities + Receivables) / Current Liabilities]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	2,21x	2,56x	2,32x	2,33x	2,74x	2,75x	3,20x	3,49x	3,35x	3,99x
Moncler SpA	1,33x	1,93x	1,92x	1,70x	2,06x	1,33x	1,26x	1,43x	1,70x	1,86x
LVMH Moet Hennessy Louis Vuitton SE	0,63x	0,61x	0,61x	0,53x	1,00x	0,60x	0,57x	0,58x	0,66x	0,69x
Kering SA	0,48x	0,62x	0,49x	0,44x	0,74x	0,80x	0,69x	0,68x	0,54x	0,70x
Brunello Cucinelli SpA	0,72x	0,90x	0,81x	0,52x	0,55x	0,71x	0,60x	0,54x	0,63x	0,65x
Compagnie Financiere Richemont SA	2,11x	2,29x	2,26x	1,69x	1,65x	1,77x	1,71x	1,61x	1,80x	1,89x
Prada SpA	1,33x	1,42x	1,02x	0,70x	0,71x	0,99x	1,01x	0,82x	0,87x	0,80x
Cash [(Cash + Marketable securities) / Current Liabilities]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	1,81x	2,16x	2,03x	2,17x	2,57x	2,60x	3,07x	3,34x	3,21x	3,84x
Moncler SpA	0,89x	1,33x	1,45x	1,35x	1,71x	1,04x	0,92x	1,06x	1,31x	1,49x
LVMH Moet Hennessy Louis Vuitton SE	0,31x	0,28x	0,31x	0,28x	0,82x	0,38x	0,35x	0,34x	0,40x	0,44x
Kering SA	0,22x	0,37x	0,35x	0,28x	0,51x	0,60x	0,51x	0,45x	0,37x	0,54x
Brunello Cucinelli SpA	0,32x	0,47x	0,34x	0,26x	0,23x	0,35x	0,31x	0,26x	0,37x	0,38x
Compagnie Financiere Richemont SA	1,86x	2,03x	2,10x	1,52x	1,50x	1,65x	1,57x	1,49x	1,65x	1,72x
Prada SpA	0,87x	1,00x	0,62x	0,35x	0,37x	0,69x	0,73x	0,48x	0,60x	0,57x

Liquidity ratios confirm what the balance sheet cash position suggested: Kering has a liquidity structure that, while not critical, offers significantly less margin of safety than most of its peers.

Kering's current ratio in 2025 is 1.34x. It has been historically volatile: it reached 0.93x in 2019, below one, which meant its current liabilities exceeded its current assets. That year it was not a warning sign for analysts because the company had access to uncommitted credit lines, but it illustrates the difference in working capital management philosophy compared with the sector leaders. Hermès' current ratio in 2025 is 4.99x. Moncler's is 2.42x. Richemont's is 2.90x.

Kering's quick ratio in 2025, which excludes inventory, is 0.70x, below one. That implies that if Kering had to cover its current liabilities without selling inventory, it could not do so without outside financing. Hermès has a quick ratio of 3.99x. LVMH has 0.69x, also below one, but has the scale and capital market access of a company with €300,000M of market capitalization to manage that risk comfortably. Kering has less room.

Kering's cash ratio is 0.54x in 2025, a reasonable level but clearly below Hermès (3.84x) or Richemont (1.57x). The historical trend is the worrying part: Kering's cash ratio fell from 0.60x in 2022 to 0.37x in 2023 before recovering. That volatility reflects its dependence on operating cash in a business whose flows are sensitive to the creative cycle of its main brands.

Solvency ratios

SOLVENCY										
Long-term debt to equity [Total long term debt / Total Equity]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	0,47%	0,47%	17,13%	13,64%	19,58%	16,25%	13,09%	11,33%	10,28%	10,54%
Moncler SpA	10,78%	7,35%	7,56%	46,85%	34,59%	25,00%	24,76%	20,66%	21,22%	24,38%
LVMH Moet Hennessy Louis Vuitton SE	14,09%	23,22%	17,70%	40,34%	63,72%	49,23%	41,19%	40,09%	39,02%	37,48%
Kering SA	35,00%	33,63%	31,52%	64,38%	61,16%	49,52%	59,30%	90,80%	99,25%	98,86%
Brunello Cucinelli SpA	17,59%	14,19%	9,06%	140,12%	190,47%	168,92%	132,98%	106,99%	144,59%	159,05%
Compagnie Financiere Richemont SA	2,52%	2,59%	29,29%	23,38%	38,72%	49,80%	45,77%	48,56%	46,62%	37,70%
Prada SpA	16,80%	22,29%	16,82%	86,66%	76,48%	67,76%	60,30%	52,57%	49,66%	82,53%
Debt to Equity [Total debt / Total Equity]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	0,47%	0,65%	20,55%	16,73%	22,35%	18,88%	15,24%	13,23%	12,20%	12,27%
Moncler SpA	19,60%	7,58%	7,56%	56,55%	43,84%	31,37%	30,64%	25,93%	26,19%	28,97%
LVMH Moet Hennessy Louis Vuitton SE	20,13%	30,13%	21,32%	51,55%	73,03%	61,96%	49,56%	49,92%	48,12%	44,60%
Kering SA	39,76%	39,03%	35,18%	78,21%	72,13%	61,76%	71,85%	101,64%	121,29%	114,73%
Brunello Cucinelli SpA	24,88%	28,42%	18,49%	168,94%	259,48%	205,47%	164,34%	134,30%	178,48%	198,80%
Compagnie Financiere Richemont SA	3,16%	2,99%	29,36%	25,60%	42,27%	53,10%	49,03%	51,95%	49,92%	47,93%
Prada SpA	18,55%	31,54%	26,11%	103,89%	97,77%	87,12%	74,19%	65,33%	63,05%	96,65%
Debt to Capital [Total debt / Total Capital]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	0,47%	0,65%	17,05%	14,34%	18,27%	15,88%	13,22%	11,68%	10,87%	10,93%
Moncler SpA	16,39%	7,04%	7,03%	36,12%	30,48%	23,88%	23,46%	20,59%	20,76%	22,46%
LVMH Moet Hennessy Louis Vuitton SE	16,75%	23,15%	17,57%	34,02%	42,20%	38,26%	33,14%	33,30%	32,49%	30,85%
Kering SA	28,45%	28,07%	26,03%	43,89%	41,90%	38,18%	41,81%	50,41%	54,81%	53,43%
Brunello Cucinelli SpA	19,93%	22,13%	15,61%	62,82%	72,18%	67,26%	62,17%	57,32%	64,09%	66,53%
Compagnie Financiere Richemont SA	3,07%	2,91%	22,69%	20,38%	29,71%	34,68%	32,90%	34,19%	33,30%	32,40%
Prada SpA	15,65%	23,98%	20,71%	50,95%	49,44%	46,56%	42,59%	39,52%	38,67%	49,15%
Debt to Assets [Total debt / Total Assets]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	0,35%	0,49%	13,31%	11,14%	14,95%	12,83%	10,87%	9,84%	9,16%	9,51%
Moncler SpA	11,97%	5,07%	4,97%	28,80%	25,87%	18,37%	19,17%	16,69%	17,07%	18,72%
LVMH Moet Hennessy Louis Vuitton SE	9,42%	13,12%	9,74%	20,49%	26,09%	24,18%	20,84%	21,78%	22,35%	21,65%
Kering SA	19,70%	19,27%	16,57%	30,07%	31,00%	27,30%	31,30%	39,34%	44,02%	43,22%
Brunello Cucinelli SpA	13,08%	16,62%	10,72%	50,73%	62,75%	56,69%	48,82%	44,15%	51,82%	55,45%
Compagnie Financiere Richemont SA	2,37%	2,31%	16,75%	15,56%	23,95%	26,86%	24,36%	24,16%	24,13%	25,91%
Prada SpA	12,08%	19,07%	16,17%	44,11%	42,71%	39,17%	35,21%	33,26%	32,36%	40,95%
Financial Leverage [Total Assets / Total Equity]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	1,37x	1,34x	1,54x	1,50x	1,50x	1,47x	1,40x	1,34x	1,33x	1,29x
Moncler SpA	1,64x	1,49x	1,52x	1,96x	1,69x	1,71x	1,60x	1,55x	1,53x	1,55x
LVMH Moet Hennessy Louis Vuitton SE	2,14x	2,30x	2,19x	2,52x	2,80x	2,56x	2,38x	2,29x	2,15x	2,06x
Kering SA	2,02x	2,03x	2,12x	2,60x	2,33x	2,26x	2,30x	2,58x	2,76x	2,65x
Brunello Cucinelli SpA	1,90x	1,71x	1,73x	3,33x	4,14x	3,62x	3,37x	3,04x	3,44x	3,59x
Compagnie Financiere Richemont SA	1,34x	1,30x	1,75x	1,65x	1,76x	1,98x	2,01x	2,15x	2,07x	1,85x
Prada SpA	1,54x	1,65x	1,62x	2,36x	2,29x	2,22x	2,11x	1,96x	1,95x	2,36x
Debt to EBITDA [Total debt / EBITDA]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	0,01x	0,02x	0,45x	0,39x	0,65x	0,44x	0,35x	0,32x	0,31x	0,31x
Moncler SpA	0,41x	0,18x	0,17x	1,13x	1,27x	0,96x	0,87x	0,72x	0,79x	0,92x
LVMH Moet Hennessy Louis Vuitton SE	0,66x	0,92x	0,62x	1,21x	2,02x	1,38x	1,07x	1,11x	1,30x	1,29x
Kering SA	2,02x	1,53x	0,80x	1,36x	1,91x	1,31x	1,46x	2,47x	4,10x	4,83x
Brunello Cucinelli SpA	0,72x	0,85x	0,56x	2,96x	5,44x	3,34x	2,35x	1,80x	2,46x	2,70x
Compagnie Financiere Richemont SA	0,18x	0,22x	1,81x	1,67x	2,53x	3,35x	1,88x	1,53x	1,65x	1,77x
Prada SpA	0,72x	1,76x	1,39x	3,15x	3,56x	2,45x	1,72x	1,46x	1,36x	2,18x
Interest Coverage	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	813,33x	1091,78x	81,44x	97,02x	70,17x	112,38x	107,11x	102,77x	105,61x	121,75x
Moncler SpA	92,16x	179,41x	321,01x	22,61x	16,02x	24,82x	29,48x	27,64x	27,13x	21,16x
LVMH Moet Hennessy Louis Vuitton SE	44,30x	48,93x	63,06x	25,73x	22,81x	70,82x	55,01x	23,41x	16,51x	15,35x
Kering SA	13,91x	23,54x	46,84x	27,57x	19,25x	33,01x	30,88x	13,15x	4,24x	2,62x
Brunello Cucinelli SpA	34,51x	47,40x	64,39x	7,04x	1,57x	6,81x	10,07x	10,82x	7,40x	5,80x
Compagnie Financiere Richemont SA	34,65x	25,21x	28,85x	12,87x	8,14x	6,91x	17,12x	16,79x	10,95x	8,97x
Prada SpA	34,02x	22,92x	23,93x	5,18x	2,57x	10,64x	17,95x	13,70x	14,30x	12,57x

Solvency ratios are the most worrying part of Kering's financial profile and the one that most clearly separates its situation from the rest of the group.

Kering's Debt/EBITDA in 2025 is **4.83x**, the highest in the group by a wide margin. The trajectory is what really worries: 1.46x in 2022, 2.47x in 2023, 4.10x in 2024, 4.83x in 2025. That progression does not reflect an increase in debt (financial debt has remained relatively stable) but the fall in EBITDA in the denominator. It is the most dangerous form of leverage deterioration: not because the company takes on more debt, but because the business generates less cash to service the existing debt.

For comparison: Hermès has a Debt/EBITDA of 0.31x. Moncler has zero net debt. LVMH has 1.54x. Brunello Cucinelli, which is in an aggressive expansion cycle, has 2.70x. Prada has 2.18x. Kering at 4.83x operates in territory where any further EBITDA deterioration has direct implications for financial flexibility and potentially for its credit rating.

Kering's interest coverage in 2025 is **2.62x**. It covers its financial expenses only two and a half times with EBIT. In 2021 that ratio was 30.9x. In 2022, 13.1x. In 2024, 4.2x. The trajectory is linear and worrying. Hermès has coverage of 121.7x. Moncler has 21.2x. LVMH has 15.4x. Coverage of 2.62x is not an emergency, but it narrows the margin for error.

Long-term debt to equity, which reached 98.9% in 2025 from 31.5% in 2018, reflects the same thing: not so much an increase in debt as the fall in equity because of compressed results and the impact on retained earnings. It is a metric credit analysts watched closely during 2025 and one that will be decisive for Kering's ability to refinance its maturities on favorable terms.

Activity ratios

ACTIVITY										
Days of inventory on hand (DOH) [Number of days in period / inventory turnover]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	199 días	199 días	189 días	180 días	220 días	194 días	174 días	206 días	211 días	212 días
Moncler SpA	197 días	180 días	176 días	192 días	214 días	178 días	190 días	222 días	247 días	268 días
LVMH Moet Hennessy Louis Vuitton SE	295 días	265 días	273 días	264 días	307 días	265 días	269 días	294 días	305 días	310 días
Kering SA	193 días	323 días	269 días	239 días	295 días	248 días	277 días	355 días	345 días	349 días
Brunello Cucinelli SpA	239 días	214 días	203 días	226 días	273 días	212 días	189 días	180 días	201 días	217 días
Compagnie Financiere Richemont SA	492 días	502 días	488 días	380 días	416 días	448 días	439 días	415 días	418 días	438 días
Prada SpA	258 días	324 días	249 días	269 días	367 días	295 días	292 días	305 días	275 días	312 días
Days of sales outsanding (DSO) [Number of days in period / Receivables turnover]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	22 días	17 días	17 días	17 días	14 días	14 días	12 días	12 días	12 días	10 días
Moncler SpA	37 días	37 días	40 días	38 días	44 días	42 días	42 días	40 días	38 días	34 días
LVMH Moet Hennessy Louis Vuitton SE	26 días	23 días	25 días	23 días	23 días	22 días	20 días	20 días	20 días	20 días
Kering SA	35 días	46 días	23 días	23 días	25 días	20 días	21 días	21 días	21 días	20 días
Brunello Cucinelli SpA	38 días	32 días	41 días	35 días	53 días	37 días	30 días	25 días	23 días	26 días
Compagnie Financiere Richemont SA	21 días	22 días	19 días	18 días	13 días	18 días	16 días	16 días	16 días	15 días
Prada SpA	26 días	39 días	37 días	36 días	44 días	36 días	29 días	31 días	28 días	30 días
Number of days of payables [Number of days in period / Payables turnover]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	0 días	94 días	83 días	65 días	65 días	55 días	54 días	56 días	51 días	54 días
Moncler SpA	0 días	198 días	200 días	217 días	244 días	190 días	208 días	245 días	282 días	258 días
LVMH Moet Hennessy Louis Vuitton SE	0 días	105 días	104 días	105 días	131 días	93 días	101 días	110 días	113 días	117 días
Kering SA	0 días	135 días	114 días	61 días	121 días	116 días	117 días	172 días	198 días	197 días
Brunello Cucinelli SpA	0 días	90 días	89 días	89 días	118 días	104 días	93 días	95 días	90 días	94 días
Compagnie Financiere Richemont SA	0 días	43 días	44 días	33 días	41 días	47 días	46 días	49 días	37 días	34 días
Prada SpA	0 días	185 días	122 días	119 días	179 días	151 días	147 días	165 días	145 días	154 días
Working capital turnover [Revenue / Average working capital]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	2,06x	1,78x	1,83x	1,69x	1,33x	1,43x	1,31x	1,24x	1,28x	1,26x
Moncler SpA	4,45x	2,87x	2,70x	2,70x	1,82x	3,59x	3,96x	3,33x	2,63x	2,25x
LVMH Moet Hennessy Louis Vuitton SE	5,71x	7,02x	6,97x	13,81x	3,05x	10,17x	9,66x	8,15x	6,15x	4,55x
Kering SA	16,70x	6,96x	20,69x	-26,39x	5,73x	6,69x	6,45x	5,93x	16,68x	5,42x
Brunello Cucinelli SpA	3,86x	3,44x	3,92x	6,51x	6,95x	6,09x	9,80x	11,11x	6,48x	6,23x
Compagnie Financiere Richemont SA	1,09x	1,01x	0,83x	1,27x	1,30x	1,01x	1,13x	1,10x	1,06x	1,15x
Prada SpA	3,24x	2,59x	4,06x	6,93x	5,67x	4,49x	4,49x	6,63x	6,71x	6,78x
Fixed Asset turnover [Revenue / Average net fixed assets]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	3,90x	4,32x	2,56x	2,76x	2,07x	2,64x	3,23x	3,30x	3,18x	2,92x
Moncler SpA	8,39x	8,64x	8,02x	2,02x	1,79x	2,24x	2,42x	2,76x	2,49x	2,09x
LVMH Moet Hennessy Louis Vuitton SE	3,10x	3,08x	3,10x	1,73x	1,45x	1,89x	2,10x	2,00x	1,82x	1,81x
Kering SA	5,61x	4,77x	6,13x	2,31x	1,98x	2,43x	2,45x	1,90x	1,41x	1,60x
Brunello Cucinelli SpA	4,09x	4,42x	4,40x	1,05x	0,88x	1,06x	1,30x	1,60x	1,45x	1,33x
Compagnie Financiere Richemont SA	4,47x	4,16x	4,74x	5,13x	2,40x	2,22x	2,54x	2,89x	2,72x	2,59x
Prada SpA	2,34x	1,80x	1,99x	0,81x	0,68x	0,96x	1,17x	1,16x	1,20x	1,05x
Total Asset turnover [Revenue / Average total assets]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	0,87x	0,82x	0,71x	0,70x	0,58x	0,65x	0,66x	0,66x	0,66x	0,66x
Moncler SpA	0,90x	0,86x	0,87x	0,63x	0,52x	0,48x	0,56x	0,60x	0,56x	0,53x
LVMH Moet Hennessy Louis Vuitton SE	0,63x	0,61x	0,63x	0,56x	0,41x	0,51x	0,59x	0,60x	0,57x	0,57x
Kering SA	0,51x	0,42x	0,64x	0,59x	0,47x	0,57x	0,60x	0,47x	0,40x	0,36x
Brunello Cucinelli SpA	1,06x	1,14x	1,12x	0,61x	0,50x	0,61x	0,70x	0,83x	0,73x	0,70x
Compagnie Financiere Richemont SA	0,55x	0,53x	0,43x	0,50x	0,47x	0,37x	0,42x	0,49x	0,48x	0,52x
Prada SpA	0,75x	0,58x	0,67x	0,46x	0,37x	0,48x	0,57x	0,62x	0,64x	0,52x

Kering's activity ratios reveal a business with operating inefficiencies that built up during the expansion cycle and that are now, with lower volume, more visible.

Kering's Days of Inventory on Hand (DOH) in 2025 is **349 days**, almost ten months. It is the second highest in the group, behind only Richemont (438 days), whose high-watchmaking profile justifies extraordinarily long manufacturing cycles. For Kering, 349 days of inventory reflect the combination of craft production across multiple brands and the build-up of stock during the period of falling sales: when demand falls faster than production, inventory swells. Hermès has 212 days, Moncler 268 days, LVMH 310 days. Kering's DOH has worsened from 277 days in 2022, confirming that inventory built up during the adverse cycle.

Kering's DSO (Days Sales Outstanding) in 2025 is 20 days, practically in line with the sector. Hermès has 10 days (the lowest in the group, reflecting direct sales in its own stores), LVMH 20 days, Richemont 15 days. For Kering, DSO is not an area of concern: sales in its own stores make up most of the mix and collection is almost immediate.

Payables turnover shows that Kering takes approximately 197 days to pay its suppliers, one of the longest periods in the group. That signals the company uses supplier credit as a source of financing. It is not an alarm in itself, but in a context of deteriorating relationships with key suppliers it could become a vulnerability.

Profitability ratios

PROFITABILITY										
Operating ROA [Operating Income / Average Total Assets]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	28%	29%	25%	24%	18%	26%	28%	28%	27%	28%
Moncler SpA	26%	25%	23%	19%	13%	14%	17%	18%	17%	15%
LVMH Moet Hennessy Louis Vuitton SE	12%	12%	13%	12%	8%	14%	16%	16%	13%	12%
Kering SA	8%	11%	18%	18%	11%	16%	16%	11%	6%	4%
Brunello Cucinelli SpA	14%	14%	14%	8%	2%	7%	11%	14%	12%	12%
Compagnie Financiere Richemont SA	10%	8%	7%	7%	5%	4%	9%	12%	11%	11%
Prada SpA	11%	7%	7%	4%	2%	7%	11%	14%	15%	12%
ROA [Net Income / Average Total Assets]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	18%	18%	17%	15%	13%	18%	19%	21%	20%	19%
Moncler SpA	17%	18%	20%	14%	11%	9%	13%	12%	12%	11%
LVMH Moet Hennessy Louis Vuitton SE	7%	8%	9%	7%	4%	10%	10%	11%	8%	8%
Kering SA	3%	7%	17%	9%	8%	10%	11%	7%	3%	0%
Brunello Cucinelli SpA	8%	11%	10%	5%	-3%	5%	6%	8%	7%	7%
Compagnie Financiere Richemont SA	11%	6%	5%	10%	3%	4%	5%	1%	6%	7%
Prada SpA	7%	5%	4%	4%	-1%	4%	6%	9%	10%	8%
ROE [Net Income / Average Total Equity]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	25%	24%	26%	23%	19%	26%	27%	28%	27%	24%
Moncler SpA	28%	27%	31%	27%	18%	16%	21%	19%	18%	16%
LVMH Moet Hennessy Louis Vuitton SE	15%	18%	19%	19%	12%	25%	25%	24%	18%	16%
Kering SA	7%	14%	37%	22%	18%	23%	24%	19%	7%	0%
Brunello Cucinelli SpA	16%	19%	18%	18%	-13%	17%	21%	25%	24%	24%
Compagnie Financiere Richemont SA	15%	8%	8%	16%	5%	7%	10%	2%	11%	12%
Prada SpA	11%	8%	7%	9%	-2%	9%	13%	17%	19%	18%
ROIC [EBIT / Average short and long-term debt and equity]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
Hermes International SCA	39%	39%	32%	31%	23%	32%	34%	33%	32%	32%
Moncler SpA	35%	34%	36%	24%	16%	18%	20%	22%	20%	18%
LVMH Moet Hennessy Louis Vuitton SE	21%	21%	24%	20%	12%	22%	25%	24%	19%	18%
Kering SA	11%	15%	29%	26%	15%	23%	22%	15%	7%	5%
Brunello Cucinelli SpA	21%	19%	20%	11%	2%	8%	14%	19%	15%	14%
Compagnie Financiere Richemont SA	13%	10%	10%	9%	6%	5%	13%	18%	16%	14%
Prada SpA	14%	8%	9%	5%	2%	8%	14%	17%	18%	14%

ROE and ROIC are the metrics that best capture the collapse in Kering's profitability in historical perspective, and both tell the same story.

Kering's ROE in 2025 was **0.5%**, practically zero. It went from 36.9% in 2018 to 24.4% in 2022 and 0.5% in 2025. It is the most severe deterioration in the group. Hermès has an ROE of 24.0%, stable throughout the decade. Moncler has 16.3%. Prada has 13.8%. Brunello Cucinelli has 23.9%. Kering has 0.5%.

ROIC is the most important metric in this section because it excludes the effect of leverage and measures the real return on the capital invested in the business. Kering's ROIC in 2025 was **4.9%**, probably below the company's cost of capital. That implies value destruction: each euro invested in the business generates less than the capital costs. In 2018, Kering's ROIC was 29.0%. In 2022, 22.0%. The fall from 22 to 4.9 in three years is the empirical confirmation that the deterioration goes beyond the cycle.

The comparison with the group is decisive: Hermès has an ROIC of 31.6%. Moncler 18.2%. LVMH 17.7%. Prada 14.2%. Brunello Cucinelli 14.0%. Richemont 13.7%. Kering at 4.9% is the only company in the group where ROIC is potentially below WACC, which is the definition of value destruction at the margin.

The most important point of the profitability analysis is how reversible the deterioration is. Companies that destroy value for structural reasons (loss of technology, product obsolescence, disruption of the business model) rarely recover their historical ROIC levels. Companies that destroy value for cyclical or creative reasons (an adverse economic cycle, a creative direction transition) can recover them when conditions change. The investment thesis on Kering depends entirely on the deterioration being of the second type.

SWOT analysis

STRENGTHS

- ***Portfolio of brands with global recognition**: Gucci, Saint Laurent and Bottega Veneta have a level of brand recognition built over decades that does not disappear with an adverse cycle. Although momentum has deteriorated, the brand capital exists.*

- ***Structurally high gross margins**: Even in the worst cycle in its history, Kering keeps a gross margin of 72.6%, reflecting that the portfolio's brands sell at prices well above production costs.*

- ***Positive operating cash generation**: FCF of €2,328M in 2025 confirms that even in an adverse cycle the business is still a cash generator. Kering's problems are about growth and margin, not operating viability.*

- ***Bottega Veneta as an underused asset**: Within the portfolio, Bottega Veneta comes closest to the craft model. Its intrecciato technique is hard to replicate, its products have an active secondary market and its Superpremium positioning is established. Its potential is not being fully exploited.*

- ***Valuation at lows**: That does not guarantee it will rise, but it does limit additional downside if Gucci's recovery starts to be validated.*

WEAKNESSES

- ***Excessive concentration in Gucci**: A single brand represents ~50% of revenue and an even larger share of operating profit. That concentration turns a brand's creative risk into a systemic risk for the group.*

- ***Net debt of €14,251M**: Debt/EBITDA of 4.83x in 2025 is the highest in the group analyzed and creates vulnerability to any further deterioration in EBITDA. Debt service consumes cash that could go to investment or capital returns.*

- ***Dependence on the creative director**: Gucci's value is tied to the cultural relevance of its artistic direction. That dependence creates risks that are hard to quantify: a creative director's departure is not announced in advance and the impact can be immediate.*

- ***Positioning in the most vulnerable segment of the pyramid**: The Accessible Luxury where Gucci mainly operates is the segment most exposed to economic cycles and to the sentiment of aspirational consumers. When that consumer disappears, there is no waiting list to cushion the impact.*

- ***Operating margins at lows**: The 11.1% EBIT margin in 2025 offers little margin of safety against further deterioration.*

OPPORTUNITIES

- ***Gucci's creative recovery**: If it manages to connect with global consumers with a collection in 2026 or 2027, the business's operating leverage would make the margin recovery fast. With fixed costs already absorbed, each additional euro of revenue has a disproportionate impact on profit.*

- ***Deleveraging the balance sheet**: With positive FCF and lower capex, Kering has the capacity to reduce debt significantly over the next two or three years. A reduction in Debt/EBITDA from 4.83x towards 3x or less would materially change the stock's risk profile.*

- ***Sum-of-the-parts optionality**: The market values Kering as a whole penalized by Gucci, but the individual parts could be worth significantly more separately. A scenario of partial divestment, spin-off or sale of non-strategic assets could unlock that value and reduce debt at the same time. Kering could be worth more broken up than as a punished conglomerate.*

- ***Recovery of the Chinese consumer**: Any sign of stabilization in the Chinese property market and a recovery of the wealth effect would have an amplified impact on Kering, given that the Chinese consumer was historically more important for Gucci than for other brands in the sector.*

THREATS

- ***Risk of goodwill and intangible impairment**: Kering carries goodwill and intangibles (brands) for almost 30% of its total assets, with Gucci the most relevant portion. If Gucci keeps losing cultural relevance and projected cash flows deteriorate, auditors will find it hard to support the current impairment test assumptions. A write-down would not affect operating cash by a single euro, but it would sink book equity and push up Debt/Equity. It is the most underestimated risk in Kering's profile: silent, accounting-driven and capable of materializing overnight in the annual results.*

- ***A prolonged adverse cycle at Gucci**: If the new creative direction fails to reconnect with consumers in 2026-2027, the deterioration could accelerate. A third consecutive year of declines at Gucci would make the current level of debt unsustainable.*

- ***Debt refinancing risk**: With interest rates higher than when the debt was built up, refinancing maturities could become significantly more expensive. Any downgrade of the credit rating would amplify that effect.*

- ***Competition from emerging brands**: In Accessible Luxury, barriers to entry are lower than in the Superpremium. New brands with a strong social media presence can capture the aspirational consumer Gucci has lost without Gucci being able to respond with the speed of a digital native.*

- ***Pressure on the global aspirational consumer**: Prolonged economic weakness in China, combined with a slowdown in Europe and the effects of US tariffs, could keep demand in Accessible Luxury depressed for longer than consensus expects.*

Porter's Five Forces

1. RIVALRY AMONG EXISTING COMPETITORS: HIGH-MEDIUM

Unlike Hermès, which operates in a segment where competitive rivalry is genuinely low, Kering faces real and significant competition in Accessible Luxury. LVMH competes directly with Louis Vuitton and Dior for the same global aspirational consumer. Prada has regained ground with the Miu Miu turnaround. Chanel keeps its uncompromising positioning. Rivalry in the segment where Gucci operates is high and intensifies when the total market volume shrinks: when the pie is smaller, brands compete more aggressively for the same consumer.

The case of Balenciaga, another brand in Kering's portfolio, illustrates the risk: in 2022, the advertising controversy around the brand destroyed years of image building in weeks. In Accessible Luxury, reputation is more fragile than in the Superpremium, because customers have alternatives and are not buying a financial asset: they are buying a status symbol that can be replaced by another status symbol.

2. THREAT OF NEW ENTRANTS: MEDIUM

Barriers to entry are lower in Accessible Luxury than in the Superpremium. A new brand with enough financial backing, a creative director with vision and access to the right distribution platforms can build relevance in Accessible Luxury in five to ten years. The most recent example is Miu Miu itself: it technically existed since 1992, but its cultural relevance in 2021-2024 was built over three years with a specific creative direction.

That does not mean creating a Gucci from scratch is easy: the history, the creative archives and the global recognition of the brand have real value. But entry is more accessible than in the Superpremium. Korean and Middle Eastern luxury brands are trying exactly that strategy.

3. SUPPLIER BARGAINING POWER: MEDIUM

Suppliers of quality raw materials (Italian leathers, heavy fabrics, specialized craftsmen) have some bargaining power that Kering mitigates with its scale. However, unlike Hermès, which is vertically integrated in the most critical leathers and trains its own craftsmen, Kering relies more on outside suppliers for many of its brands. That dependence creates vulnerability to supply chain disruptions and risks of manufacturing techniques leaking.

4. CUSTOMER BARGAINING POWER: MEDIUM-HIGH

In Accessible Luxury, customer power is significantly greater than in the Superpremium. The Gucci customer can choose between Prada, Saint Laurent, Balenciaga or even lower-tier brands depending on their economic situation and the cultural trends of the moment. There is no waiting list for a Gucci bag: there is stock available in stores. That difference completely changes the negotiating dynamic compared with Hermès.

The proliferation of resale platforms (Vestiaire Collective, The RealReal) also increases customers' indirect bargaining power: if a brand's secondary market weakens (as happened with Gucci in 2023-2025), customers have fewer reasons to pay the original price.

5. THREAT OF SUBSTITUTE PRODUCTS: MEDIUM

In Accessible Luxury, substitutes are closer than in the Superpremium. A customer who was considering a Gucci bag can switch to Prada, opt for a second-hand vintage piece or prioritize a travel experience instead of a fashion accessory. That versatility of substitution is inherent to the level of the pyramid where Kering operates with its main brands.

The biggest substitution threat is perhaps the hardest to measure: the shift of aspirational consumers from buying physical luxury goods towards experiences. In the most advanced markets, part of the discretionary budget that used to go to Gucci bags now goes to high-end travel or gastronomic experiences. That trend cannot be measured precisely, but it is real.

SECTION 06

The bulls vs. the bears

Kering is probably the most debated stock in the luxury sector. The debate is simple: is the deterioration cyclical or structural?

What do the bulls say?

The first argument is **operating leverage**. Kering still has a gross margin above 72%. If Gucci grows again, each additional euro of sales has a disproportionate impact on profit, because fixed costs are already absorbed. It already happened with Prada and Miu Miu.

The second is the **change of management**. Luca de Meo brings an operating discipline the group lacked, and the sale of Beauté shows he is willing to take hard decisions to reduce debt.

The third is the **sum of the parts**. Saint Laurent, Bottega Veneta, jewelry and Eyewear could be worth more separately than what the market pays today for the whole group. If Gucci simply stabilizes, the value of the other brands should start to show.

What do the bears say?

The first argument is that **Gucci keeps falling**: -6% comparable in the third quarter of 2026, after three years of declines. The new creative cycle is not yet showing up in the numbers.

The second is the **balance sheet**: net debt close to 4 times EBITDA and ROIC below the cost of capital limit the margin for error.

The third is **positioning**: Accessible Luxury is the segment most exposed to the cycle and to the Chinese consumer. As long as that consumer does not return, Gucci's recovery depends solely on its creative relevance, which is impossible to predict.

SECTION 07

Valuation

I built a ten-year **discounted cash flow (DCF) model** with two methods to calculate the terminal value: **perpetuity growth** and **exit multiple on EBITDA**.

Model inputs and assumptions

2. Operating drivers by scenario (explicit forecast)															
Driver	**Δ vs Base**	**FY2023A**	**FY2024A**	**FY2025A**	**3Y avg**	**FY2026E**	**FY2027E**	**FY2028E**	**FY2029E**	**FY2030E**	**FY2031E**	**FY2032E**	**FY2033E**	**FY2034E**	**FY2035E**
Forecast year #						*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
Revenue growth ▸ selected scenario		(3.9%)	(13.8%)	(13.0%)	**(10.3%)**	**(2.5%)**	**3.0%**	**6.0%**	**6.0%**	**5.5%**	**5.0%**	**4.5%**	**4.0%**	**3.5%**	**3.5%**
Best case	1.5%					(1.0%)	4.5%	7.5%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	5.0%
Base case						(2.5%)	3.0%	6.0%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.5%
Worst case	(2.0%)					(4.5%)	1.0%	4.0%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.5%
Gross margin ▸ selected scenario		76.3%	73.5%	72.6%	**74.1%**	**72.0%**	**72.5%**	**73.0%**	**73.5%**	**74.0%**	**74.0%**	**74.0%**	**74.0%**	**74.0%**	**74.0%**
Best case	1.0%					73.0%	73.5%	74.0%	74.5%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Base case						72.0%	72.5%	73.0%	73.5%	74.0%	74.0%	74.0%	74.0%	74.0%	74.0%
Worst case	(1.5%)					70.5%	71.0%	71.5%	72.0%	72.5%	72.5%	72.5%	72.5%	72.5%	72.5%
EBIT margin ▸ selected scenario		24.3%	14.5%	11.1%	**16.6%**	**10.5%**	**11.5%**	**13.0%**	**14.0%**	**15.0%**	**15.5%**	**16.0%**	**16.0%**	**16.0%**	**16.0%**
Best case	2.5%					13.0%	14.0%	15.5%	16.5%	17.5%	18.0%	18.5%	18.5%	18.5%	18.5%
Base case						10.5%	11.5%	13.0%	14.0%	15.0%	15.5%	16.0%	16.0%	16.0%	16.0%
Worst case	(3.0%)					7.5%	8.5%	10.0%	11.0%	12.0%	12.5%	13.0%	13.0%	13.0%	13.0%
Capex % of revenue ▸ selected scenario		13.3%	19.6%	5.7%	**12.9%**	**6.5%**	**6.5%**	**6.5%**	**6.0%**	**6.0%**	**6.0%**	**5.5%**	**5.5%**	**5.5%**	**5.5%**
Best case	(0.5%)					6.0%	6.0%	6.0%	5.5%	5.5%	5.5%	5.0%	5.0%	5.0%	5.0%
Base case						6.5%	6.5%	6.5%	6.0%	6.0%	6.0%	5.5%	5.5%	5.5%	5.5%
Worst case	0.5%					7.0%	7.0%	7.0%	6.5%	6.5%	6.5%	6.0%	6.0%	6.0%	6.0%

Source: author's analysis.

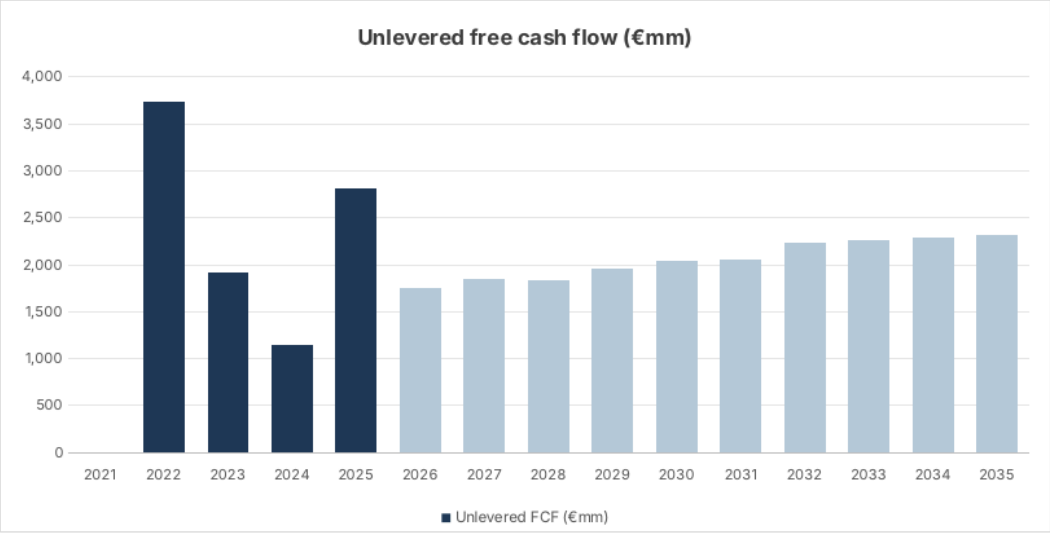
Sales growth: the base case starts at -2.5% for 2026, in line with the first nine months (and with the exit from Beauté), and returns to growth in 2027 (+3%) assuming Gucci's recovery starts to be validated. It accelerates to 6% in 2028-2029 and then eases towards 3.5% at the end of the period.

Margins: gross margin stays at around 72-74%. EBIT margin starts at 10.5% in 2026 and gradually recovers to 16% in 2032. That level is conservative compared with the company's history, but it reflects that Kering's business model should not be able to sustain the 27-30% margins of 2019-2022 permanently.

Capex: stays at around 5.5-6.5% of sales, in line with the normal historical level, without repeating the real estate purchases of 2023-2024.

What does each scenario mean?

- **Base Case:** Kering stabilizes revenue in 2026, starts to recover in 2027-2028 as Gucci's new creative direction gains traction, and converges towards margins of 16%. It is the scenario in which management executes correctly but without material positive surprises.
- **Best Case:** Gucci's recovery is faster than expected, the Chinese consumer returns sooner and the weight of Saint Laurent, Bottega Veneta and jewelry increases. It adds 1.5 points of growth per year and 2.5 points of EBIT margin.
- **Worst Case:** a third year of declines at Gucci forces further restructuring, the Chinese consumer takes longer to recover and the new creative direction fails to connect. It takes away 2 points of growth and 3 points of EBIT margin.



Source: author's analysis.

Discount rate (WACC)

5. Discount rate (WACC)		Value
Risk-free rate		3.0%
Equity beta (levered)	x	1.48
Equity risk premium		5.0%
Country risk premium		–
Cost of equity		10.4%
Pre-tax cost of debt		4.5%
Tax rate (debt tax shield)		28.9%
After-tax cost of debt		3.2%
Market value of equity	€ mm	23,026
Total debt	€ mm	18,564
Debt / (Debt + Equity)		44.6%
Equity / (Debt + Equity)		55.4%
WACC		7.2%

Source: author's analysis.

Since Kering reports in euros, the cost of equity starts from a risk-free rate of 3% (German bond), an equity risk premium of 5% and a beta of 1.48, which gives a **cost of equity of 10.4%**. For debt I use a pre-tax cost of 4.5%. With a capital structure of 55% equity and 45% debt at market values, the **resulting WACC is 7.2%**.

To go from Enterprise Value to Equity Value I subtracted net debt (including leases) and minority interests, and added both non-operating investments (including the stake in Valentino) and the €4,000M from the sale of Beauté. The result is net debt and other claims of €8,743M. The share count is 123 million.

Model results

PERPETUITY METHOD

With perpetual growth of 2.5% and a return on new invested capital of 11%, the model gives an Enterprise Value of €35,882M and an Equity Value of €27,139M, equivalent to **€220.65 per share**.

Kering SA

KER · Discounted Cash Flow · Perpetuity Growth Method

Valuation date 6 Nov 2026 · EUR mm · Scenario: Base Case

INTRINSIC VALUE PER SHARE

€220.65

Current share price	€187.20
Upside / (downside)	+17.9%

VALUATION SUMMARY

Enterprise value	35,882
Equity value	27,139
PV of forecast cash flows	13,910
PV of terminal value	21,972
Terminal value % of EV	61.2%
Implied exit EV / EBITDA	9.0x

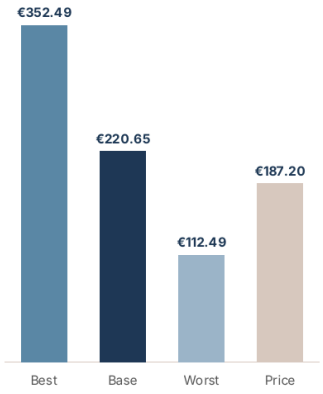
KEY ASSUMPTIONS

WACC (year 1)	7.2%
Terminal WACC	7.2%
Terminal growth (g)	2.5%
RONIC (terminal)	11.0%
Net debt & other claims	8,743
Diluted shares (mm)	123.0

SCENARIOS

Scenario	Terminal growth	Enterprise value	Equity value	Value per share	Upside
Best case	3.0%	52,099	43,356	**€352.49**	+88.3%
Base case	2.5%	35,882	27,139	**€220.65**	+17.9%
Worst case	2.0%	22,579	13,836	**€112.49**	(39.9%)
Current share price				*€187.20*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Terminal growth rate (g)

WACC / g	1.5%	2.0%	2.5%	3.0%	3.5%
6.2%	€264.25	€277.42	€294.16	€316.16	€346.34
6.7%	€232.62	€241.74	€253.04	€267.41	€286.29
7.2%	€206.55	€212.92	**€220.65**	€230.22	€242.39
7.7%	€184.70	€189.14	€194.45	€200.88	€208.86
8.2%	€166.12	€169.20	€172.82	€177.13	€182.37

Source: author's analysis.

In the Best Case the value is **€352.49** and in the Worst Case **€112.49**.

The sensitivity is high: with a WACC half a point lower, the value rises to €253; with one half a point higher, it falls below €200. In a company with this much debt, small changes in the discount rate have a large impact on the value of equity.

EBITDA MULTIPLE METHOD

Applying a multiple of **10x** to the EBITDA of the last projected year in the Base Case (12x in the Best Case and 8x in the Worst Case), the model gives an Enterprise Value of €38,229M and a value of **€239.72 per share**.

Kering SA

KER · Discounted Cash Flow · Exit Multiple Method

Valuation date 6 Nov 2026 · EUR mm · Scenario: Base Case

AZ STOCKS Acciones de la A a la Z

INTRINSIC VALUE PER SHARE

€239.72

Current share price	€187.20
Upside / (downside)	+28.1%

VALUATION SUMMARY

Enterprise value	38,229
Equity value	29,486
PV of forecast cash flows	13,910
PV of terminal value	24,319
Terminal value % of EV	63.6%
Implied perpetual growth	2.0%

KEY ASSUMPTIONS

WACC (year 1)	7.2%
Terminal WACC	7.2%
Exit EV / EBITDA	10.0x
EBITDA, final forecast year	4,589
Net debt & other claims	8,743
Diluted shares (mm)	123.0

SCENARIOS

Scenario	Exit multiple	Enterprise value	Equity value	Value per share	Upside
Best case	12.0x	53,496	44,753	**€363.84**	+94.4%
Base case	10.0x	38,229	29,486	**€239.72**	+28.1%
Worst case	8.0x	25,292	16,549	**€134.54**	(28.1%)
Current share price				*€187.20*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Exit EV / EBITDA multiple

WACC / multiple	8.0x	9.0x	10.0x	11.0x	12.0x
6.2%	€219.06	€240.60	€262.14	€283.68	€305.22
6.7%	€209.41	€230.05	€250.68	€271.32	€291.95
7.2%	€200.18	€219.95	**€239.72**	€259.49	€279.26
7.7%	€191.34	€210.29	€229.23	€248.18	€267.13
8.2%	€182.88	€201.04	€219.20	€237.36	€255.52

Source: author's analysis.

A 10x multiple is moderate for the luxury sector. Kering has historically traded between 10x and 20x EBITDA, and today trades at about 21 times 2025 EBITDA, although on very depressed results. The 10x implies perpetual growth of 2%, a reasonable figure.

In the Best Case the value is **€363.84** and in the Worst Case **€134.54**.

Reading the two methods together

Averaging both methods in the base case, I get a **target price of €230 per share**, against a market price of €187.20. That is an upside of around 23%.

Both methods agree quite closely, which gives the result some strength. But the dispersion between scenarios is huge: from €112 in the Worst Case to more than €350 in the Best Case. That dispersion sums up the thesis: Kering's value depends almost entirely on what happens with Gucci.

SECTION 08

Conclusion

After the fall of recent months, Kering's equation has changed. At €187, my model gives a **target price of €230 per share**, with an upside of around 23% in the base case. The market no longer prices in the full recovery, as it did when the stock traded above €250.

In addition, there are two relevant changes compared with the Kering of a year ago: a new CEO with an operating discipline profile and the sale of Beauté, which reduces debt significantly.

However, the fundamental difference with Hermès remains the same: at Hermès, the moat exists regardless of what the creative director does. At Kering, the moat depends directly on the decisions of creative people whose talent is by definition unpredictable. And the third-quarter numbers show that Gucci has not yet found its way.

With Kering I experienced what a value trap means: a company that looks cheap on multiples because its historical multiples were higher, but where what looked like a passing cycle was in fact the business normalizing towards its real level of profitability. That lesson does not mean Kering cannot recover: it can, and if it does, it can deliver interesting returns. It means the investment requires a conviction about Gucci's creative recovery that the current data does not yet justify.

For those who have that conviction, the current price is much more reasonable than a few months ago. But the signal that would change the analysis is still the same: a quarter of growth at Gucci with expanding margins.

Personally, I still prefer to stay on the sidelines. I prioritize investing in more predictable businesses, with moats that are harder to erode and where the thesis does not depend on guessing when a creative director will connect with global consumers. Kering could get back on its feet tomorrow or in three years, and honestly I have no way of anticipating it with the conviction I need to build a position.

We do not know when the luxury sector will pick up. What we do know is that when it does, Kering will have significant operating leverage: with fixed costs already absorbed, each additional euro of revenue has a disproportionate impact on margin. That makes Kering an interesting bet for the right moment of the cycle. Identifying that moment requires patience.

Alan



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