AZ STOCKS
Stocks from A to Z

# Hermès

*The highest-quality luxury company in the world, after a 40% fall in the stock*

DEEP DIVE

November 2026

COMPANY PROFILE

# Hermès

THESIS

*Hermès is probably the highest-quality asset in the luxury universe. In this analysis I assess why it is worth what it is worth and whether the current valuation still offers an investment opportunity.*

TARGET PRICE
EUR 1,326

UPSIDE / DOWNSIDE
-2.7%

SECTOR
Luxury

EXCHANGE
Euronext Paris

CURRENCY
EUR

LAST UPDATED
November 2026

## THE COMPANY

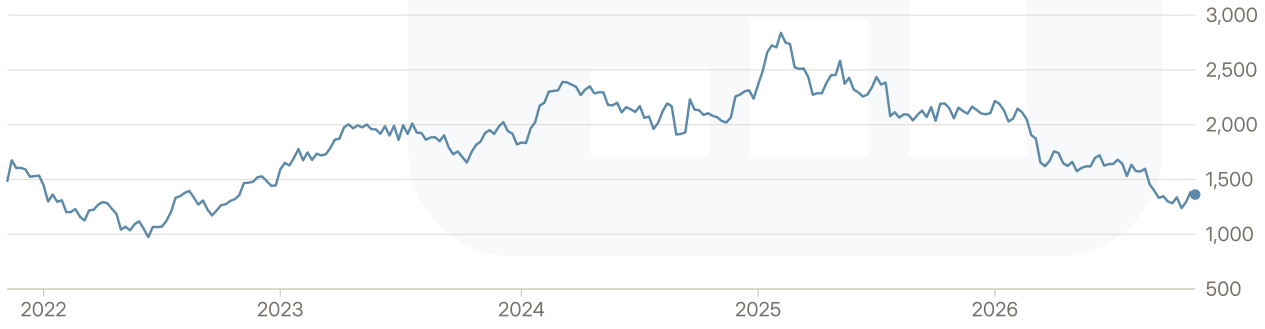
Hermès was born in 1837 as a harness and saddle workshop in Paris. Today it is one of the most valuable companies in France and is still controlled by the founder's descendants, who own more than 60% of the capital.

Unlike the conglomerates, it is a single, vertically integrated brand: it designs, makes and sells through about 300 own stores in 45 countries. Leather goods and saddlery, with the Birkin and the Kelly as icons, represent 42% of revenue.

## MARKET DATA AS OF 2026-11-06

| PRICE | 52-WEEK RANGE | 5-YEAR CHANGE | BETA (5Y) |
|---|---|---|---|
| EUR 1,362.50 | 1,228.00 – 2,300.00 | -8% | 1.58 |

WEEKLY SHARE PRICE, LAST 5 YEARS



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SECTION 01

# Introduction

In 1837, a 36-year-old German craftsman named Thierry Hermès opened a harness and saddle workshop in Paris. His goal was simple: to make the best leather goods in the city for the noblemen who needed them. Among his regular customers were Napoleon III and Empress Eugénie de Montijo. At the 1867 Universal Exhibition, Hermès won the first-class medal. The craftsman did not know he was building the most profitable luxury company on the planet.

Almost 190 years later, **Hermès is one of the most valuable companies in France by market capitalization**, alongside LVMH. But unlike LVMH, a conglomerate of 75 brands managed as a financial portfolio, Hermès is still essentially one company, one philosophy and one family: the descendants of Thierry Hermès, now in their sixth generation, still control more than 60% of the capital.

The history of Hermès as a listed company is the story of a permanent tension between two views of the world. The first: that true luxury is incompatible with a stock market listing, because the market demands quarterly growth and craftsmanship demands time. The second: that precisely this tension, always resolved in favor of the craftsman and never in favor of the market, is what makes Hermès the highest-quality asset in the luxury universe.

To understand why Hermès is worth what it is worth (and why the debate about its valuation is one of the most interesting in the European market) you have to understand two things: the history of the maison as a company and the mechanics of true luxury as an industry. Both are extraordinary for very different reasons.

### *History as an asset: why the past matters in luxury*

Before getting into the numbers, it is worth pausing on something conventional financial models do not capture well: in true luxury, a company's history is not background information. It is one of the most valuable assets on the balance sheet, even though it does not appear on any line of the financial statements.

A tech startup with the best product in the world can become a market leader in five years. A luxury startup with the best bag in the world cannot buy the history that justifies charging €10,000 for it. That history cannot be acquired, licensed or replicated. It accumulates generation after generation, and every year that passes makes it harder for any competitor trying to build from scratch.

When a customer buys a Birkin, they are not buying leather and metal. They are buying the continuity of a craft that has existed since 1837, the traceability of an artisanal technique passed from master to apprentice inside the company's workshops, and the symbolic weight of almost two centuries at the top of global luxury. No marketing budget can manufacture that. Time is the only supplier, and it does not accept rush orders.

That is why, in any serious analysis of a luxury company, history is not a decorative section of the report. It is the starting point for understanding why the moat exists, why it is so hard to erode and why the valuation premium the market assigns to Hermès over its competitors is not irrational, even if discounted cash flow models suggest otherwise. What those models discount is future cash. What the market is also buying is historical irreplicability, and that has no standard discount rate.

With that in mind, what follows is not a pointless historical tour. It is the explanation of why Hermès can charge what it charges, keep the margins it keeps and reject the largest luxury group in the world when it tries to buy it.

### *History: 189 years of a single craft*

The history of Hermès begins in poverty and adversity, not privilege. Thierry Hermès was born in 1801 in Krefeld, a city in what was then the Duchy of Cleves and is now part of Germany. He was orphaned at twenty. He had no capital or contacts in Paris, the city he emigrated to following his father's family. What he had was the harness-maker's craft: the ability to make harnesses, saddles and riding accessories with a precision Parisian aristocrats recognized immediately.

In 1837 he opened his first workshop on rue Basse-du-Rempart, in the heart of Paris. The timing was perfect without Thierry knowing it: the European aristocracy was at the height of its fascination with riding, and horses were both the elite's transport and its most visible status symbol. A good harness was a public display of wealth and taste. Thierry understood this before anyone else and put all his craftsmanship into making the best on the market.

In 1867, at the Paris Universal Exhibition, Hermès won the first-class medal for the quality of its products. By then its customers included Napoleon III and Empress Eugénie de Montijo. The workshop had won the trust of Europe's royal houses with an argument that has not changed in 189 years: not price, but uncompromising quality.

Thierry died in 1878 and left the business to his son Charles-Émile, who made a decision that would define the company's DNA forever: moving the workshops to 24 rue du Faubourg Saint-Honoré. That address, today one of the most famous in luxury retail, is still the headquarters of Hermès. It is not just any store: it is the place where the company has been making and selling from the same physical space for more than 140 years.

The third generation arrived with Émile-Maurice Hermès, the founder's grandson, and it was under him that the maison began its transformation from riding workshop into fashion house. In the 1920s Émile-Maurice traveled to the United States and Canada and brought back two inventions that would change the business: the zipper, which he incorporated into Hermès bags and luggage before any other European maison, and the idea that leather goods could go far beyond harnesses. Under his leadership Hermès launched its first clothing, its first travel bags and, in 1937, the first silk carré, the square scarf that would become one of the company's most recognizable products.

The crash of 1929 almost destroyed Hermès. It was the only moment in 189 years when the company came close to collapse. What saved it was exactly what had always defined it: the exceptional quality of its products, which justified the purchase even in the worst economic moments for customers

with enough capital. Émile-Maurice decided to cut production rather than lower prices. That decision, made in 1930 under existential pressure, became the guiding principle his descendants have applied in every recession since.

The fourth generation arrived with Robert Dumas, Émile-Maurice's son-in-law, who took over in 1951. Under him Hermès consolidated itself as a complete luxury maison, not just a leather house. Silk scarves became collectors' items. Leather goods expanded. And in 1956 came one of the most important moments in the history of unintentional marketing: Grace Kelly, then Princess of Monaco, was photographed using a Hermès bag to hide her pregnancy from the paparazzi. The photo went

around the world. The bag, until then known internally as the Sac à dépêches, became the Kelly. Hermès did not plan that publicity. It simply made the best leather bag available, and the most photographed person in the world chose to carry it.



Grace Kelly and her Hermès bag

The fifth generation is the one that turned Hermès into the global company we know today. Jean-Louis Dumas took control in 1978 and held it until 2006. He is the modern architect of Hermès: he took the company public in 1993 to fund expansion without losing family control, opened stores in

Asia when no one in European luxury was yet taking that market seriously, and added new categories (watches in 1978, fashion jewelry, home décor) without ever diluting the brand's artisanal identity.

And in 1984 came the founding moment of modern Hermès. Jean-Louis Dumas was on a flight from Paris to London, seated next to Jane Birkin, a Franco-British actress and singer carrying a straw bag from which all her things kept falling. In the conversation that followed, Birkin explained that she needed a practical bag but that nothing on the market combined practicality and elegance. Jean-Louis Dumas took out the airsickness bag and, during the flight, designed with her the bag that would carry her name. Weeks later she received the first prototype. The Birkin was not born from a focus group or market research. It was born from a conversation between a craftsman with vision and a woman with taste.

In 2006 Jean-Louis Dumas retired and Patrick Thomas became the first non-family CEO in a century. That decision to entrust leadership to an outsider while the next generation was being trained is itself a demonstration of the institutional maturity of Hermès. In 2013 Axel Dumas, a sixth-generation descendant of Thierry and nephew of Jean-Louis, became Executive Chairman. That the company could make that transition without crisis, without a change in strategic direction and without the market perceiving it as a break says everything about the strength of its internal culture.

The most recent chapter in the history of Hermès is also the most revealing about its institutional strength. Between 2010 and 2014, Bernard Arnault, the richest man in France and founder of LVMH, quietly built a 23% stake in Hermès through derivative instruments that did not require immediate public disclosure. When the position was revealed, it was a moment of shock in the European financial world: the biggest predator in the luxury sector was clearly positioning itself for a hostile takeover of the most coveted company in the industry.

The Hermès family's response was fast, coordinated and definitive. They consolidated the family holding H51, committing all branches of the family to keep their shares in a joint vehicle with sale restrictions. The message was clear: Hermès was not for sale at any price. Arnault sold his stake in 2014 with a gain of about €3 billion. Since that exit, Hermès shares have multiplied more than tenfold.

That history (from the harness workshop in 1837 to the rejection of the richest man in France in 2014) is the hardest asset to value and the most impossible to replicate. It cannot be bought. It cannot be built in five years or in twenty. And that is exactly why Hermès can charge what it charges, reject the market when the market asks it to grow faster, and keep a waiting list for its most iconic products while the rest of the luxury sector goes through boom and bust cycles.

History is not context. It is the product.

SECTION 02

# Business model

Hermès describes itself as a contemporary craftsman. In practice, this means it designs, makes and sells luxury goods through a network of 303 own stores in 45 countries, with a vertical integration model that is unique among its peers.

## Segment 1: Leather goods and saddlery

This is the business that defines Hermès to the world. In 2025 leather goods and saddlery generated **€6,722 million of revenue, 42% of the group total, growing 9.5% year over year**. The iconic products are the Birkin and the Kelly, but the catalog includes dozens of bags, luggage, wallets, diaries and travel items.

What sets Hermès apart from any competitor in this segment is not design or price: it is the manufacturing process. **Each Birkin or Kelly is made entirely by a single craftsman**, who signs it when finished. That craftsman was trained for years before touching their first piece. The seams are saddle-stitched, a 19th-century technique that cannot be done by machine. The leathers are selected by hand. The hardware is plated in gold or palladium. Some versions use exotic skins such as Himalayan Niloticus crocodile, hand-dyed in gradient tones.

The result of that process is not just a bag: it is a financial asset. On secondary markets, a well-kept Birkin has beaten the S&P 500 and gold in total return over recent decades. Sotheby's, Christie's and Phillips have divisions dedicated exclusively to Hermès bags. Jane Birkin's original Birkin was auctioned for more than €8 million in 2025. That is what Hermès sells: not leather, but the guarantee that something handmade 20 years ago is still more desired than when it was made.



Jane Birkin's original bag, auctioned for more than €8 million

## Segment 2: Ready-to-wear and accessories

The second-largest segment generated about **€4,640 million in 2025 (29% of the total)**. It includes men's and women's ready-to-wear, footwear, belts, hats, gloves, jewelry and other accessories. It is the segment where Hermès is most visible at fashion shows and where it recently made a revealing strategic decision: appointing **Grace Wales Bonner as the new creative director of men's ready-to-wear**, a bet on talent that respects the artisanal legacy while bringing a contemporary vision.

This segment is also the most sensitive to fashion cycles, although the Hermès strategy of not following trends (but creating its own) partly insulates it from that volatility.

## Segment 3: Silk and textiles

The Hermès silk carré is one of the most recognizable products in global luxury. The segment generated **about €1,120 million in 2025** and includes scarves, ties, shawls and other silk and textile products. Hermès designs and prints its own fabrics in Lyon, keeping control of the value chain from design to final product. Each carré takes 18 to 24 months from concept to sale: first the artist creates the design, then the patterns are engraved, the silks are dyed and the edges are hand-rolled.

## Other segments

**Perfume and Beauty (about €800 million)**, **Watches (about €480 million)** and **Hermès Maison and jewelry** complete the portfolio. Perfume and Beauty was the only segment to decline in 2025 (-8%), which led Hermès to appoint Anne-Sarah Panhard as the new head of the division. Watches also fell (-2%). In both cases, these are the segments where Hermès faces the most competition and where its artisanal advantage is least differentiating.

## The distribution model: the store as a sanctuary

Hermès sells exclusively through its own stores and its website. There are no outlets, no discounts and no distribution licenses. The 303 stores are designed as spaces for experience, not transactions. The maison planned new stores in Beijing, Geneva and London in 2026 under the annual theme *'Venturing Beyond'*.

That channel exclusivity is no accident: it is why Hermès can hold prices and turn away demand at the same time. There is no clearance channel to dilute the perception of value. The waiting list for a Birkin is not a logistics problem: it is the strategy.

## Vertical integration: the asset few mention

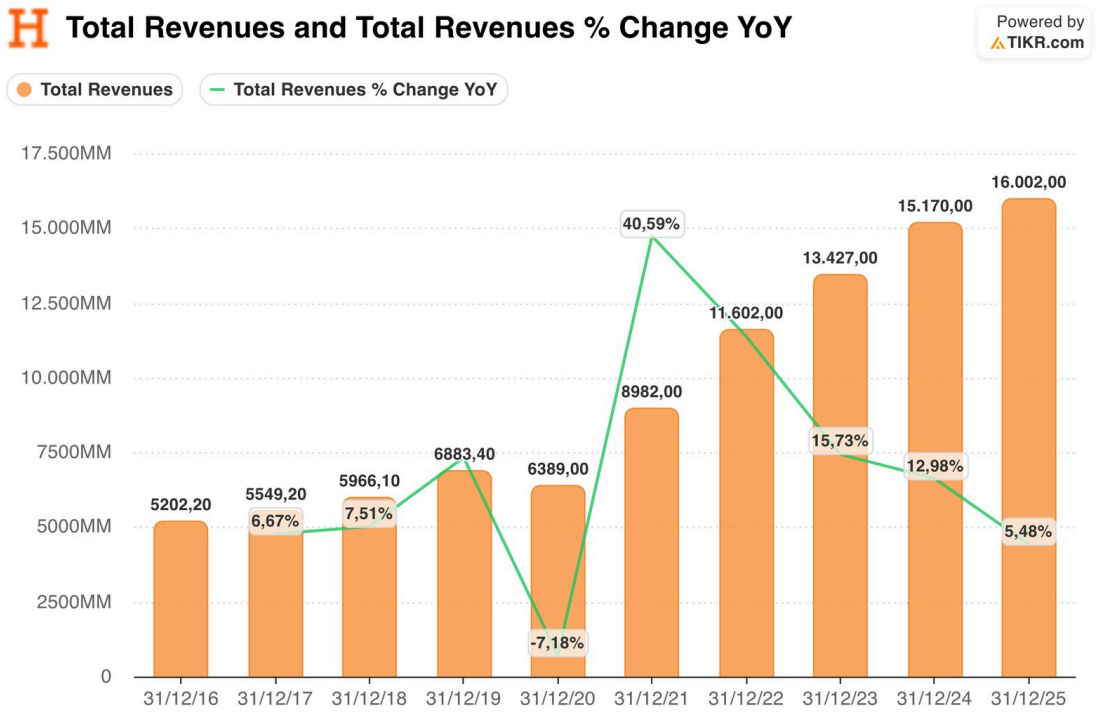
Unlike almost all its luxury competitors, Hermès makes the vast majority of its products in its own workshops in France. It has more than 50 manufacturing sites in France, dedicated to leather, silk, crystal, porcelain, jewelry and watches. That vertical integration is expensive in capital and time, but it generates three advantages that cannot be replicated: total quality control, the impossibility of being copied at industrial scale and protection against supply chain disruptions.

In 2026 Hermès opened its 25th leather workshop in France and has more planned through 2030. In a sector where most luxury brands outsource production to Asia, that decision is a first-order strategic signal: Hermès is betting on managed scarcity, not volume growth.

SECTION 03

# Business quality

## Revenue




Source: Tikr.

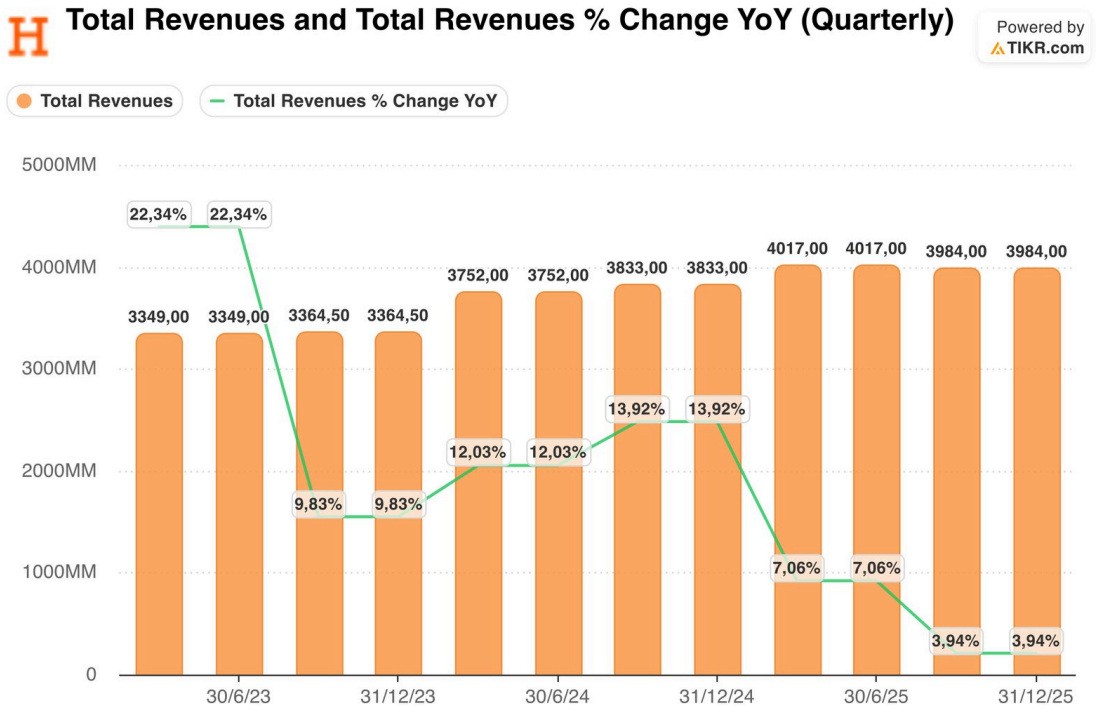
Hermès' revenue path over the last decade is the clearest empirical evidence that true luxury is not a cyclical sector: it is a structurally different category. While LVMH, Kering and Burberry suffered double-digit contractions in 2024 and 2025 because of the Chinese slowdown, **Hermès grew 9% at constant currency in 2025 and has compounded revenue at 12.7% a year over the last decade**.

Revenue in 2025 exceeded €16 billion for the first time in the company's history, with balanced growth across all regions except Perfume and Watches. Asia-Pacific grew 8.0% in Q4 2025, beating consensus expectations (+5.3%). Japan grew 11.2%. The Americas grew 12.1%. Europe, the most mature market, remained solid.

What matters most about those numbers is not the growth itself, but the context in which it happened: the luxury sector as a whole went through its most difficult period since the pandemic in 2025. Kering's revenue fell for the second year in a row. Burberry was restructuring. LVMH grew marginally. **Hermès was, literally, the exception that proves the rule that not all luxury businesses are the same.**

It is worth pausing on 2020: the only down year of the decade was the pandemic, and even then Hermès fell only 7.18% while the sector as a whole fell 15% to 20%. With stores closed, tourism collapsed and the global economy paralyzed, Hermès' decline was marginal. It is probably the best available indicator that its customers do not buy luxury when conditions allow: they buy it regardless of conditions.

Looking at each year's sales by quarter to check for seasonality, the chart reveals something not obvious at first sight: **Hermès has practically no seasonality**. The four quarters of each year are remarkably flat. In 2024 the first two quarters generated €3,752 million each and the last two €3,833 million, a minimal difference. In 2025 the variation was even smaller: €4,017 million in the first two quarters and €3,984 million in the last two, practically identical.




Source: Tikr.

This contrasts with most companies in the sector. Moncler, for example, concentrates almost all its revenue in the second half because of the seasonal nature of its products. Groups with heavy exposure to travel retail depend on the European summer and Asian Golden Week. Not Hermès: the portfolio is diversified enough across categories that do not share the same seasonal cycle. Leather is bought all year round, silk makes up in spring for what leather does in autumn, and the network of 303 stores spread across opposite hemispheres smooths out any geographic concentration.

For the investor, the absence of seasonality is not a minor detail. It means greater revenue visibility, less complexity in inventory management and, above all, no single quarter on which the year depends. When a company has a Q4 worth twice its Q1, a bad December can wipe out the whole year's work. Hermès does not have that risk.

What the chart does show clearly is the slowdown in year-over-year growth through 2024 and 2025: from rates of 22% in 2023 to the 4% with which 2025 closed. That is not seasonality but a reflection of the sector's adverse cycle. But absolute levels are almost perfectly flat quarter to quarter, which says everything about the structural predictability of the business.

## Latest results: first nine months of 2026

In July Hermès reported its first-half results and in October its third-quarter sales:

- **First half:** revenue of €8,160 million, +6.1% at constant currency and +1.6% in euros. Recurring operating income was €3,350 million, a 41.0% margin (41.4% a year earlier). Adjusted free cash flow grew 18% to €2,180 million and net cash reached €12,930 million.
- **Third quarter:** revenue of €4,096 million, +4.3% at constant currency, a slowdown from 6.1% in the first half. Leather goods remained very strong (+10.8%), while ready-to-wear (-2.0%) and watches (-6.0%) declined.
- **Regions:** over nine months the Americas grew 13.1% and Europe excluding France 9.0%, but Asia excluding Japan grew only 1.6% (flat in the third quarter) and the Middle East fell 4.3%. China was flat.
- **Year to date:** €12,260 million over nine months, +6.0% at constant currency and +2.9% in euros, with a negative currency impact of about €310 million.

The company kept its "ambitious" medium-term growth target at constant currency. The market, however, punished the slowdown: the stock hit a four-year low of about €1,260 in October and today trades 40% below its 12-month high.

## Vertical analysis

INCOME STATEMENT

| Fiscal year<br>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 | (32.3%) | (29.9%) | (30.0%) | (30.9%) | (31.5%) | (28.7%) | (29.2%) | (27.7%) | (29.7%) | (28.9%) | **(28.8%)** | **(28.9%)** |
| **Gross Profit** | **67.7%** | **70.1%** | **70.0%** | **69.1%** | **68.5%** | **71.3%** | **70.8%** | **72.3%** | **70.3%** | **71.1%** | **71.2%** | **71.1%** |
| Selling General & Admin Expenses | (29.7%) | (29.8%) | (26.2%) | (26.4%) | (26.6%) | (23.8%) | (23.1%) | (23.6%) | (23.5%) | (23.1%) | **(23.4%)** | **(23.4%)** |
| **Total Operating Expenses** | **(34.8%)** | **(34.7%)** | **(34.7%)** | **(34.7%)** | **(36.6%)** | **(31.2%)** | **(29.2%)** | **(29.4%)** | **(29.2%)** | **(29.3%)** | **(29.3%)** | **(29.7%)** |
| **Operating Income** | **32.8%** | **35.4%** | **35.2%** | **34.4%** | **31.9%** | **40.0%** | **41.5%** | **42.9%** | **41.1%** | **41.8%** | **41.9%** | **41.5%** |
| Interest Expense | (0.0%) | (0.0%) | (0.4%) | (0.4%) | (0.5%) | (0.4%) | (0.4%) | (0.4%) | (0.4%) | (0.3%) | **(0.4%)** | **(0.4%)** |
| **EBT Incl. Unusual Items** | **31.9%** | **34.2%** | **34.9%** | **33.2%** | **31.3%** | **38.6%** | **40.4%** | **44.3%** | **42.7%** | **42.6%** | **43.2%** | **41.7%** |
| Income Tax Expense | (10.7%) | (12.1%) | (11.3%) | (10.9%) | (9.6%) | (11.3%) | (11.2%) | (12.1%) | (12.2%) | (14.1%) | **(12.8%)** | **(12.2%)** |
| **Net Income** | **21.1%** | **22.0%** | **23.6%** | **22.2%** | **21.7%** | **27.2%** | **29.0%** | **32.1%** | **30.3%** | **28.3%** | **30.2%** | **29.4%** |
| EBITDA | 36.7% | 39.0% | 38.9% | 37.8% | 36.1% | 42.6% | 43.8% | 45.0% | 43.2% | 44.0% | **44.1%** | **43.7%** |

Source: author's analysis based on Tikr data.

Hermès' income statement reveals a company with a financial structure that has no equivalent among its peers. The 71.1% gross margin in 2025 is even higher than that of most software companies.

That margin is not an accident: it is the direct result of vertical integration, price control and the absence of discounts in any channel. When Hermès sells a Birkin for €10,000, the production cost (materials, craftsman, workshop) is less than 30% of that price. The margin is not shared with distributors, not eroded by markdowns and not diluted by accessible entry products.

Hermès' operating expenses are significant in absolute terms, mainly selling, distribution and administration, but represent about 30% of revenue, leaving a recurring operating margin of 41.0%. That margin has been consistently above 35% throughout the last decade, with a single exception in 2020 (pandemic: 31.9%).

The slight compression of net income in 2025 (from 30.3% to 28.3%) does not reflect operating deterioration: it was the result of an exceptional tax contribution imposed on large companies in France. Excluding that factor, the net margin would have been 30.3%, in line with 2024 and consistent with the historical path. Axel Dumas was explicit on the earnings call: *"without the exceptional tax contribution, net income would have grown 5.5%"*.

## BALANCE SHEET

| Fiscal year<br>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** | **38.8%** | **43.3%** | **41.2%** | **44.4%** | **42.8%** | **48.4%** | **52.8%** | **52.0%** | **50.4%** | **50.3%** | **50.9%** | **50.8%** |
| **Total Receivables** | **8.8%** | **8.0%** | **5.9%** | **3.4%** | **2.8%** | **2.8%** | **2.3%** | **2.4%** | **2.2%** | **1.9%** | **2.2%** | **2.3%** |
| Inventory | 15.3% | 13.2% | 11.4% | 11.5% | 11.7% | 10.5% | 10.2% | 11.8% | 12.1% | 10.6% | **11.5%** | **11.0%** |
| **Total Current Assets** | **63.6%** | **66.1%** | **58.9%** | **61.6%** | **60.2%** | **63.9%** | **67.7%** | **68.5%** | **67.0%** | **65.4%** | **67.0%** | **66.5%** |
| Net Property Plant And Equipment | 22.3% | 19.0% | 27.5% | 25.3% | 28.0% | 24.5% | 20.6% | 19.9% | 20.6% | 22.6% | **21.0%** | **21.6%** |
| Long-term Investments | 1.8% | 4.9% | 4.5% | 4.3% | 3.6% | 4.7% | 6.6% | 6.5% | 5.5% | 5.8% | **5.9%** | **5.8%** |
| Goodwill | 0.6% | 0.5% | 0.2% | 0.2% | 0.4% | 0.3% | – | 0.4% | 1.0% | 0.7% | **0.7%** | **0.5%** |
| Other Intangibles | 2.0% | 2.0% | 1.7% | 1.9% | 2.0% | 1.9% | 1.2% | 1.1% | 1.0% | 0.9% | **1.0%** | **1.2%** |
| **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** | **21.5%** | **20.1%** | **20.3%** | **20.5%** | **16.6%** | **18.6%** | **17.2%** | **15.6%** | **15.7%** | **13.1%** | **14.8%** | **16.0%** |
| Long-Term Debt | 0.3% | 0.3% | 0.0% | 0.0% | – | – | 0.0% | 0.0% | 0.0% | – | **0.0%** | **0.0%** |
| Capital Leases | – | – | 11.1% | 9.1% | 13.1% | 11.0% | 9.3% | 8.4% | 7.7% | 8.2% | **8.1%** | **8.9%** |
| **Total Liabilities** | **26.9%** | **25.5%** | **35.2%** | **33.4%** | **33.1%** | **32.0%** | **28.7%** | **25.6%** | **24.9%** | **22.5%** | **24.4%** | **26.8%** |
| **Total Equity** | **73.1%** | **74.6%** | **64.8%** | **66.6%** | **66.9%** | **68.0%** | **71.3%** | **74.4%** | **75.1%** | **77.5%** | **75.6%** | **73.2%** |
| **Total Debt** | **0.7%** | **0.8%** | **13.5%** | **11.3%** | **15.1%** | **12.8%** | **10.9%** | **9.8%** | **9.2%** | **9.5%** | **9.5%** | **10.4%** |
| Net Debt | (38.1%) | (42.5%) | (27.7%) | (33.1%) | (27.7%) | (35.5%) | (42.0%) | (42.1%) | (41.3%) | (40.8%) | **(41.4%)** | **(40.3%)** |

Source: author's analysis based on Tikr data.

Hermès' balance sheet is a fortress. Net cash at December 31, 2025 was **€12,239 million**, with practically no net financial debt. That is about 9% of the current market capitalization. It is an extraordinary level for a consumer company in any sector.

The asset structure reflects the vertical integration model: fixed assets (properties, workshops, equipment) are about 22% of the balance sheet, consistent with a company that physically makes its products in its own facilities. Cash and equivalents are 50% of total assets, confirming the structural cash generation of the business.

Equity has grown steadily from €7,380 million in 2020 to €18,840 million in 2025, a 155% increase in five years. Over the same period Hermès added jobs in France, built new workshops and kept its capital structure without taking on debt.

## CASH FLOW

| Fiscal year<br>Cash Flow — % of revenue | FY2016A | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Income** | **21.1%** | **22.0%** | **23.6%** | **22.2%** | **21.7%** | **27.2%** | **29.0%** | **32.1%** | **30.3%** | **28.3%** | **30.2%** | **29.4%** |
| **Total Depreciation & Amortization** | **3.9%** | **3.6%** | **6.8%** | **6.5%** | **8.0%** | **5.4%** | **4.6%** | **4.3%** | **4.4%** | **4.3%** | **4.3%** | **4.6%** |
| Stock-Based Compensation | 1.0% | 1.1% | 0.9% | 1.3% | 1.2% | 0.7% | 0.5% | 0.8% | 0.9% | 0.8% | **0.8%** | **0.7%** |
| **Cash from Operations** | **28.3%** | **28.9%** | **32.5%** | **30.3%** | **25.7%** | **37.9%** | **36.1%** | **32.2%** | **33.9%** | **33.6%** | **33.2%** | **34.7%** |
| Capital Expenditure | (4.1%) | (3.9%) | (5.2%) | (5.5%) | (5.2%) | (4.5%) | (3.6%) | (4.3%) | (7.0%) | (4.4%) | **(5.3%)** | **(4.8%)** |
| Cash Acquisitions | – | – | – | – | (1.1%) | – | (0.0%) | (2.1%) | (1.5%) | (0.4%) | **(1.3%)** | **(0.8%)** |
| **Cash from Investing** | **(4.2%)** | **(6.3%)** | **(4.0%)** | **(6.8%)** | **(6.8%)** | **(7.4%)** | **(5.0%)** | **(7.4%)** | **(7.9%)** | **(8.0%)** | **(7.8%)** | **(7.1%)** |
| **Total Debt Issued** | **0.1%** | **0.0%** | **0.0%** | **–** | **0.1%** | **–** | **–** | **–** | **–** | **0.0%** | **0.0%** | **0.0%** |
| **Total Debt Repaid** | **(0.1%)** | **(0.0%)** | **(3.1%)** | **(2.9%)** | **(3.2%)** | **(2.4%)** | **(2.2%)** | **(2.1%)** | **(2.0%)** | **(2.1%)** | **(2.1%)** | **(2.2%)** |
| Repurchase of Common Stock | (2.1%) | (3.4%) | (1.0%) | (0.8%) | (1.9%) | (1.8%) | (1.1%) | (1.0%) | (0.2%) | (0.0%) | **(0.4%)** | **(0.8%)** |
| Common Dividends Paid | (6.8%) | (7.2%) | (7.2%) | (7.0%) | (7.6%) | (5.4%) | (7.3%) | (10.2%) | (10.5%) | (10.7%) | **(10.5%)** | **(8.8%)** |
| **Cash from Financing** | **(9.1%)** | **(10.7%)** | **(20.1%)** | **(10.8%)** | **(12.7%)** | **(9.7%)** | **(10.7%)** | **(13.4%)** | **(20.1%)** | **(19.6%)** | **(17.7%)** | **(14.7%)** |
| Free Cash Flow | 24.2% | 25.0% | 27.3% | 24.8% | 20.5% | 33.4% | 32.5% | 27.9% | 26.8% | 29.2% | **28.0%** | **30.0%** |

Source: author's analysis based on Tikr data.

Adjusted free cash flow in 2025 was **€3,880 million**, slightly above €3,770 million in 2024. Operating investments totaled €1,160 million, most of it (€769 million) on stores and distribution and the rest on production capacity. That level of capex, 7.3% of revenue, is modest for a company that builds artisanal workshops in France and opens stores in the best locations in the world.

The quality of Hermès' free cash flow is exceptional. Unlike other luxury companies where aggressive capital returns compete with investment, Hermès has enough free cash flow to keep growing its net cash, invest in capacity and pay ordinary and special dividends at the same time. For 2025 it proposed an ordinary dividend of €18 per share, and it paid special dividends of €10 per share in 2023 and 2024.

## Financial ratios

- **Growth**

| Fiscal year | FY2016A | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Growth** | | | | | | | | | | | | |
| Revenue growth | | 6.7% | 7.5% | 15.4% | (7.2%) | 40.6% | 29.2% | 15.7% | 13.0% | 5.5% | **11.4%** | **20.8%** |
| EBIT growth | | 15.0% | 6.9% | 12.7% | (14.0%) | 76.7% | 34.0% | 19.4% | 8.3% | 7.5% | **11.7%** | **29.2%** |
| Diluted EPS growth | | 11.0% | 15.3% | 8.6% | (9.2%) | 76.4% | 37.7% | 28.1% | 6.7% | (1.8%) | **11.0%** | **29.4%** |
| Change in diluted shares (dilution / buybacks) | | – | – | – | – | – | – | – | – | – | – | – |

Source: author's analysis based on Tikr data.

Revenue grew 5.5% in euros in 2025 (9% at constant currency), after 13% in 2024 and 15.7% in 2023. It is the lowest rate since the pandemic, but in a year when much of the sector declined. The share count practically does not change: Hermès does not dilute.

- **Profitability**

| Fiscal year | FY2016A | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Profitability** | | | | | | | | | | | | |
| Gross margin | 67.7% | 70.1% | 70.0% | 69.1% | 68.5% | 71.3% | 70.8% | 72.3% | 70.3% | 71.1% | **71.2%** | **71.1%** |
| SG&A % revenue | 29.7% | 29.8% | 26.2% | 26.4% | 26.6% | 23.8% | 23.1% | 23.6% | 23.5% | 23.1% | **23.4%** | **23.4%** |
| R&D % revenue | – | – | – | – | – | – | – | – | – | – | – | – |
| EBIT margin | 32.8% | 35.4% | 35.2% | 34.4% | 31.9% | 40.0% | 41.5% | 42.9% | 41.1% | 41.8% | **41.9%** | **41.5%** |
| EBITDA margin (EBIT + D&A) | 36.7% | 39.0% | 42.0% | 40.9% | 39.9% | 45.4% | 46.1% | 47.2% | 45.4% | 46.2% | **46.3%** | **46.1%** |
| Net margin | 21.1% | 22.0% | 23.6% | 22.2% | 21.7% | 27.2% | 29.0% | 32.1% | 30.3% | 28.3% | **30.2%** | **29.4%** |
| Stock-based compensation % revenue | 1.0% | 1.1% | 0.9% | 1.3% | 1.2% | 0.7% | 0.5% | 0.8% | 0.9% | 0.8% | **0.8%** | **0.7%** |
| Effective tax rate | 33.4% | 35.3% | 32.3% | 32.9% | 30.6% | 29.3% | 27.9% | 27.3% | 28.5% | 33.2% | **29.7%** | **29.2%** |

Source: author's analysis based on Tikr data.

Gross margin of 71.1%, EBIT margin of 41.8% and net margin of 28.3% in 2025. EBIT margin rose nine points in a decade, from 32.8% to 41.8%. Net margin fell because of an extraordinary tax contribution in France, not because of the business.

- **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 | 28.3% | 28.9% | 32.5% | 30.3% | 25.7% | 37.9% | 36.1% | 32.2% | 33.9% | 33.6% | **33.2%** | **34.7%** |
| FCF margin (TIKR FCF / revenue) | 24.2% | 25.0% | 27.3% | 24.8% | 20.5% | 33.4% | 32.5% | 27.9% | 26.8% | 29.2% | **28.0%** | **30.0%** |
| FCF conversion (FCF / net income) | 114.5% | 113.7% | 115.8% | 111.7% | 94.4% | 122.8% | 112.0% | 87.0% | 88.5% | 103.1% | **92.9%** | **102.7%** |
| Capex % revenue | 4.1% | 3.9% | 5.2% | 5.5% | 5.2% | 4.5% | 3.6% | 4.3% | 7.0% | 4.4% | **5.3%** | **4.8%** |
| D&A % revenue | 3.9% | 3.6% | 6.8% | 6.5% | 8.0% | 5.4% | 4.6% | 4.3% | 4.4% | 4.3% | **4.3%** | **4.6%** |
| Capex / D&A | 1.1x | 1.1x | 0.8x | 0.9x | 0.7x | 0.8x | 0.8x | 1.0x | 1.6x | 1.0x | **1.2x** | **1.0x** |
| D&A % beginning net PP&E | | 15.1% | 31.6% | 19.2% | 20.6% | 15.7% | 15.7% | 16.1% | 16.2% | 14.6% | **15.6%** | **15.6%** |
| Acquisitions % revenue | – | – | – | – | 1.1% | – | 0.0% | 2.1% | 1.5% | 0.4% | **1.3%** | **0.8%** |

Source: author's analysis based on Tikr data.

Free cash flow was 29.2% of revenue in 2025, with CapEx of 4.4%. Hermès funds its new workshops, its stores and its dividends with its own cash, and still has plenty left over.

- **Working capital**

| Fiscal year | FY2016A | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Working capital** | | | | | | | | | | | | |
| Receivables days (DSO) | 37.0 | 35.7 | 30.5 | 18.0 | 17.9 | 15.9 | 12.6 | 13.1 | 12.2 | 10.6 | **11.9** | **12.9** |
| Inventory days (DIO) | 198.6 | 197.1 | 196.4 | 194.6 | 233.7 | 205.0 | 191.6 | 236.9 | 226.3 | 203.3 | **222.2** | **212.6** |
| Payables days (DPO) | 91.8 | 93.7 | 84.7 | 69.7 | 67.5 | 63.7 | 71.0 | 67.2 | 55.3 | 49.4 | **57.3** | **61.3** |
| Cash conversion cycle (DSO + DIO − DPO) | 143.8 | 139.1 | 142.1 | 142.8 | 184.2 | 157.2 | 133.3 | 182.7 | 183.2 | 164.4 | **176.8** | **164.2** |
| Deferred revenue % revenue | – | – | – | – | – | – | – | – | – | – | **–** | **–** |
| Operating NWC % revenue | 6.6% | 6.3% | 5.0% | 3.8% | 8.1% | 1.9% | 3.1% | 8.0% | 8.6% | 7.9% | **8.2%** | **5.9%** |

Source: author's analysis based on Tikr data.

Inventory days are high (203 in 2025) because of the artisanal nature of production, but collections are almost immediate (11 days), because it sells through its own stores.

- **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) | 1,221 | 1,405 | 1,502 | 1,693 | 1,455 | 2,572 | 3,447 | 4,115 | 4,456 | 4,788 | **4,453** | **3,876** |
| Invested capital = debt + equity − cash & ST inv. | 2,097 | 2,168 | 3,136 | 3,305 | 4,326 | 4,494 | 5,131 | 6,590 | 7,806 | 8,919 | **7,772** | **6,588** |
| ROIC = NOPAT / average invested capital | | 65.9% | 56.7% | 52.6% | 38.1% | 58.3% | 71.6% | 70.2% | 61.9% | 57.3% | **63.1%** | **63.9%** |
| ROIC incl. cash = NOPAT / average (debt + equity) | | 29.5% | 25.7% | 23.7% | 17.4% | 25.4% | 27.0% | 26.1% | 24.3% | 23.6% | **24.7%** | **25.3%** |
| Pre-tax ROIC = EBIT / average invested capital (reference) | | 92.2% | 79.2% | 73.5% | 53.3% | 81.5% | 100.2% | 98.2% | 86.6% | 80.1% | **88.3%** | **89.3%** |
| ROE = net income / average equity | | 25.9% | 26.7% | 25.4% | 19.8% | 29.1% | 30.8% | 31.2% | 28.3% | 25.0% | **28.2%** | **28.9%** |
| ROA = net income / average total assets | | 19.1% | 18.5% | 16.7% | 13.2% | 19.6% | 21.5% | 22.7% | 21.1% | 19.1% | **21.0%** | **20.8%** |

Source: author's analysis based on Tikr data.

ROIC excluding cash was 57% in 2025 (24% including accumulated cash) and ROE 25%. These are very high returns, and stable throughout the decade.

- **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.) | (2,288) | (2,878) | (2,339) | (3,271) | (3,065) | (4,918) | (7,325) | (8,613) | (9,528) | (9,927) | **(9,356)** | **(8,062)** |
| Net debt / EBITDA | (1.2x) | (1.3x) | (0.9x) | (1.2x) | (1.2x) | (1.2x) | (1.4x) | (1.4x) | (1.4x) | (1.3x) | **(1.4x)** | **(1.3x)** |
| Interest coverage (EBIT / interest expense) | 813.3x | 1091.7x | 81.4x | 97.0x | 70.2x | 112.4x | 107.1x | 102.8x | 105.6x | 121.7x | **110.0x** | **109.9x** |
| Debt / (debt + equity), book | 0.9% | 1.1% | 17.2% | 14.5% | 18.4% | 15.9% | 13.2% | 11.7% | 10.9% | 10.9% | **11.2%** | **12.5%** |
| Current ratio | 2.96 | 3.29 | 2.90 | 3.01 | 3.62 | 3.43 | 3.94 | 4.40 | 4.26 | 4.99 | **4.55** | **4.21** |

Source: author's analysis based on Tikr data.

Hermès has no financial debt: its only debt is store leases. It ended 2025 with a current ratio of 5x and net cash that keeps growing.

- **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 | 36.9% | 42.2% | 30.1% | 31.4% | 46.4% | 21.4% | 25.6% | 40.2% | 40.1% | 36.7% | **39.0%** | **32.8%** |
| EV / EBITDA | 20.5x | 20.4x | 20.7x | 25.7x | 38.9x | 41.0x | 28.7x | 32.0x | 36.0x | 30.4x | **32.8x** | **33.6x** |
| EV / revenue | 7.5x | 8.0x | 8.0x | 9.7x | 14.1x | 17.5x | 12.6x | 14.4x | 15.5x | 13.4x | **14.4x** | **14.7x** |
| P/E | 37.0x | 38.2x | 36.0x | 45.4x | 66.4x | 65.7x | 44.9x | 46.5x | 52.8x | 49.2x | **49.5x** | **51.8x** |
| FCF yield (FCF / market cap) | 3.1% | 3.0% | 3.2% | 2.5% | 1.4% | 1.9% | 2.5% | 1.9% | 1.7% | 2.1% | **1.9%** | **2.0%** |

Source: author's analysis based on Tikr data.

Hermès returned 37% of its free cash flow in 2025 through dividends and buybacks, in addition to special dividends in some years. At the end of 2025 it traded at 30x EBITDA and 49x earnings. After the stock's fall, it trades today at about 18x 2025 EBITDA, close to the low end of its historical range.

SECTION 04

# Management and capital allocation

## Axel Dumas, CEO



Axel Dumas is, in many ways, the embodiment of what it means to run Hermès. A sixth-generation member of the founding family, he studied law before starting his career as an international investment banker, building experience in financial markets that he would later apply to running a family company with global ambitions. He joined Hermès under the guidance of outside CEO Patrick Thomas (the only non-family leader in a century) and took the helm in 2013.

His management philosophy can be summed up in a phrase he repeats consistently: *"We do not run the company for the next quarter. We run it for the next generation."* That phrase is not marketing: it literally describes how Hermès makes strategic decisions. When the luxury sector went into panic mode in 2024 over the Chinese slowdown, Dumas kept opening workshops in France and hiring craftsmen. When analysts asked about the impact of the wealth effect in China at the February 2026 results, his answer was revealing: *"The appetite for luxury has nothing to do with GDP. It has to do with the stock market and changes in the property market."*

Under his leadership Hermès accelerated its digital evolution by relaunching hermes.com as a true e-commerce platform in 2017, kept its family structure in the face of hostile takeover attempts and doubled its market capitalization in the first half of his tenure. In April 2025, for a brief period, Hermès overtook LVMH to become the largest company in France by market value. That milestone, under his management, says all that is needed about his execution.

## Pierre-Alexis Dumas, Artistic Director

Pierre-Alexis Dumas, Axel's cousin, is the group's Artistic Director and is responsible for keeping the maison's creative coherence across all its products and lines. He is also the founder of the Fondation d'entreprise Hermès, which works in artistic patronage, the transmission of craft skills and the preservation of cultural heritage.

The separation between executive management (Axel) and artistic direction (Pierre-Alexis) is a deliberate structure that ensures financial decisions do not contaminate creative decisions, and vice versa. It is one of the institutional mechanisms that preserve the identity of Hermès against market pressure.

SECTION 05

# Competitive position

## Industry analysis

The global personal luxury goods market exceeds €350 billion a year and is dominated by a handful of conglomerates and independent brands. The sector's fundamental dynamic has a feature that sets it apart from almost any other industry: **price is a signal of quality, not an obstacle to demand**. When Hermès raises Birkin prices by 10%, demand does not fall: in many cases it rises, because the higher price reinforces the perception of exclusivity that makes the product desirable.

The 2024-2025 cycle was revealing. The luxury market as a whole went through its sharpest slowdown since the pandemic, driven mainly by the cooling of the Chinese consumer after the property crisis and price fatigue in aspirational luxury. Brands that had grown aggressively by raising prices to look more exclusive (Gucci, Balenciaga, some Dior lines) paid the price: the aspirational customer found the product no longer justified the price, and the ultra-wealthy customer moved toward what is genuinely scarce.

That shift favored Hermès structurally: in a shrinking luxury market, **Hermès grew 9% at constant currency**. Axel Dumas' explanation is direct: his customer is not the aspirational consumer who buys a luxury accessory when the economic cycle is favorable. His customer is the individual with enough wealth for €10,000 on a bag to be a trivial decision. That customer base is structurally more defensive.

## Main competitors

### LVMH

LVMH is the largest luxury group in the world by revenue and market capitalization, with 75 brands ranging from Louis Vuitton and Dior to Tiffany, Moët Hennessy and Sephora. It is the most direct contrast with Hermès in business philosophy: where Hermès is a brand, LVMH is a portfolio. Where Hermès grows by training craftsmen for years, LVMH grows by buying companies. Where Hermès has a family CEO who inherited the craft, LVMH has Bernard Arnault running a financial conglomerate dressed up as a maison.

The numbers of the last decade show that difference clearly. LVMH grew between 2017 and 2022 at rates the market interpreted as a structural transformation of the group. Then came the adverse cycle of 2024 and 2025, and revenue fell 1.7% and 4.6% respectively, with the operating margin compressing from 26.5% in 2022 to 21.9% in 2025. Hermès grew 13% and 5.5% over the same period. The difference is not cyclical: it results from having brands such as Louis Vuitton, which lives at the Accessible Luxury level and is exposed to the aspirational Chinese consumer who disappeared with the property crisis.

The relationship between the two companies has a historical chapter. Between 2010 and 2014, LVMH quietly built a 23% stake in Hermès using derivatives that avoided public disclosure. The maneuver triggered a legal and family battle that ended with the Dumas family consolidating the H51 holding, committing all family branches not to sell, and with LVMH unwinding its stake in 2014 at €84 per share. Since then, the stock has multiplied that price more than fifteenfold.

As a competitor in luxury bags and accessories, LVMH has more scale than Hermès but less structural exclusivity. The ultra-wealthy consumer choosing between a Birkin and a Louis Vuitton bag is not choosing between two brands at the same level: one is buying a financial asset with a verifiable secondary market and the other a fashion accessory with collections renewed every year. That difference does not show up in price multiples, but it does show up in demand behavior when the economy gets difficult.

### KERING

Kering is the most instructive case in the sector for understanding the difference between real luxury and perceived luxury. The group controls Gucci, Saint Laurent, Bottega Veneta, Balenciaga and a stake in Valentino, among other brands. In 2017 and 2018, when Gucci was at its peak under Alessandro Michele with the maximalist aesthetic that dominated pop culture at the time, Kering traded at multiples close to those of Hermès and many analysts argued the group had permanently closed the quality gap with the sector leader.

What followed was one of the fastest cycles of value destruction in recent luxury history. In 2023 Kering started reporting declines. In 2024 revenue fell 12.1%. In 2025 it fell another 14.7%. The operating margin collapsed from 30.1% in 2019 to 11.1% in 2025. Debt/EBITDA reached 4.83x. The group's ROE ended 2025 at 0.5%.

The technical explanation is that Gucci depended on a creative director and, when it went out of fashion, the aspirational consumer stopped buying. The deeper explanation is that Kering never had the kind of moat Hermès has: its brands have pricing power when they are in fashion and lose it when they are not. Gucci in 2018 and Gucci in 2025 are the same company, but Hermès has a waiting list and Gucci has outlet discounts.

Kering is also the example that personally reminds me why looking at entry multiples is not enough. At some point in 2023 or 2024, Kering looked cheap on paper: it traded at a discount to its own history and to the sector. But what looked cheap was actually expensive, because the point of comparison was a level of profitability the business could not sustain. What seemed to be a passing cycle was actually the business returning to its real level. That difference, between cyclical compression and structural deterioration, is what separates an opportunity from a value trap.

### RICHEMONT

Richemont is the world leader in high-end jewelry and watches, with brands such as Cartier, Van Cleef & Arpels, IWC, Jaeger-LeCoultre and Vacheron Constantin. In terms of position within the luxury pyramid, Richemont operates in a different segment from Hermès: its star products are high jewelry pieces and complicated watches closer to the Bespoke/Ultra High End level than to the Superpremium level where Hermès lives. A Cartier haute joaillerie piece or a Vacheron Patrimony behaves like a financial asset with an active secondary market, exactly like a Birkin.

Richemont's numbers reflect a genuinely high-quality business that is nevertheless more volatile than its positioning would suggest. The operating margin went from 11% in 2020 to 25.5% in 2023, and fell to 21% in 2025. Debt/EBITDA reached 3.35x in 2021 when the company increased its stake in online fashion, an expensive bet it had to restructure. The 2.90x current ratio in 2025 reflects a solid cash position, but without Hermès' exceptionality.

Richemont's ROIC in 2025 was 13.7%, solid but far from Hermès' 31.6%. That partly reflects the nature of the watch business: production times are extraordinarily long (Richemont's days of inventory are 438, the highest in the group), the capital tied up in inventory is enormous and demand cycles swing more widely than in leather.

As a direct competitor to Hermès, Richemont competes mainly in watches, a segment where Hermès publicly acknowledges it is at a disadvantage: Hermès watches fell 1.9% in the first nine months of 2026 as the sector remains in an adverse cycle. For everything else, the markets are different and the consumers are not quite the same. The buyer of a Cartier Love bracelet and the buyer of a Kelly overlap but are not identical.

### MONCLER

Moncler is the most interesting competitor to analyze comparatively, because it is the company that most resembles Hermès in business model: single brand, controlled production, real pricing power, disciplined geographic expansion and a product identity that transcends seasonal fashion. The difference is that Moncler built its moat in twenty years, not in one hundred and eighty-nine.

Moncler's gross margin in 2025 was 78.1%, among the highest in the group analyzed, including Hermès. That reflects extraordinarily high prices relative to the production cost of its down jackets, which is structurally lower than that of artisanal leather goods. EBIT margin, however, is 28.9%, because Moncler invests much more in marketing and customer experience relative to revenue than Hermès. Its 18.2% ROIC in 2025 is good, but it has fallen steadily from 35.4% in 2016, reflecting a cycle of heavy reinvestment to sustain growth.

The weakest point of Moncler's profile is seasonality. About 41% of its revenue is concentrated in the second half, because the core product is still the winter down jacket. That creates a dependence Hermès does not have, meaning a bad November or December in terms of weather or consumer confidence can materially affect the year's results. Growth in 2025 was just 0.7%, the lowest of the period for the company, suggesting the post-pandemic hypergrowth phase is over and the business is entering a period of normalization.

The Moncler Group also includes Stone Island, acquired in 2021, which extends the portfolio toward a younger, more urban segment. It is a sensible strategic bet but also a sign that Moncler recognizes a single brand has limits to its market penetration.

### BRUNELLO CUCINELLI

Brunello Cucinelli resembles Hermès in philosophy but is also the least similar in scale. The company was founded in 1978 by Brunello Cucinelli, who still chairs it, in the medieval village of Solomeo, Umbria. The official story says he started dyeing cashmere in a basement. The real story is that he built a company worth more than €15 billion today with a business philosophy that blends Renaissance humanism with conscious capitalism in a way that, for better or worse, has proven extraordinarily profitable.

The business has unique features: almost entirely in-house production in its own facilities in Italy, PP&E at 52.3% of total assets in 2025 (the highest in the group, reflecting real vertical integration), and pricing of €1,500 to €8,000 per garment that places it in the Superpremium level of the pyramid. Its growth over the last three years, 23.9% in 2023, 12.2% in 2024 and 10.1% in 2025, is the most consistent in the group alongside Hermès and suggests the high-price, limited-production artisanal model has structural demand that survives cycles.

Brunello Cucinelli's main risk is its size. With revenue of €1.2-1.4 billion, it is small compared with Hermès (€16 billion) and LVMH (more than €80 billion). That makes it more vulnerable to any change in brand perception, because it lacks the volume and geographic diversification to absorb a deterioration. Debt/EBITDA of 2.70x in 2025, up from 1.80x in 2023, reflects the aggressive manufacturing expansion plan it is carrying out. It is debt taken on deliberately to fund artisanal growth, not acquisitions, which makes it more defensible, but it is a level to watch in a slowdown.

Its 54.1% gross margin in 2025, the lowest in the group, reflects exactly that: making everything by hand with its own craftsmen in Italy is expensive. Its 16.7% EBIT margin is modest for a company trading at high multiples, but the story the market buys is that of a Hermès in the making, and that story justifies the valuation premium as long as growth supports it.

### PRADA

Prada is the most notable turnaround of the period analyzed and, in some ways, the hardest to interpret because there are two companies in one: the Prada that existed before 2021 and the one that exists since.

Prada up to 2020 was a company with real structural problems. The operating margin had fallen from 14.2% in 2016 to 9.5% in 2019 and 5.6% in 2020. ROE was in the low single digits. The company had failed to position itself in the right premium segment: too expensive to be accessible, not exclusive enough to compete with Hermès or Chanel. The business depended too much on physical stores during peak luxury tourism and had overinvested in fixed assets.

From 2021 onward the story is different. The relaunched Miu Miu captured a specific moment in global pop culture, generating levels of demand no one in the sector expected. The operating margin rose from 14.5% in 2021 to 22.7% in 2025, with gross margin reaching 80.3%, the highest in the whole

group. That very high gross margin reflects a product mix tilted toward high-margin leather goods and accessories, with less dependence on ready-to-wear. ROIC reached 18% in 2024 and ended 2025 at 14.2%.

Prada's central risk is exactly the nature of what drove the turnaround: Miu Miu is a cultural phenomenon, and cultural phenomena have uncertain durations. The sector's history is full of brands that had moments of extraordinary cultural relevance and then saw that relevance evaporate as quickly as it came. Unlike Hermès, whose demand does not depend on any creative director, Prada remains a company where momentum depends on creative decisions that are by definition unpredictable.

Debt/EBITDA of 2.18x in 2025, up from 1.36x in 2024, also shows the company is using strong results to fund expansion, which is rational but adds sensitivity to the cycle.

#### CHANEL

Chanel is the most comparable competitor philosophically: a private company, family-controlled (the Wertheimer family), with no stock market pressure, and comparable exclusivity and pricing power. Its revenue exceeded €20 billion in 2024, with operating margins estimated at 25-30%.

The key difference with Hermès is that Chanel has greater exposure to perfume and cosmetics (lower-margin, more competitive lines) and that its iconic bag (the Flap Bag) has not reached the financial-investment status of the Birkin. Chanel has raised prices aggressively in recent years, but without Hermès' real production scarcity.

## Comparison with competitors

Before the numbers, a methodological note. The comparison universe is six listed companies the market classifies as direct or close peers of Hermès: LVMH, Kering, Richemont, Moncler, Brunello Cucinelli and Prada. Each has a different business profile (diversified conglomerate, niche pure play, jewelry group, seasonal single-brand luxury), 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 decline, the 2021-2022 reopening boom and the adverse 2024-2025 cycle.

### *Revenue*



| 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 the revenue history of the seven companies reveals something annual data alone does not convey as clearly: the luxury sector is not homogeneous, and the pandemic was the best stress test to separate businesses with structural demand from those dependent on the tourism cycle and the aspirational consumer.

In 2020, the worst year of the period, Hermès fell 7.2%. Moncler fell 11.5%. Brunello Cucinelli 10.5%. LVMH 16.8%. Kering 17.5%. Prada 24.9%. Only Richemont, whose high watchmaking and jewelry business has an even narrower customer base than Hermès, managed a decline of just 1.8%, albeit from a more modest base.

What came next is also significant. In 2021 the post-pandemic rebound was widespread and all companies posted strong numbers. But from 2022 onward the paths clearly diverge. Hermès posted three consecutive years of solid growth: 29.2% in 2022, 15.7% in 2023, 13.0% in 2024. Over the same period Kering fell 3.9% in 2023, 12.1% in 2024 and 14.7% in 2025. LVMH, the largest company in the sector, went from growing 8.8% in 2023 to falling 1.7% in 2024 and 4.6% in 2025.

Brunello Cucinelli deserves a separate mention because it is the only company in the group that grew at a rate comparable to Hermès in 2024 and 2025, with 12.2% and 10.1% respectively. It is the clearest sign that the artisanal model with limited production and a waiting list has a demand profile qualitatively different from volume-driven aspirational luxury.

In 2025 Hermès grew 5.5% in a context where LVMH fell 4.6% and Kering 14.7%. That gap has no historical precedent among companies in the same sector listed on the same exchange.

### *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 the most defining part of the comparison, and it must be read in three layers: gross margin, EBIT margin and net margin.

On gross margin, Hermès is not the highest in the group. In 2025 Prada leads with 80.3%, followed by Moncler with 78.1%, Kering with 72.6% and Hermès with 71.1%. Brunello Cucinelli is below all of them at 54.1%, reflecting that it makes almost everything it sells in-house and artisanal manufacturing costs weigh more on its income statement. Hermès' gross margin is consistently high but not exceptional within the group.

EBIT margin is where the story changes completely. In 2025 Hermès' operating margin was 41.8%. The second highest in the group is Moncler at 28.9%, almost 13 points lower. Then come Prada at 22.7%, Richemont at 21.0%, LVMH at 21.9%, Brunello Cucinelli at 16.7% and Kering at 11.1%. The gap between Hermès and Kering is more than 30 points. The gap with LVMH is 20 points.

But the most telling figure is not a single year but the consistency of that gap over time. Hermès had an EBIT margin of 32.8% in 2016 and 41.8% in 2025. Over the same period Kering went from 15.2% in 2016 to 30.1% in 2019 when Gucci was at its peak, and then collapsed to 11.1% in 2025. LVMH went from 18.6% to 21.9%. Prada from 14.2% to 22.7%. Richemont from 18.8% to 21.0%, with a lot of volatility in between. The pattern is clear: Hermès' margin rises over the decade while the others swing with the cycle.

On net margin, Hermès reached 28.3% in 2025, the highest in the group. Moncler has 20.0%, LVMH 13.5%, Richemont 12.9%, Prada 14.9%. Kering ended the year with a net margin of 0.5%, practically at break-even. And Brunello Cucinelli, despite more modest operating margins, converts well and reaches 9.6%.

### *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 balance sheet structure of the seven companies over time shows differences that go far beyond the cycle and say a lot about the quality of each business's capital.

The most striking asset figure is the cash position. In 2025 Hermès holds 50.3% of its total assets in cash and short-term investments. It is an extraordinary figure: half the balance sheet is pure liquidity. Richemont is the only comparable company, with 40.9%. The rest are far below: Moncler at 24.5%, LVMH at 9.5%, Kering at 10.5%, Brunello Cucinelli at 10.1%, Prada at 11.5%. This cash position is not new for Hermès: it has been above 40% every year of the period, reaching 52.8% in 2022.

Net PP&E shows equally revealing differences between business models. Brunello Cucinelli has 52.3% of its assets in PP&E, as a company that makes almost everything in its own facilities in Umbria. Prada has 49.4%, LVMH 31.4%, Moncler 25.1%. Hermès has 22.6%, a reasonable level for a company with such high vertical integration, although lower than Brunello Cucinelli because part of production is still outsourced to small certified artisanal workshops.

On goodwill, Hermès has practically none: 0.7% of total assets in 2025. LVMH has 12.9%, Kering 8.9%, Moncler 10.1%, Prada 13.8%. That difference reflects that Hermès grew organically without relevant acquisitions throughout the decade, while the rest of the group built scale partly by buying brands and paying acquisition premiums that remained on the balance sheet.

On the liabilities side, Hermès' long-term debt is practically nonexistent: zero in 2025. Kering has 25.0% of its assets financed with long-term debt. LVMH 8.8%. Brunello Cucinelli 11.1%, up from 1.8% in 2023, reflecting the expansion cycle the company has been through in the last two years.

Retained earnings also tell a story. Hermès has 18.6% of its assets in accumulated retained earnings, a figure that has been consistent over time. Moncler has 51.9%, the highest in the group in relative terms, reflecting decades of sustained profitability. Brunello Cucinelli has 23.8%. Prada, on the other hand, has 7.7%, having gone negative in 2020.

## *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 cash position suggested: Hermès has by far the most conservative and solid liquidity structure in the group.

Hermès' current ratio in 2025 is 4.99x, almost five times its current liabilities. It has been consistently above 3x every year of the period, reaching 4.40x in 2023 and 4.26x in 2024. The second highest ratio in the group in 2025 is Richemont at 2.90x, followed by Moncler at 2.42x. LVMH is at 1.58x, Kering at 1.34x, Brunello Cucinelli at 1.42x and Prada at 1.38x.

One detail about Kering deserves mention. In 2019 Kering's current ratio fell below 1 (0.93x), meaning its current liabilities exceeded its current assets. That was not an alarm signal at the time because the company had access to uncommitted credit lines, but it illustrates how different its working capital management was from that of Hermès, where the ratio has never come close to that level.

Hermès' quick ratio in 2025, which excludes inventory and measures only immediate liquidity, is 3.99x. Richemont's is 1.89x. Moncler's 1.86x. LVMH has 0.69x, below one, as do Kering (0.70x) and Brunello Cucinelli (0.65x). This means that if those three companies had to cover their current liabilities without selling inventory, they could not do it without outside financing. Hermès could do it four times over.

## *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% | 38,20% | 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 | 5,85x |
| 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 clearly separates the companies that grew organically from those that funded growth with debt.

Hermès' Debt/EBITDA in 2025 is 0.31x, the lowest in the group and virtually zero in practice, since its net cash far exceeds gross financial debt. It has been consistently below 0.5x every year of the period, with the single exception of 2020 when it reached 0.65x because of the pandemic's impact on EBITDA. In no year of the period did Hermès' leverage cause the slightest concern.

Kering is the opposite extreme. Its Debt/EBITDA reached 4.83x in 2025, the highest in the group, up from 2.02x in 2016. The path is linear: 1.31x in 2021, 1.46x in 2022, 2.47x in 2023, 4.10x in 2024, 4.83x in 2025. The deterioration reflects the combination of structural borrowing to fund acquisitions and the drop in EBITDA from Gucci's bad cycle. At that level of leverage, any further deterioration of the business affects the company's financial flexibility. Brunello Cucinelli also has a high level of debt relative to its size, at 2.70x, up from 1.80x in 2023, reflecting its aggressive manufacturing expansion plan.

Hermès' interest coverage in 2025 is 121.7x. It covers its financial expenses more than 120 times with EBIT. In 2016 it was 813x and in 2017 1,092x because it had practically no financial debt and the denominator was almost zero. Moncler has coverage of 21.2x in 2025, very good but far below Hermès. LVMH has 15.4x, Richemont 9.0x, Prada 12.6x. Kering ended 2025 with coverage of just 2.6x, the lowest in the group and a figure that requires close monitoring of its results in the coming quarters.

## *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 |

Activity ratios are where Hermès' artisanal business profile shows most clearly, and where the comparison requires the most nuance.

Hermès' days of inventory on hand in 2025 are 212, a little over seven months. That is not operating inefficiency: it is the direct consequence of the artisanal manufacturing process, where each leather bag goes through a long process from tanning the skin to the final stitch. Hermès' inventory is not unsold merchandise piling up: it is product in the process of being made with its destination already committed, since the waiting list for the Birkin and the Kelly usually exceeds available stock by several months.

Even so, Hermès' days of inventory (212) are among the lowest in the group. LVMH has 310 days, Kering 349, Richemont 438, Prada 312. Only Moncler with 268 days and Brunello Cucinelli with 217 are comparable. Richemont's 438 days reflect the long manufacturing cycles of Swiss high watchmaking, where a tourbillon movement can take months to produce.

Days sales outstanding, which measure how long the company takes to collect its sales, is where Hermès stands out most clearly. In 2025 Hermès collects in just 10 days, the lowest in the group. Moncler takes 34 days, LVMH 20, Kering 20, Richemont 15. Hermès has been compressing this number for a decade: 22 days in 2016, 14 in 2020 and 10 in 2025. That reflects the nature of the direct sales model through its own stores, where payment is immediate.

*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% | 25% | 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 two metrics that best capture the quality of each business's return on capital, and both tell the same story.

Hermès' ROE in 2025 was 24.0%. It has been between 18.7% and 28.4% every year of the period, with the low in 2020 because of the pandemic. It is a high and very stable ROE. Moncler has 16.3% in 2025, down from 31.1% in 2018. LVMH has 15.8%, Brunello Cucinelli 23.9%. Kering ended 2025 with an ROE of 0.5%, practically zero.

ROIC is the most important metric in this section because it measures the return on capital actually invested in the business, excluding excess cash. Hermès' ROIC in 2025 was 31.6%. It has been above 30% every year of the period except 2020, when it reached 22.5% because of the pandemic. At no point in the last decade was Hermès' ROIC below its cost of capital, which means every euro reinvested in the business created value for shareholders in every single year of the period.

Moncler's ROIC in 2025 is 18.2%, down from 35.4% in 2016. LVMH has 17.7%, Richemont 13.7%, Brunello Cucinelli 14.0%, Prada 14.2%. Kering ended the year at 4.9%, a level probably below its cost of capital, implying value destruction at the margin.

The ROIC gap between Hermès (31.6%) and the second in the group (Moncler, 18.2%) is more than 13 percentage points. In 2016 that gap was only 3 points (38.8% vs. 35.4%). In other words, Hermès' advantage in return on capital has not only held up: it has widened significantly over time. That is the definition of a moat that deepens rather than erodes.

## The Hermès moat: is it the strongest in luxury?

The question about the Hermès moat has an answer almost no one disputes: **yes, it is the strongest in the sector**. The more interesting question is why, and whether it is permanent.

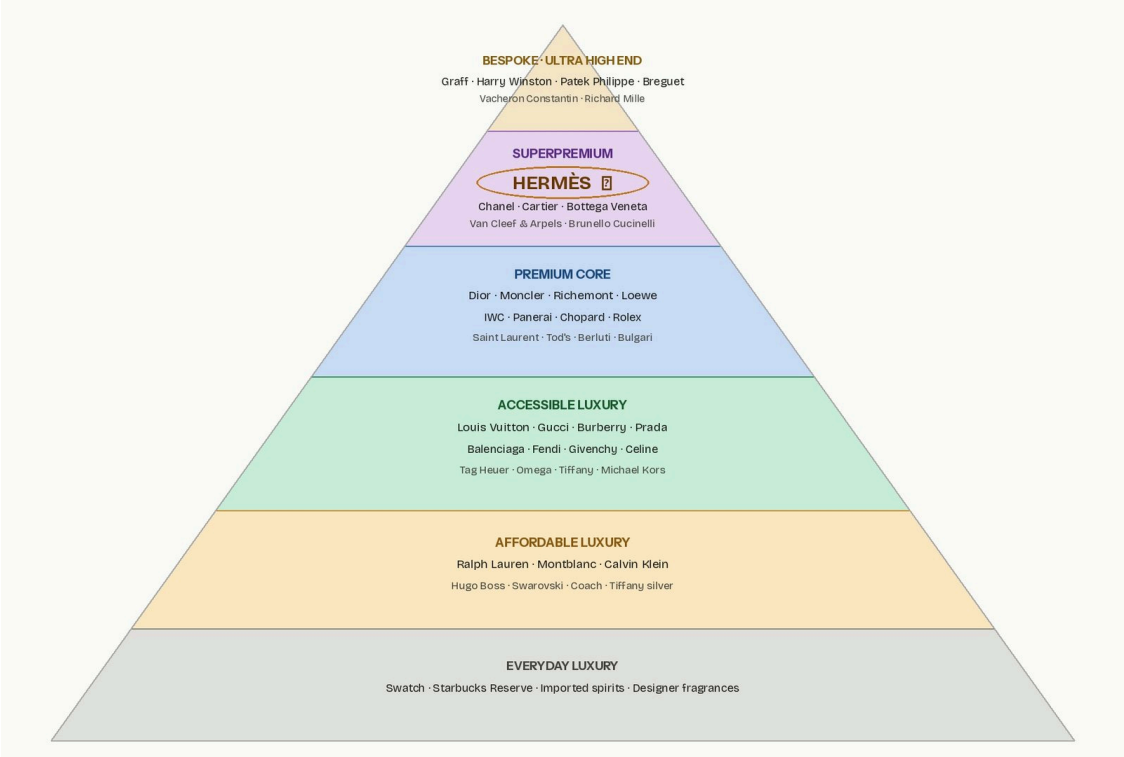
The Hermès moat is not a single advantage: it is a combination of four layers that reinforce each other. First, **real physical scarcity**: there are not enough trained craftsmen to make all the Birkins the world wants to buy, and there cannot be in the short term. Second, **verifiable historical legacy**: 189 years of history with six generations of the same family cannot be replicated with marketing. Third, the **secundum artem effect**: the collectors, auctions and secondary markets that generate literature,

journalism and culture around the Birkin create a feedback loop of desire that works independently of any advertising campaign. Fourth, **absolute control of distribution**: no competitor can buy access to a Hermès that the maison does not want to sell.

Whether that moat is permanent is harder to say. The long-term risks (disruptions in global wealth markets, generational changes in the consumption values of the ultra-wealthy, geopolitical tensions affecting China) are real. But one fact illustrates the historical resilience of the business: Hermès survived two world wars, the crash of 1929, the Nazi occupation and multiple global recessions. That does not guarantee the future, but it does put the size of the risk in context.

## The luxury pyramid

Luxury brands tend to share certain attributes: premium quality across all their products, recognized design, limited production to create exclusivity, marketing that appeals to emotions, a global reputation, some connection with a country of origin known for that industry (Italy with design and fashion, for example), high prices, a distinctive aesthetic, and a particular heritage and history, among others.




Various sources publish pyramids or lists ranking brands by level of exclusivity, and most of them agree on an order similar to the one shown above.

The luxury pyramid is the most widely used conceptual model in the industry to represent the hierarchy of aspirational consumption. The vertical axis represents price and exclusivity: the higher up, the more expensive, scarcer and less accessible. The implicit horizontal axis is volume: the base is wide because there are many points of sale and millions of consumers; the top is narrow because there are very few units available and very few qualified buyers.

What sets the luxury pyramid apart from a simple price ranking is that each level has a different logic of desire. At the base, luxury works as an accessible signal of social status. In the middle, as an expression of belonging to a specific economic class. At the top, luxury stops being a signal and becomes a store of value: products are not just used, they are collected, auctioned and inherited.

### *Level by level: the logic of each choice*

**Bespoke / Ultra High End**. The territory where price loses relevance as a buying criterion. Graff and Harry Winston make unique jewelry pieces valued for the rarity of the stones and the identity of the craftsman. Patek Philippe and Breguet are the only watchmakers whose historical pieces consistently outperform the art market at auction. Richard Mille sells watches made from aerospace materials at $200,000 to $2 million each. These brands do not run mass advertising campaigns: they do not need to. Their customers do not learn about the products from ads.

**Superpremium (with Hermès at the center)**. This is the level where the product becomes a financial asset with a verifiable secondary market. Hermès holds the central and most singular position in this tier because it is the only listed company with fully integrated and verified artisanal production: each Birkin is made by a single craftsman over 16-20 hours. Chanel and Cartier share this level for similar reasons: their icons (the Flap Bag, the Love bracelet, Van Cleef's Alhambra) have active secondary markets with prices that consistently exceed the original retail price. Brunello Cucinelli belongs here because of its prices of €1,500 to €8,000 per garment and its 100% artisanal production model in Italy.

**Premium Core**. The level of the big brands with a real moat but less structural scarcity. Dior and Loewe have genuine craftsmanship but greater scale than Hermès. Moncler has pricing power (29% operating margin) but is moving into this level from the one below. Richemont (Cartier, IWC, Panerai) fits here because its watches and jewelry have solid resale value, although below the top tier. Rolex and Chopard share the position because of their ability to hold prices in the secondary market. Saint Laurent and Berluti belong here by entry price and manufacturing.

**Accessible Luxury**. The most volatile level of the pyramid, home to the brands that suffered most in the 2024-2025 cycle. Louis Vuitton leads by volume, but its logo-heavy products have little resale value. Gucci is the textbook case of a brand that tried to move up a level without the artisanal assets to justify it and paid the price. Burberry is here in a downward transition: it tried to move up and came back down. Prada and Fendi hold their position thanks to material quality and some pricing power. Tag Heuer, Omega and Tiffany silver fit here because they are the entry point to luxury watches and jewelry for the global upper-middle class.

**Affordable Luxury**. Luxury that aims to be accessible. Ralph Lauren built a lifestyle empire on American aspiration. Montblanc sells the luxury of the executive desk at €300-1,500. Hugo Boss and Calvin Klein are mass premium brands the market classifies as entry-level luxury. Tiffany silver is the aspirational product for the consumer who cannot (yet) buy the Alhambra.

**Everyday Luxury**. The base of the pyramid. Starbucks Reserve sells the experience of "everyday luxury" at $8 a coffee. Swatch democratized the design watch. Imported spirits and designer perfumes are most consumers' first point of contact with a luxury brand. This level has no moat: compe-

tition is intense and margins are modest. But it is where the desire that eventually moves up the pyramid is built.

The conclusion the pyramid shows more clearly than any financial analysis is this: **not everything called luxury has the same moat**. The distance between a Birkin and a Coach purse is the distance between a financial asset and a fashion accessory. Both are "luxury", but only one has a waiting list.

## SWOT analysis

### STRENGTHS

- ***The Birkin and Kelly as financial assets:*** *No consumer product in the world converts price into resale value better. That creates a structural floor of demand no recession has eliminated.*
- ***Total vertical integration:*** *50+ workshops in France, craftsmen trained in-house, control of raw materials from leather selection to the final hardware. Impossible to replicate at scale in any reasonable time.*
- ***No net debt:*** *€12,239 million of net cash at the end of 2025. Complete financial independence to invest without answering to the debt market.*
- ***Family structure as a strategic shield:*** *LVMH's failed attempt in 2010-2014 showed that even the most powerful group in the sector cannot break that structure.*
- ***Margins structurally above the cycle:*** *The operating margin has been consistently above 35% over the last decade, including the pandemic (31.9% in 2020, the hardest year). That is extraordinary for any consumer company.*

### WEAKNESSES

- ***Concentration in China (about 40-45% of sales):*** *The most obvious geographic risk. A prolonged contraction of the Chinese wealth effect can materially affect growth.*
- ***Structural limit on growth:*** *The artisanal model limits how fast it can grow. Hermès cannot double production in two years even if it wanted to. That is a competitive advantage and a growth ceiling at the same time.*
- ***Weak segments (Perfume, Watches):*** *In these categories Hermès faces genuine competition from Chanel, Dior, Cartier and Rolex. It does not have the same dominant position as in leather.*
- ***A valuation that does not forgive mistakes:*** *It usually trades at demanding multiples, and any quarter below expectations triggers sharp corrections, like the one in 2026.*

## OPPORTUNITIES

- ***India and the Middle East at early stages:*** *Two markets with fast wealth creation and an aspirational upper class that sees Hermès as the European status symbol par excellence. Current penetration is minimal compared with the potential.*

- ***Expansion in categories with pricing power:*** *Hermès Maison and jewelry are high-margin categories with genuine switching costs that are at early stages of development within the group's portfolio.*

- ***Normalization of the luxury sector:*** *if the cycle improves, the combination of sustained growth and a multiple close to its historical low can generate attractive returns.*

- ***The secondary market as a value amplifier:*** *The boom in luxury resale (Vestiaire Collective, The RealReal, specialized auctions) amplifies Hermès' visibility without the company spending a euro on marketing.*

## THREATS

- ***Slowdown of the Chinese consumer:*** *The property crisis, the fall in the stock market wealth effect and geopolitical uncertainty can prolong Chinese consumer weakness beyond what the market currently expects.*

- ***US tariffs:*** *Price increases of 5-6% in the US market to offset tariffs could reduce demand in the fastest-growing market (+13.1% in the first nine months of 2026). The impact depends on whether the ultra-wealthy American customer absorbs the increase without changing behavior.*

- ***Generational change in luxury values:*** *Younger generations of the ultra-wealthy (rich millennials, heirs of new tech fortunes) may have different values about status symbols. It is a very long-term risk, but a real one.*

- ***Risk of technological imitation:*** *Advances in high-quality synthetic materials (bio-leathers, lab-grown leathers) could eventually challenge the story of artisanal authenticity. Today none has the quality or history to compete, but a ten-year horizon is uncertain.*

## Porter's five forces

### 1. RIVALRY AMONG EXISTING COMPETITORS: LOW

In the ultra-luxury segment where Hermès operates, competitive rivalry is genuinely low. No competitor can replicate the combination of verifiable craftsmanship, six generations of history, managed scarcity and financial-asset status of the Birkin. LVMH competes in luxury bags with LV and Dior, but their target customers are partly different: the LV customer aspires to Hermès, not the other way around. Among the ultra-wealthy who are Hermès' natural customers, the relevant competition is between Hermès and Chanel, and to a lesser extent Richemont's jewelry. The practical result: Hermès has more pricing freedom than any company in the sector.

### 2. THREAT OF NEW ENTRANTS: PRACTICALLY NONEXISTENT

The barriers to entry in Hermès' segment are probably the highest of any consumer industry. You cannot create a Hermès competitor with money: it takes generations. Verifiable history (189 years), craftsmen trained for years in centuries-old techniques, relationships with certified exotic leather suppliers and the cultural status of the Birkin as a global status symbol cannot be built over any conventional investment horizon. The only possible route in would be to acquire a historic French maison, but those that exist (Chanel, Hermès) are practically impossible to acquire because of their capital structure.

### 3. BARGAINING POWER OF SUPPLIERS: MEDIUM

Suppliers of high-quality leather (especially exotic skins such as Niloticus crocodile or ostrich) have some bargaining power given the limited market. However, Hermès has built decades-long relationships with its suppliers and in some cases holds stakes or exclusivity agreements. The maison also raises its own crocodiles on its own farms to secure supply. The most critical supplier (the in-house trained craftsman) is actually an employee, which removes that negotiating risk.

### 4. BARGAINING POWER OF CUSTOMERS: VERY LOW

Hermès has a waiting list for its most iconic products. Customers do not negotiate the price of a Birkin: they accept it or they wait. In some cases, customers agree to buy products from other categories (perfume, accessories, home) to build the purchase history that gives them priority access to a Birkin. That dynamic, where the customer buys what the seller wants to sell in order to buy what the customer wants to buy, does not exist in any other consumer business in the world. Hermès customers' bargaining power is essentially zero for the iconic products.

### 5. THREAT OF SUBSTITUTES: LOW

What substitutes for a Birkin? Functionally, any bag. In terms of status, none. Bags from Chanel, Dior or LV are aspirational luxury products with active secondary markets, but none has the verified financial-asset status of the Birkin. In the market for alternative wealth investments (art, wine, watches, bags), the Birkin is the only bag category that has appeared in serious academic studies as outperforming the S&P 500 in certain periods. That status has no substitute.

SECTION 06

# The bulls vs. the bears

### *What do the bulls say?*

The first argument is **quality**: a 41% operating margin, ROIC above 30% for a decade, net cash of almost €13 billion and an integrated artisanal model that cannot be replicated. The Birkin and the Kelly work as financial assets with a waiting list.

The second is **resilience**: in 2024 and 2025, while LVMH and Kering fell, Hermès kept growing. Leather goods, the heart of the business, is growing more than 10% in 2026.

The third is **price**: the stock has fallen 40% and today trades at about 18x EBITDA, close to the low end of its historical range. Hermès has rarely been available at these multiples.

### *What do the bears say?*

The first argument is the **slowdown**: growth fell to 4.3% in the third quarter, Asia is flat and the Middle East is declining. Categories outside leather (ready-to-wear, watches) are weak.

The second is **China and currencies**: the most important region for luxury is not recovering, and a strong euro reduces euro growth for a company that makes almost everything in France.

The third is that the **valuation premium could keep shrinking**: if the market stops paying exceptional multiples for luxury, even an extraordinary business can be a poor investment for several years.

SECTION 07

# Valuation

I built a ten-year **discounted cash flow (DCF)** model with two methods for the terminal value: **perpetuity growth** and an **exit multiple on EBITDA**. The target price is the average of both in the base case.

## 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** | | 15.7% | 13.0% | 5.5% | **11.3%** | **4.0%** | **7.6%** | **6.9%** | **7.0%** | **7.0%** | **6.5%** | **6.0%** | **5.5%** | **5.0%** | **4.5%** |
| Best case | 1.5% | | | | | 5.5% | 9.1% | 8.4% | 8.5% | 8.5% | 8.0% | 7.5% | 7.0% | 6.5% | 6.0% |
| Base case | | | | | | 4.0% | 7.6% | 6.9% | 7.0% | 7.0% | 6.5% | 6.0% | 5.5% | 5.0% | 4.5% |
| Worst case | (2.5%) | | | | | 1.5% | 5.1% | 4.4% | 4.5% | 4.5% | 4.0% | 3.5% | 3.0% | 2.5% | 2.0% |
| **Gross margin ▸ selected scenario** | | 72.3% | 70.3% | 71.1% | **71.2%** | **70.0%** | **70.0%** | **70.0%** | **70.0%** | **70.0%** | **70.0%** | **70.0%** | **70.0%** | **70.0%** | **70.0%** |
| Best case | 0.5% | | | | | 70.5% | 70.5% | 70.5% | 70.5% | 70.5% | 70.5% | 70.5% | 70.5% | 70.5% | 70.5% |
| Base case | | | | | | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% |
| Worst case | (1.0%) | | | | | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% |
| **EBIT margin ▸ selected scenario** | | 42.9% | 41.1% | 41.8% | **41.9%** | **40.5%** | **40.5%** | **40.5%** | **40.5%** | **40.0%** | **40.0%** | **40.0%** | **40.0%** | **40.0%** | **40.0%** |
| Best case | 1.0% | | | | | 41.5% | 41.5% | 41.5% | 41.5% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% |
| Base case | | | | | | 40.5% | 40.5% | 40.5% | 40.5% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% |
| Worst case | (2.0%) | | | | | 38.5% | 38.5% | 38.5% | 38.5% | 38.0% | 38.0% | 38.0% | 38.0% | 38.0% | 38.0% |
| **Capex % of revenue ▸ selected scenario** | | 4.3% | 7.0% | 4.4% | **5.3%** | **6.5%** | **6.5%** | **6.0%** | **5.8%** | **5.7%** | **5.6%** | **5.5%** | **5.5%** | **5.5%** | **5.5%** |
| Best case | (0.5%) | | | | | 6.0% | 6.0% | 5.5% | 5.3% | 5.2% | 5.1% | 5.0% | 5.0% | 5.0% | 5.0% |
| Base case | | | | | | 6.5% | 6.5% | 6.0% | 5.8% | 5.7% | 5.6% | 5.5% | 5.5% | 5.5% | 5.5% |
| Worst case | 0.5% | | | | | 7.0% | 7.0% | 6.5% | 6.3% | 6.2% | 6.1% | 6.0% | 6.0% | 6.0% | 6.0% |

Source: author's analysis.

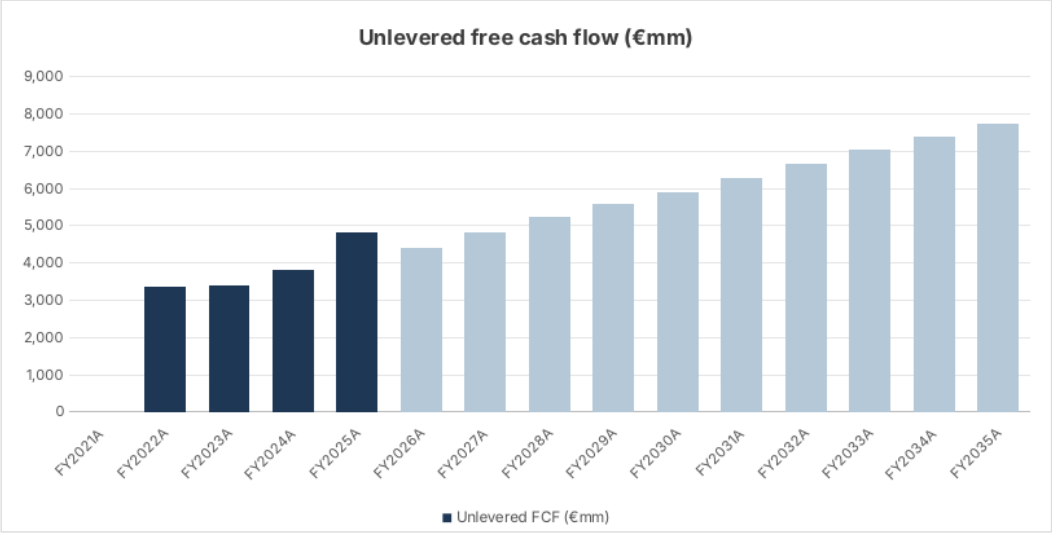
**Revenue growth:** in the Base Case I project 4% in euros in 2026 (about 6% at constant currency, minus the currency effect), 7.6% in 2027, 6.9% in 2028 and 7% in 2029 and 2030 as the sector normalizes. Growth then gradually slows to 4.5% in 2035.

**Margins:** gross margin of 70% throughout the period, somewhat below 71% in 2025. EBIT margin goes from 40.5% in the first years to 40% from 2030. I do not assume Hermès can keep raising margins: it is already at exceptional levels.

**CapEx:** 6.5% of revenue in 2026 and 2027, because of the new workshops in France and store openings, and then a gradual decline to 5.5%.

What does each scenario mean?

- **Base Case:** Hermès does what it has always done: it grows organically and keeps margins close to 40%, without assuming either a strong recovery in China or a severe deterioration.
- **Best Case:** China recovers sooner, India and the Middle East grow faster and the mix moves toward leather and jewelry. It adds 1.5 points of growth per year, 1 point of EBIT margin and half a point less CapEx.
- **Worst Case:** luxury weakness drags on, tariffs hurt US demand and currencies remain unfavorable. It subtracts 2.5 points of growth, 1 point of gross margin and 2 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 | 1.00 |
| Equity risk premium | | 5.0% |
| Country risk premium | | – |
| Cost of equity | | 8.0% |
| Pre-tax cost of debt | | 3.5% |
| Tax rate (debt tax shield) | | 28.5% |
| After-tax cost of debt | | 2.5% |
| Market value of equity | € mm | 143,063 |
| Total debt | € mm | 2,312 |
| Debt / (Debt + Equity) | | 1.6% |
| Equity / (Debt + Equity) | | 98.4% |
| **WACC** | | 7.9% |

Source: author's analysis.

I use a 3% risk-free rate, a 5% equity risk premium and a beta of 1.0 (the five-year historical beta is 1.58, but it reflects the sector's recent volatility more than the risk of the business). The result is a **cost of equity of 8.0%**. Since Hermès only has lease debt, the **resulting WACC is 7.9%**.

To go from Enterprise Value to Equity Value I added net cash of €11,329 million (net of leases). The share count is 105 million.

## Model results

### PERPETUITY METHOD

With 3.0% perpetual growth and a 30% return on new invested capital, the model gives an Enterprise Value of €117,768 million and an Equity Value of €129,097 million, equivalent to **€1,229.49 per share**.

## Hermès International

RMS · Discounted Cash Flow · Perpetuity Growth Method

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

AZ STOCKS Acciones de la A a la Z

**INTRINSIC VALUE PER SHARE**

**€1,229.49**

| | |
|---|---|
| Current share price | €1,362.50 |
| Upside / (downside) | (9.8%) |

**VALUATION SUMMARY**

| | |
|---|---|
| Enterprise value | 117,768 |
| Equity value | 129,097 |
| PV of forecast cash flows | 40,006 |
| PV of terminal value | 77,762 |
| Terminal value % of EV | 66.0% |
| Implied exit EV / EBITDA | 12.3x |

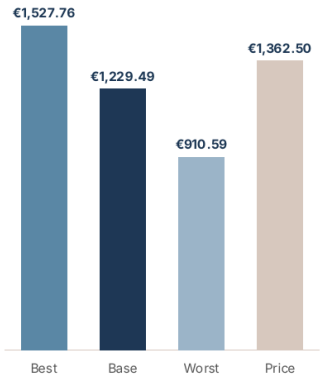
**KEY ASSUMPTIONS**

| | |
|---|---|
| WACC (year 1) | 7.9% |
| Terminal WACC | 7.9% |
| Terminal growth (g) | 3.0% |
| RONIC (terminal) | 30.0% |
| Net debt & other claims | (11,329) |
| Diluted shares (mm) | 105.0 |

**SCENARIOS**

| Scenario | Terminal growth | Enterprise value | Equity value | Value per share | Upside |
|---|---|---|---|---|---|
| **Best case** | 3.5% | 149,086 | 160,415 | **€1,527.76** | +12.1% |
| **Base case** | 3.0% | 117,768 | 129,097 | **€1,229.49** | (9.8%) |
| **Worst case** | 2.5% | 84,283 | 95,612 | **€910.59** | (33.2%) |
| *Current share price* | | | | *€1,362.50* | |

**VALUE PER SHARE VS. CURRENT PRICE**




**SENSITIVITY · VALUE PER SHARE**

*Terminal growth rate (g)*

| WACC / g | 2.0% | 2.5% | 3.0% | 3.5% | 4.0% |
|---|---|---|---|---|---|
| 6.9% | €1,341.49 | €1,419.63 | €1,517.74 | €1,644.60 | €1,815.01 |
| 7.4% | €1,224.24 | €1,283.96 | €1,357.21 | €1,449.18 | €1,568.11 |
| 7.9% | €1,127.02 | €1,173.53 | **€1,229.49** | €1,298.14 | €1,384.34 |
| 8.4% | €1,045.15 | €1,081.92 | €1,125.49 | €1,177.92 | €1,242.24 |
| 8.9% | €975.28 | €1,004.73 | €1,039.17 | €1,079.97 | €1,129.08 |

Source: author's analysis.

In the Best Case the value is **€1,527.76** and in the Worst Case **€910.59**.

With a WACC half a point lower, the value rises to €1,357; with one half a point higher, it falls to €1,125.

### EBITDA MULTIPLE METHOD

Applying a **15.5x** multiple to EBITDA in the last projected year of the Base Case (19x in the Best Case and 12.5x in the Worst Case), the model gives an Enterprise Value of €137,944 million and a value of **€1,421.64 per share**.

## Hermès International

RMS · 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**

**€1,421.64**

| | |
|---|---|
| Current share price | €1,362.50 |
| Upside / (downside) | +4.3% |

**VALUATION SUMMARY**

| | |
|---|---|
| Enterprise value | 137,944 |
| Equity value | 149,273 |
| PV of forecast cash flows | 40,006 |
| PV of terminal value | 97,938 |
| Terminal value % of EV | 71.0% |
| Implied perpetual growth | 3.8% |

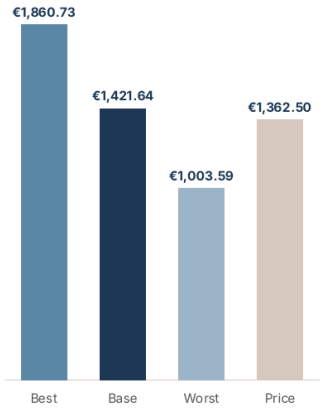
**KEY ASSUMPTIONS**

| | |
|---|---|
| WACC (year 1) | 7.9% |
| Terminal WACC | 7.9% |
| Exit EV / EBITDA | 15.5x |
| EBITDA, final forecast year | 12,683 |
| Net debt & other claims | (11,329) |
| Diluted shares (mm) | 105.0 |

**SCENARIOS**

| Scenario | Exit multiple | Enterprise value | Equity value | Value per share | Upside |
|---|---|---|---|---|---|
| **Best case** | 19.0x | 184,048 | 195,377 | **€1,860.73** | +36.6% |
| **Base case** | 15.5x | 137,944 | 149,273 | **€1,421.64** | +4.3% |
| **Worst case** | 12.5x | 94,048 | 105,377 | **€1,003.59** | (26.3%) |
| *Current share price* | | | | *€1,362.50* | |

**VALUE PER SHARE VS. CURRENT PRICE**




**SENSITIVITY · VALUE PER SHARE**

*Exit EV / EBITDA multiple*

| WACC / multiple | 13.5x | 14.5x | 15.5x | 16.5x | 17.5x |
|---|---|---|---|---|---|
| 6.9% | €1,389.81 | €1,455.34 | €1,520.86 | €1,586.39 | €1,651.92 |
| 7.4% | €1,344.56 | €1,407.35 | €1,470.14 | €1,532.93 | €1,595.72 |
| 7.9% | €1,301.29 | €1,361.47 | **€1,421.64** | €1,481.82 | €1,542.00 |
| 8.4% | €1,259.89 | €1,317.58 | €1,375.26 | €1,432.95 | €1,490.63 |
| 8.9% | €1,220.28 | €1,275.58 | €1,330.89 | €1,386.20 | €1,441.50 |

Source: author's analysis.

15.5x may look low for Hermès, which has historically traded between 17x and almost 60x EBITDA. But it is applied to 2035 EBITDA, when growth will be lower, and with a 7.9% WACC that multiple already implies perpetual growth close to 4%. Going higher would mean assuming Hermès grows faster than the economy forever.

In the Best Case the value is **€1,860.73** and in the Worst Case **€1,003.59**.

### *Reading both methods together*

Averaging both methods in the base case, I arrive at a **target price of €1,326 per share**, compared with a market price of €1,362.50. In other words, the stock trades practically at its fair value, just 3% above.

For a company of this quality, it is the first time in many years that price and fair value meet. The Best Case (between €1,528 and €1,861) offers considerably more upside than the Worst Case (between €911 and €1,004) takes away.

SECTION 08

# Conclusion

Hermès is still, for me, the highest-quality company in the luxury sector. It has 189 years of history, an integrated artisanal model no one can replicate, operating margins above 40%, very high returns on capital and almost €13 billion of net cash. And in 2024 and 2025 it showed that its demand does not behave like that of the rest of the sector.

In 2026 the business slowed somewhat: growth fell to 4.3% in the third quarter, Asia is flat and categories outside leather are weak. But leather goods keep growing more than 10% and margins are holding at 41%. I do not see a deterioration of the business, but a difficult cycle for the sector and a strong euro.

What has changed a lot is the price. The stock has fallen 40% from its high and today trades at about 18x EBITDA, close to the low end of its historical range. My model gives a **target price of €1,326 per share**, versus a price of €1,362.50: the stock trades practically at its fair value.

I remember falling into what turned out to be a value trap with Kering. It looked cheap on multiples, but every quarter brought worse results. Luckily it was a less painful mistake than it could have been, and it left me with a lesson: **in the luxury sector, the difference between a value trap and a real opportunity is whether the company can defend its margins and pricing power when the cycle gets difficult**. Hermès is proving it again.

**Today the stock trades below the level at which I said I would consider starting a position. My model does not show a large margin of safety, but for a company of this quality, buying close to fair value seems to me a good long-term decision. I would consider starting with a small position and adding to it if the price keeps falling. It also helps me diversify away from the technology sector, where I have most of my exposure.**

*Alan*




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