

# LVMH

## LETTER TO SHAREHOLDERS MARCH 2018



# ANOTHER RECORD YEAR



2017 was, in all respects, another very successful year for LVMH: profitable, abundantly innovative, and full of responsible commitments.

## 2017'S SUCCESS IS THE RESULT OF A LONG-TERM GLOBAL VISION

Boosted by organic growth of 12%, our revenue comfortably exceeded the €40 billion mark, while our profit from recurring operations, which grew 18%, surpassed €8 billion. Christian Dior Couture joined the LVMH group at the beginning of July 2017, bolstering our Fashion and Leather Goods business group.

These results stem from the balance of our businesses and geographic footprint around the world: Europe, the United States and Asia experienced growth this year. They are also driven by the dynamism of our Maisons, which, because they plan their development over the very long term, have had a particularly busy year. They reflect two of the hallmarks of the LVMH group: yet again, our Maisons have been far-sighted and have sought perfection in their achievements this year.

## CREATIVITY IS AT HOME AT OUR MAISONS

Our Group currently comprises over 70 Maisons, which are all – especially the largest, of course – very busy hubs of creativity and engagement. Louis Vuitton continues to demonstrate remarkable creative momentum. As a result of the popularity of its iconic products and the models designed in collaboration with Jeff Koons and Supreme, it has enjoyed outstanding success this year, while strictly controlling the quality and exclusivity of its distribution.

The principal Maisons in our Wines and Spirits business group enjoyed growth, even though supply constraints slowed growth in the second half for our cognacs. In premium champagnes, the *Dom Pérignon P2* cuvées, which are unmatched worldwide because of their very long cellar maturation, are increasingly popular.

Fendi, Bvlgari and our prestigious perfume houses, notably Christian Dior, continued to perform very well.

The synergies facilitated by our Group include the Fenty Beauty range: Rihanna created this brand and its products have been developed by Kendo, our beauty incubator. They have enjoyed exceptional worldwide success, with sales driven by Sephora's powerful, far-reaching physical and digital retail network.

I would also like to reserve a particular mention for Céline, which welcomed the extremely talented Hedi Slimane in 2018 and is about to venture into unexplored businesses and territories.

## MAJOR ACQUISITIONS IN 2017

The integration process for Rimowa, which was acquired in January 2017, is virtually complete. These German suitcases are enduring favorites for seasoned travelers because of their unique design and the unmatched quality of their manufacturing process.

They will benefit from the development of air travel in coming years.

Christian Dior Couture, which has been a "cousin" of LVMH's for thirty years, joined the Group in summer 2017. Such is the fame of the world's most famous French fashion brand, that the contribution it will make to our Group – from a creative and business perspective – is self-evident. The exhibition *Christian Dior: Designer of Dreams*, which celebrated the Maison's 70th anniversary at the Musée des Arts Décoratifs, welcomed more than 700,000 visitors in six months.

Francis Kurkdjian, a hugely talented master-perfumer, has joined the LVMH group along with his Maison. We also acquired Colgin Cellars, a gem from Napa Valley, which rounds out our portfolio of premium vineyards. Likewise, the purchase of Woodinville expands our range of spirits.

## SIGNIFICANT INVESTMENT IN PRODUCTION

To satisfy growing demand for our products in all our business groups and continually improve production methods, our Maisons have increased their production capacities. After opening a new manufacturing workshop in Auvergne, central France, Louis Vuitton plans to open several more production facilities in France in 2018. Bvlgari has built itself a state-of-the-art manufacturing facility in Valenza, Italy.

Similarly, the inauguration of the Pont Neuf bottling plant, near Cognac, last October, is proof of both Hennessy's growth ambitions and its confidence in the potential of the cognac vineyards. These investments also reflect our Maisons' drive to improve the quality of our products and ensure that they are the most perfect expression of the terroirs from which they originate.

For several years now, they have been supported by equally significant investment in the transmission of our Maisons' ancestral know-how – they are the custodians of this expertise and have a duty to perpetuate it. Our Institut des Métiers d'Excellence, now present not only in France and Switzerland, but also in Italy, welcomes large numbers of apprentices and offers 18 first-rate training programs.

## DEVELOPING DIGITAL ACTIVITIES

The LVMH group already has a substantial e-commerce footprint: our online sales, which represent several billion euros, grew 30% in 2017. Online sales of e-commerce pioneer Sephora, for example, are surging all over the world and Sephora is the leading online specialty beauty retailer in many countries, including the United States. Similarly, Louis Vuitton already boasts a remarkable online business, while preserving the brand's exclusiveness.

Our products are themselves increasingly connected: watchmaker TAG Heuer is capitalizing on the huge success of the connected watch in 2016 to accentuate this strategic focus and Louis Vuitton launched its own connected watch in 2017.

To prolong this innovation drive and further reinforce the presence and role of digital professionals in the Group, LVMH launched a series of initiatives in 2017 designed to offer customers – especially the young generations with high expectations in this area – a premium digital service. 24 Sèvres, the digital platform of department store Le Bon Marché, immediately established itself as one of the best online shopping services, thanks to the quality of its product selection and its online portal. Similarly, Clos19, the digital ambassador of the art of hosting *à la française*, offers our wines and spirits, as well as an array of tasting experiences to customers in the United Kingdom, Germany and the United States.

Lastly, LVMH is investing in direct collaborations with startups at every level of the Group, notably thanks to the Vivattech trade fair co-organized by our subsidiary Les Echos, which has rapidly become a world class event.

## OUR COMMITMENTS

Our philanthropic initiatives have enjoyed unprecedented success, since the exhibition of the prestigious Shchukin collection, united for the first time since the October Revolution at the Fondation Louis Vuitton, attracted record attendance with more than 1.2 million visitors.

In September, LVMH celebrated 25 years of commitment to the environment by reinforcing its environmental performance targets. Lastly, LVMH has made a firm commitment to fashion models by drawing up a groundbreaking, highly exacting charter that is now applied by our fashion houses.

As we have done on three occasions since 2011, our Group and its Maisons will welcome you for the fourth edition of its open days, *Les Journées Particulières* LVMH, which will take place next October 12, 13 and 14.

## CAUTIOUSLY OPTIMISTIC FOR 2018

I believe that our Group is therefore very well positioned to pursue harmonious growth. We cannot predict economic conditions in 2018 exactly, even though the first quarter should not see any major breaks with prior trends. Analysis of the world's macroeconomic situation reveals both significant growth potential and substantial risk factors. We are therefore cautiously optimistic for the year ahead.

We are cautious because the current particularly buoyant economic situation with very low interest rates, abundant liquidity, generally very high asset valuations and no major economic crisis in ten years, will not last forever.

We are optimistic because the allure of our exceptional products will continue to grow in the long term and because the average standard of living in the countries where LVMH is present will continue to rise in the coming years, even if we do experience economic jolts in the short term.

I am confident in the ability of our designers and 145,000 employees worldwide to invent the products of tomorrow and ensure that they are of unrivalled quality. LVMH knows how to project itself into the future and invest for the long term. At every level of our Group, we are all entrepreneurs, driven by the aim of strengthening LVMH's lead in all its markets over the next ten years.

### **Bernard Arnault**

Chairman and Chief Executive Officer

# LVMH 2017 RECORD RESULTS

## Key highlights from 2017 include:

- Record revenue and profit from recurring operations,
- Growth in Europe, the United States and Asia,
- Good performance for Wines and Spirits in all regions,
- The success of both iconic and new products at Louis Vuitton, whose profitability remains at an exceptional level,
- The acquisition of Christian Dior Couture, which is showing excellent performance,
- Growth at Fendi and Loro Piana,
- The first year of integration of Rimowa, leader in luggage excellence,
- Strong momentum at Parfums Christian Dior, driven by successful product innovations,
- Excellent year for Bvlgari and good progress at Hublot and TAG Heuer,
- Growth at Sephora, which strengthened its positions in all its markets and in digital,
- Free cash flow of 4 754 million euros, up 20%,
- Gearing of 24% at the end of December 2017.

LVMH Moët Hennessy-Louis Vuitton, the world's leading luxury products group, recorded revenue of €42.6 billion in 2017, an increase of 13% over the previous year. Organic revenue growth was 12%. All business groups recorded double-digit organic growth with the exception of Wines and Spirits, whose growth in the second half was limited by supply constraints.

With organic revenue growth of 11%, the trend seen since the beginning of the year continued into the fourth quarter.

Profit from recurring operations reached €8 293 million in 2017, an increase of 18%. Operating margin reached 19.5%. Group share of net profit was €5 129 million, representing growth of 29%.

## CAUTIOUSLY CONFIDENT FOR 2018

In an environment that remains supportive at the beginning of the year and despite unfavorable currencies and geopolitical uncertainties, LVMH is well-equipped to continue its growth momentum across all business groups in 2018. The Group will maintain a strategy focused on developing its brands by continuing to build on strong innovation and investments as well as a constant quest for quality in their products and their distribution.

Driven by the agility of its teams, their entrepreneurial spirit, the balance of its different businesses and geographic diversity, LVMH enters 2018 with cautious confidence, and once again, sets an objective of increasing its global leadership position in luxury goods.

## REVENUE

€42,636m  
+13%<sup>(1)</sup>

## PROFIT FROM RECURRING OPERATIONS

€8,293m  
+18%

## CURRENT OPERATING MARGIN

19.5%

## GROUP SHARE OF NET PROFIT

€5,129m  
+29%

## FREE CASH FLOW

€4,754m<sup>(2)</sup>  
+20%

## NET FINANCIAL DEBT/TOTAL EQUITY RATIO

24%

## DIVIDEND PER SHARE

€5.00<sup>(3)</sup>  
+25%

Further information can be found in the 2017 Reference Document.

(1) Organic growth of 12%. The currency effect was -3% and the structural impact was +4%.

(2) Before available for sale financial assets and investments, transactions relating to equity and financing activities.

(3) Amount proposed at the Shareholders' Meeting of April 12, 2018.

## WINES & SPIRITS

# STRONG MOMENTUM IN THE UNITED STATES AND CONFIRMED RECOVERY IN CHINA



Dom Pérignon

The Wines and Spirits business group recorded an increase in organic revenue of 7%. On a reported basis, revenue growth was 5% and profit from recurring operations increased by 4%.

Champagnes grew steadily, with volumes up 4%. With 7.5 million cases of cognac shipped in 2017, Hennessy's volumes increased by 8%, with significant growth in China and the United States despite supply constraints in the second half. All qualities contributed to this performance. The inauguration of the new Pont Neuf bottling site, designed to strengthen the production capacity of the Maison, was a highlight of the last quarter. Colgin Cellars, a Californian estate producing exceptional wines, and Woodinville whiskey were added to the business group.

REVENUE

€5,084m  
+7%<sup>(1)</sup>

PROFIT FROM  
RECURRING  
OPERATIONS

€1,558m  
+4%

CURRENT  
OPERATING MARGIN

30.6%

<sup>(1)</sup> With comparable structure and exchange rates.

## FASHION & LEATHER GOODS

EXCELLENT GROWTH ACROSS ALL LOUIS VUITTON'S BUSINESSES, OTHER BRANDS STRENGTHENED THEIR PERFORMANCE



*Christian Dior Couture*

The Fashion and Leather Goods business group achieved organic revenue growth of 13% in 2017. On a reported basis, revenue growth was up 21% and profit from recurring operations increased by 27%.

Louis Vuitton continued to demonstrate outstanding creativity across all of its businesses, maintaining a good balance between innovations and the strengthening of its iconic product lines. New products arising from the collaborations with the artist Jeff Koons as well as the Supreme brand, the launch of the brand's first smart watch and the inauguration of the Maison Louis Vuitton Vendôme in Paris were among the key events of the year. Christian Dior Couture, whose business became fully consolidated within the Group in the second half, achieved an excellent performance. The exhibition at the Musée des Arts Décoratifs in Paris, celebrating the 70th anniversary of the Maison, was a huge success. Fendi continued to grow strongly. Loro Piana, Céline, Loewe, Kenzo and Berluti made good progress. Marc Jacobs strengthened its product offering and continued its restructuring. Rimowa completed its first year within the LVMH group.

REVENUE  
**€ 15,472m**  
**+13%<sup>(1)</sup>**

PROFIT FROM  
RECURRING  
OPERATIONS  
**€ 4,905m**  
**+27%**

CURRENT  
OPERATING MARGIN  
**31.7%**

(1) With comparable structure and exchange rates.

# PERFUMES & COSMETICS

## SUCCESSFUL INNOVATIONS AND RAPID GROWTH IN ASIA



Parfums Christian Dior

The Perfumes & Cosmetics business group recorded organic revenue growth of 14%. On a reported basis, revenue growth was 12% and profit from recurring operations increased by 9%.

Parfums Christian Dior grew market share in all regions, driven by the worldwide success of its fragrance *Sauvage* and the vitality of its iconic perfumes *J'adore* and *Miss Dior*. The makeup segment grew strongly, driven by the *Rouge Dior* and *Dior Addict* lines. Guerlain benefited from the successful launch of *Mon Guerlain* and the international roll-out of Guerlain Parfumeur boutiques. Parfums Givenchy had a very good year, thanks in particular to its makeup, just as Benefit which reinforced its *Brow Collection*. Fenty Beauty by Rihanna, launched worldwide exclusively at Sephora, is enjoying exceptional success.

REVENUE

€ 5,560m  
+14%<sup>(1)</sup>

PROFIT FROM  
RECURRING  
OPERATIONS

€ 600m  
+9%

CURRENT  
OPERATING MARGIN

10.8%

<sup>(1)</sup> With comparable structure and exchange rates.

## WATCHES & JEWELRY

# EXCELLENT YEAR AT BVLGARI AND FURTHER PROGRESS AT TAG HEUER



Bvlgari

The Watches & Jewelry business group recorded organic revenue growth of 12%. On a reported basis, revenue growth was 10% and profit from recurring operations increased by 12%.

Bvlgari achieved an excellent performance and continued to gain market share thanks to the strength of its iconic lines *Serpenti*, *B.zero1*, *Diva* and *Octo*. Growth was particularly strong in Asia, the United States and Europe. The inaugurations of the new manufacturing facility in Valenza and the flagship store on Fifth Avenue in New York are among the major events of the year. The success of the *Liens* and *Joséphine* collections, and its continued upgrading, drove Chaumet's growth. In the watch sector, TAG Heuer and Hublot continued to grow. At TAG Heuer, a new generation of smartwatch with multiple customization possibilities was launched in 2017.

REVENUE  
€3,805m  
+12%<sup>(1)</sup>

PROFIT FROM  
RECURRING  
OPERATIONS  
€512m  
+12%

CURRENT  
OPERATING MARGIN  
13.5%

(1) With comparable structure and exchange rates.

# SELECTIVE RETAILING

## GOOD PERFORMANCE AT SEPHORA AND DFS



Sephora

The Selective Retailing business group recorded organic revenue growth of 13%. On a reported basis, revenue growth was 11% and profit from recurring operations was up 17%.

Sephora continued to gain market share. Its growth was particularly strong in North America and Asia. A new territory, Germany, was inaugurated, while Sephora expanded its online presence in Scandinavia, Mexico and the Middle East. Le Bon Marché has created a new online shopping experience by launching its digital platform, 24 Sèvres. The year 2017 was a positive turning point for DFS, with better positioned markets, especially in the second half. The new stores in Cambodia and Italy continued to grow.

REVENUE

**€13,311m**  
**+13%<sup>(1)</sup>**

PROFIT FROM  
RECURRING  
OPERATIONS

**€1,075m**  
**+17%**

CURRENT  
OPERATING MARGIN

**8.1%**

(1) With comparable structure and exchange rates.

# THE LVMH SHARE

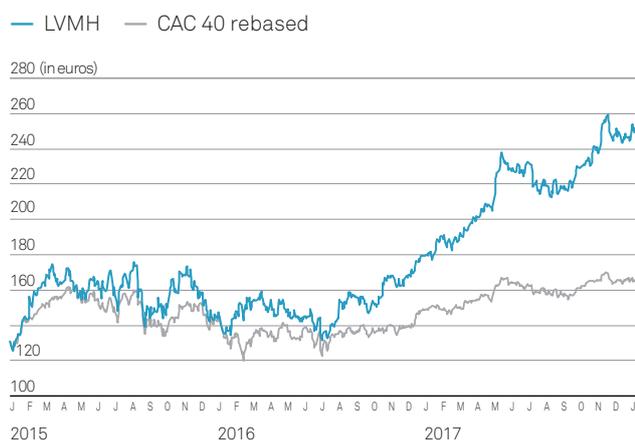
## EVOLUTION OF THE LVMH SHARE PRICE

Stock markets made strong gains in 2017, driven by favorable monetary policies combining low interest rates and abundant liquidity, but also by solid corporate earnings. In the United States, continuing growth pushed stock market indices to record highs. In Europe, investors kept their eyes on national elections in the Netherlands and France during the first half amid a climate of political uncertainty, until the results of the first round of the French presidential elections alleviated concerns that had weighed on markets since the start of the year. Lastly, the ECB's announcement in October of further, yet gradual, reductions in its asset purchases sent a positive signal, reassuring markets that the bank's monetary stance would remain accommodative.

Against this backdrop, the CAC 40 and Euro Stoxx 50 indices finished 2017 with gains of 9.3% and 6.5%, respectively. LVMH shares ended the year up 35%, having reached an all-time high of €259.55. With the largest market capitalization on Euronext Paris shortly after announcing the acquisition of Christian Dior Couture, LVMH closed 2017 with a market capitalization of €124 billion.

LVMH is included in the main French and European indices used by fund managers: the CAC 40, DJ-Euro Stoxx 50, MSCI Europe and the FTSE Eurotop 100, as well as the Global Dow and FTSE4Good, one of the key indices for socially responsible investing.

### Comparison between the LVMH share price and the CAC 40 since January 2, 2015



## TOTAL SHAREHOLDER RETURN

An LVMH shareholder who had invested €1,000 on July 1, 2013 would have a capital of €2,164 on December 31, 2017, based on reinvested dividends. This represents a 116% gain, translating to a compound annual growth rate of 16.7% over five years.

## DIVIDEND UP 25%

At the Shareholders' Meeting of April 12, 2018, LVMH will propose a dividend of €5.00 per share, up 25%. An interim dividend of €1.60 per share was distributed on December 7, 2017. The final dividend of €3.40 will be paid on April 19, 2018.

### LVMH shareholder structure December 2017

	Number of shares	Number of voting rights <sup>(a)</sup>	% of capital	% of voting rights
Arnault Family Group	237,517,765	462,359,566	46.84%	63.13%
Other	269,524,831	270,058,318	53.16%	36.87%
<b>Total</b>	<b>507,042,596</b>	<b>732,417,884</b>	<b>100.00%</b>	<b>100.00%</b>

(a) Total number of voting rights that may be exercised at Shareholders' Meetings.

# SHAREHOLDER RELATIONS

## SHAREHOLDERS' CLUB

The LVMH Shareholders' Club was set up in 1994 to give individual shareholders who are particularly interested in the life of the Group a better understanding of LVMH, its businesses and its brands.

### Latest news about our Maisons

We send Club members several publications (by email or post as they prefer), such as the twice yearly Letter to Shareholders and the annual issue of *Apartés*, our Club magazine. The Annual Report is sent to those who request it using a reply coupon or online.

### Exclusive offers for the Group's products

In addition to special offers on a selection of the Group's Wines and Spirits, Club members can purchase discounted subscriptions to Group media publications – *Les Échos*, *Investir* and *Connaissance des Arts* – and order priority-access tickets for the Fondation Louis Vuitton.

### Dedicated online store

Once they have activated their account, Club members can access exclusive offers for the Group's Wines and Spirits using a private shopping space at their dedicated online store: [www.clublvmh-eboutique.fr](http://www.clublvmh-eboutique.fr). Delivery can only be made in France. Members can also order products using the order form enclosed in *Apartés* magazine.

### Visits to exceptional sites

Club members can visit exceptional sites where they receive an especially warm welcome: from Hennessy's centuries' old cellars to the magnificent Crayères at Veuve Clicquot Ponsardin. They also get the opportunity to discover our Maisons at unique locations such as the Louis Vuitton workshops in Asnières.

## THE WEBSITE

The LVMH website ([www.lvmh.com](http://www.lvmh.com)) gives access to a wide range of regularly updated information on the Group and its brands. A section specially aimed at the financial community and LVMH shareholders features the share price in real time, its chart relative to the CAC 40, the events schedule, press releases and presentations, in particular the Shareholders' AGM, which can be watched live or on replay.

Communications media can be viewed in the Publications section along with the Annual Report and Reference Document. A form is available online to request copies by mail. LVMH also sends out Group news by e-mail to web users who sign up for Press Release alerts. A Shareholders alert lets users know when the latest letter to shareholders has been released. Lastly, a Calendar alert is available for those wishing to be advised of updates to this section and receive an email reminder the day before an event.

### 2017 Annual Report

Discover the digital annual report featuring enriched and interactive content on [www.lvmh.com](http://www.lvmh.com) in the Shareholders section.

## CONTACTS

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Photographs: Louis Vuitton Malletier, Stéphane Muratet (cover) – Karl Lagerfeld – Dom Pérignon, Mari Okuda – Christian Dior, Adrien Dirand – Christian Dior Parfums – Bvlgari – Sephora – Picture libraries of LVMH and Group's Maisons.

E-accessible version: Ipedis.  
Design and production: Agence Marc Praquin.

## AGENDA

**Thursday, January 25, 2018**

2017 annual revenue and results

**Monday, April 9, 2018**

2018 first-quarter revenue

**Thursday, April 12, 2018**

Shareholders' Meeting

**Thursday, April 19, 2018**

Payment of the final dividend  
for fiscal year 2017 (last trading day  
with dividend rights: April 16, 2018)

**July 2018**

2018 half-year revenue and results

**October 2018**

2018 third-quarter revenue

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*Louis Vuitton*

