



# Deal Logic

## LVMH / Belmond

WHU Finance Society

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**Abstract**

**In the recent past, the demand for luxury experiences has grown. An increase in the middle and upper class disposable income, changes in lifestyle patterns, and demand for unique and exotic holiday experiences have been the forefront drivers.**

**The global luxury travel market is expected to garner USD 1.2tr by 2022. Epitomising desirable destinations, luxurious accommodations, convenient transport facilities, and authentic travel experience, the luxury travel market has great future potential to grow and diversify. Customization and personalization gain increasing importance in luxury tourism. Also, the concept of luxury travel changes from opulence to exclusive.**

**Synonymous with luxury, LVMH bets on the future of this market that is increasingly going experiential. Belmond would help it increase its luxury image. It would benefit from a luxury perception with both tangible and experiential products in its portfolio**

In December 2018, Bernard Arnault made a strategic move into the luxury hospitality sector with the announcement that LVMH Moët Hennessy – Louis Vuitton and Belmond Ltd., owner, part-owner and/or manager of 46 luxury hotel, restaurant, train and river cruise properties, have entered into a definitive agreement for LVMH to acquire Belmond for USD 25.0 per Class A share in cash.

LVMH, the firm behind fashion labels such as Louis Vuitton and Christian Dior, has a rich history of managing, acquiring, and fostering heritage brands for the long term. It already has a portfolio of hotels including the Cheval Blanc in the prestigious Courchevel ski resort in the French Alps as well as Bvlgari hotels.

In 2018, the luxury market is reported to have reached EUR 0.9tr, of which EUR 0.3tr was in personal luxury goods and EUR 0.5tr was for experiential luxury. Therefore, there are avenues for growth in the luxury experiential market. As experiential luxury grows at about 5%, far faster than personal luxury at 3%, the acquisition comes at an important time. It would help LVMH have a strong presence in the ultimate hospitality world.

Established 40 years ago and synonymous with history, heritage, and timeless experiences, Belmond's portfolio is difficult to replicate. Belmond delivers unique experiences to discerning travelers and owns a number of exceptional assets in the most desirable destinations. This will complement LVMH's own Cheval Blanc Maisons and the Bvlgari hotels activities.

The deal is LVMH's largest acquisition since it spent EUR 4.3bn in 2011 to buy Bvlgari and EUR 6.5bn in 2017 to gain full control of

Christian Dior. The Belmond deal, with an enterprise value of USD 3.2bn, justifies the value that Belmond will add to LVMH's portfolio. It would not only supplement the existing luxury experiential offerings of LVMH, but also complement the other products from the wide product portfolio – luxury bags, watches, clothing and more.

The current trend in the market is that younger generations are more willing to wait or pay extra for personalised products and services. Consumers demand personalised luxury as they seek ways to stand out from the crowd in a world where brands are in danger of becoming overexposed through social media and the mass consumption of luxury. As so-called experiential luxury drives a new era for the industry, the boundaries of bespoke are expanding. LVMH will be able to attract consumers from this market segment and try and build brand loyalty.

Therefore, LVMH will now reach critical mass in the ultimate luxury hotel world with this one single acquisition and it is consistent with its long-term strategy focused on offering the consumer a full spectrum of luxury experiences.

All values in USDm, except Price, Initial (USD) & Price, Paid (USD)

## Summary

Target	Belmond Ltd.
Acquirer	LVMH Moët Hennessy – Louis Vuitton SE
Date, Announ.	14.12.2019
Date, Effective	17.04.2019
Deal Attitude	Friendly
Consideration	100% Cash
%Held/%Acq.	0% / 100%
Deal Value	3,135.0
Price, Initial	25.0
Price, Paid	25.0
Total Fees	36.2
Premium*, 1d	128.2
Premium*, 1w	129.4
Premium*, 4w	130.8

\* Pre-bid (%)

Sources: Thomson Reuters Eikon

## Synopsis

- LVMH Moët Hennessy Louis Vuitton SE acquired the entire share capital or 103.0 million class A ordinary shares of Belmond Ltd, a London-based hotel operator, for USD 25.0 in cash per share, or a total USD 2.6bn
- On completion, Belmond was delisted from New York Stock Exchange
- Originally, in August 2018, Belmond announced that it was seeking a buyer for the company. KSL Capital Partners LLC, Blackstone Group LP, KKR & Co, and Ashkenazy Acquisition Corp. were rumored as potential bidders

## T12M Trading Multiples (Median)

	Target	Acquirer	Industry†
<b>EV/Sales</b>		3.8x	1.9x
<b>EV/EBITDA</b>		14.5x	9.3x
<b>EV/EBIT</b>	n/a*	n/a	n/a
<b>P/B</b>		5.4x	1.5x
<b>P/E</b>		26.1x	17.1x

\* Due to delisting

† Of Target, Hotels & Motels SIC: 7011

## Rationale

- The purposes of the transaction were for LVMH Moët Hennessy Louis Vuitton SE to strengthen and expand its operations in the hotel sector and for Belmond Ltd to increase its shareholders value and to offer a broader range of services
- For LVMH the transaction enhances its existing luxury experiential offerings and strengthens its presence in the luxury hospitality sector by complementing the hotel activities of the Cheval Blanc Maisons and Bvlgari hotels, already in the company's portfolio

## Financial Advisors

Target	Fees	Acquirer	Fees
Goldman Sachs	10.0	Citi	8.1
JP Morgan	10.0	Credit Agricole	8.1

All values in USDbn, except EPS

## Recent News\*

- **2019/04** LVMH Moët Hennessy Louis Vuitton SE) and Belmond Ltd. declare that the acquisition of Belmond by LVMH has been completed
- **2019/02** Belmond Ltd. reports fourth quarter 2018 and full-year 2018 results
- **2018/12** LVMH reaches an agreement with Belmond to increase its presence in the ultimate hospitality world
- **2018/08** Belmond announces review of strategic alternatives to enhance shareholder value
- **2018/02** Belmond announces acquisition of emblematic Tuscan resort Castello Di Casole in Italy
- **2017/05** Belmond announces acquisition of Cap Juluca in Anguilla

\* Prior To Deal  
Sources: Belmond Ltd., Thomson Reuters Eikon

## Company Description

- Belmond Ltd. is a hotel company and adventure travel operator
- As of December 31, 2016, Belmond owned, partially-owned and/or operated 45 properties, consisting of 34 individual deluxe hotels, 29 of which are owned (including nine under long-term lease), five European tourist trains, two cruise ships in Myanmar, one French canal cruise business consisting of five small canal boats, and one stand-alone restaurant in the United States
- The UK-based company operates through six segments: owned hotels in Europe, owned hotels in North America (including one stand-alone restaurant), owned hotels in Rest of world, owned trains and cruises, part-owned/managed hotels, and part-owned/managed trains

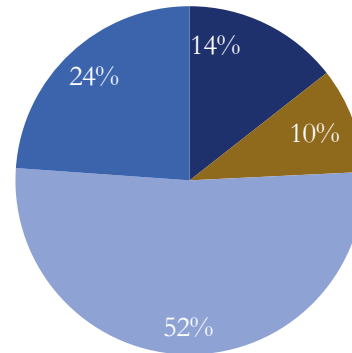
## Key Management & Ownership Structure



Roeland Vos  
CEO  
Since 2015



Martin O'Grady  
CFO  
Since 2008



■ Blackrock Inc.  
■ Vanguard Group Inc.  
■ Other Institutional Investors  
■ Mutual Fund

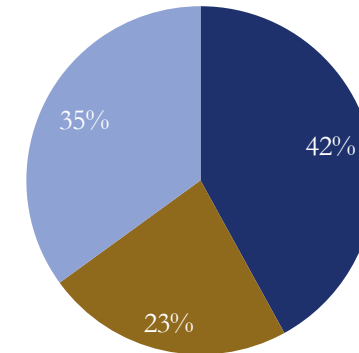
## Key Financials

	2016A	2017A	2018A	2019F	2020F
Sales	0.6	0.6	0.6		
% growth	(0.3)	2.0	2.8		
EBITDA	0.1	0.1	0.1		
% margin	20.2	17.3	19.4	n/a*	
NI	0.0	(0.1)	(0.0)		
% margin	7.3	(8.9)	(5.2)		
EPS	0.34	(0.61)	(0.28)		

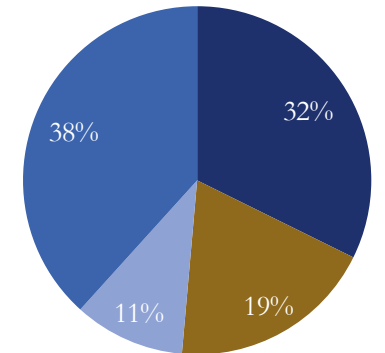
\* Due to delisting

## Sales Split

FY2018



■ Owned Hotels-Europe  
■ Owned Hotels-North America  
■ Other



■ Italy ■ US ■ Brazil ■ Other

All values in EURbn, except EPS

## Recent News\*

- **2019/04** French billionaire Bernard Arnault and his group LVMH pledge 200 million euros for Notre Dame's reconstruction
- **2019/04** LVMH shares hit record high
- **2019/03** LVMH strengthens its commitment to building an inclusive company culture by signing the UN standards of conduct for business
- **2019/03** LVMH advances with initiatives to achieve “50/50 by 2020” goal, targeting to accelerate the career development of women within the Group
- **2018/04** The LVMH group inaugurates the Manifattura Thélios, a new Italian production site dedicated to eyewear
- **2018/04** LVMH launches accelerator program for 50 international startups annually at Station F to contribute to innovation in luxury

\* Prior To Deal  
Sources: LVMH, Thomson Reuters Eikon

## Company Description

- LVMH Moët Hennessy Louis Vuitton SE is a French luxury goods company
- Its business activities are divided into various business groups, including Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry, Selective retailing, and Other activities
- The company has approximately 70 brands and over 3,950 stores around the world
- The conglomerate is headquartered in Paris, France, and of 2017 had approximately 145,000 employees worldwide

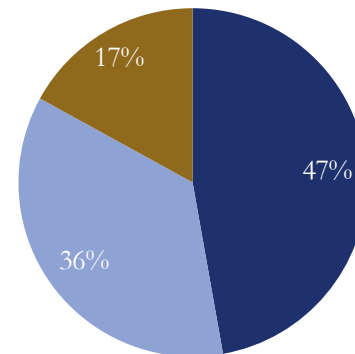
## Key Management & Ownership Structure



Bernard Arnault  
CEO  
Since 1989



Jean-Jacques Guiony  
CFO  
Since 2004



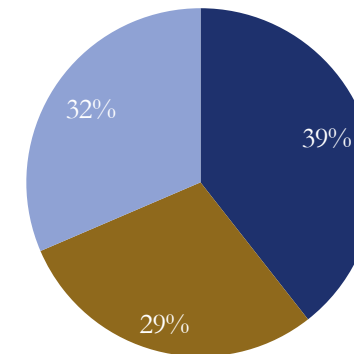
■ Arnault Family  
■ Foreign Institutional Investors  
■ Other

## Key Financials

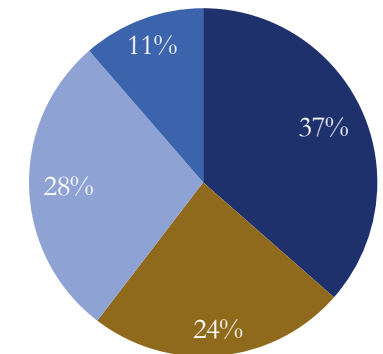
	2016A	2017A	2018A	2019F	2020F
Sales	37.6	42.6	46.8	51.9	55.4
% growth	5.4	13.4	9.8	10.9	6.7
EBITDA	8.7	10.1	12.0	13.6	14.6
% margin	23.0	23.8	25.5	26.1	26.4
NI	4.1	5.4	6.4	7.3	7.9
% margin	10.8	12.6	13.6	14.0	14.3
EPS	7.89	10.64	12.61	14.56	15.84

## Sales Split

FY2018



■ Fashion and Leather Goods  
■ Selective Retailing  
■ Other



■ Asia ■ US ■ Europe ■ Other

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