

Tiffany

Be my shining star

LVMH's acquisition of Tiffany & Co.

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LVMH = LV?

LVMH is the mother company of LV. It has been scaling up by Conglomerate Merger, with strengths in Fashion, Leather goods, etc. Its acquisition of Tiffany is also one of the business decisions to enlarge the corporation's strength.

Conglomerate Merger

This kind of merger is neither horizontal nor vertical, and it is the combination of companies from different sectors

LVMH = + Dior + FENDI +
+ TIFFANY & Co. (on Nov 25, 2019)



Why buying Tiffany & Co.?



Solid growth in Jewelry Industry

The sector has **promising growth** and **profit potential**. Jewelry is one of the strongest sectors in the luxury industry in 2018, according to BBC. Undoubtedly LVMH can be enormously benefited by buying Tiffany & Co., which ranked the top jewel brand among U.S. consumers



Extend customer base

LVMH produces high-end products which attracted millions of fans, mostly in their 40s or 50s. Tiffany & Co. has a much **broader followers base**, starting from people in their 20s and 30s. The acquisition can, undoubtedly, help LVMH to **get more exposure among the younger customers**.



Strengthen LVMH's Position

	No. of Store	% of total revenue
Asia	1453	30%
US	<829	24%

Given the **promising revenue** the US market brought to the group, the group thus sought to expand its US market with Tiffany & co., which is a US based company with hundred years of solid foundation.



Valuation of LVMH

To estimate the profit generated by the group, we used the discounted cash flow estimation, which involves the application of weighted average cost of capital (WACC). For more detail, please refer to the videos below:

Chinese Version

English Version

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Pre-acquisition: sum of present value \$400.00

Year	2019	2020	2021	2022	2023	2024
Cash Flows	86.02	50.25	89.99	67.98	80.17	73.42
Discount Rate	4.70%	4.73%	4.75%	4.75%	4.75%	4.73%
Present Value	86.02	47.98	82.02	59.14	66.60	58.27

Post-acquisition: sum of present value \$482.90

Cash Flows	86.02	63.65	114.0	86.12	101.6	93.0
Discount Rate	4.70%	4.43%	4.46%	4.48%	4.49%	4.49%
Present Value	82.15	60.95	104.5	75.49	85.18	74.65

(in millions of EUR)