CFA Institute Research Challenge
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Team University of Angers

The CFA Institute Research Challenge is a global competition that tests the equity research and valuation investment report writing, and presentation skills of university students. The following report was submitted by a team of university students as part of this annual educational initiative and should not be considered a professional report.

KERING SA (XPAR: KER)
EURONEXT PARIS (XPAR)
SECTOR : CONSUMER GOODS
INDUSTRY : LEATHER, HANDBAGS AND LUGGAGE GOODS

KERING

BUY RECOMMENDATION
CURRENT PRICE : €238.25
TARGET PRICE : €262.21
UPSIDE : 10.06%
CURRENT PRICE AS OF : 12/31/2024

HIGHLIGHTS

We initiate our coverage on Kering with a **BUY** recommendation based on a 12 months target price of €262.21 using both intrinsic and relative valuation methods. Our target price represents a 10.06% upside from the closing price of €238.25, on December 31, 2024.

Our analysis is based on three theses : (1) A strategy of elevation of brands to boost growth; (2) A global recovery in consumption in 2025, with increased consumer confidence in luxury brands, especially Gucci; (3) Key acquisitions to strengthen Kering presence in the luxury industry.

Due to the difficulties that the company has been facing from more than a year, Kering is well positioned to benefit from a better economic perspective for the luxury sector. We bet on a positive generation of cash flow and revenues, triggered by the company's latest investments and a revaluation of the company's market price for 2025.

BUSINESS DESCRIPTION

Founded in 1963 by François Pinault as a wood trading company, Kering has progressively shifted its business focus toward the luxury sector centered on personal goods. Nowadays, it is a global powerhouse encompassing some of the world's most prestigious brands such as Gucci, Yves Saint Laurent and Bottega Veneta. With 1,816 directly operated stores, Kering has solidified its presence and impact in the luxury industry, especially in leather goods, apparel, jewelry, handbags, shoes, watches, perfumes, and cosmetics. Kering's mission is to create an innovative vision for tomorrow's fashion while respecting the heritage of each of its brands. The company emphasizes creativity, exclusivity, and desirability in its products, positioning itself as a long-term value creator with a sustainable approach that considers environmental concerns and stakeholder interests.

Business Model

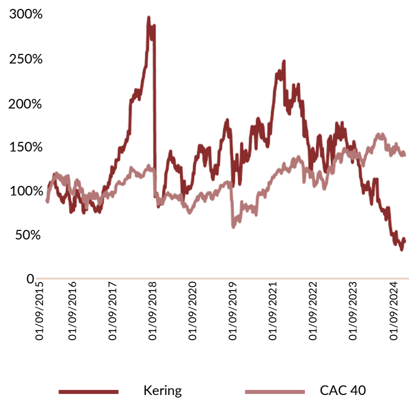
Kering is actively reshaping its luxury vision, aspiring to lead the evolution of tomorrow's luxury perceptions. Seeking tighter control over its value chain and more personalized customer experiences, the company has increased its retail sales share to 78%, reducing its wholesale dependency. This shift aims to push the boundaries of the luxury experience for consumers. As a multi-brand group, Kering facilitates synergy creation between its brands and manages its value chain efficiently. The company continuously seeks growth opportunities through key acquisitions, enabling its brands to focus on their core businesses centered on creativity and desirability while maintaining some level of decision-making autonomy. Kering also operates digital distribution channels (e-commerce), accounting for 12% of the company's retail segment. This proportion remains relatively stable due to a strong consumer preference for physical stores to enjoy the full luxury experience. As of December 31, 2023, Kering's main customer regions are Asia-Pacific (35%), Western Europe (28%), and North America (23%), reflecting the purchasing power in these regions.

Figure 1: Company Overview

Ticker	KER
Shares Outstanding (mn)	122.58
Market Cap	28,709
52 Week high	438.60
52 Week Low	206.55
P/E	16.00
EV/EBITDA	9.7
Price to book	3.0
Free float	56.9%
Treasury Shares	0.68%

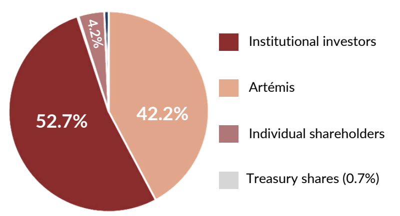
Source: FactSet

Figure 2: Market Performance



Source: FactSet

Figure 3: Ownership Structure



Source: Company Filings, 2023

Figure 4: Main events

Calendar	Type	Event
07/08/2021	Financial	Acquisition of Lindberg
03/14/2022	Financial	Acquisition of Maui Jim
06/26/2023	Financial	Acquisition of Creed
07/27/2023	Financial	Acquision of 30% of Valentino

Source: Team Analysis

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

Luxury Industry Overview

The luxury industry has experienced steady growth over several years, reaching a global value of $1.5 trillion in 2023, according to Bain & Company, representing an 8–11% constant-currency growth over 2022. The luxury consumer goods market alone generated between $362 and $372bn. in revenue. With a market share exceeding 5%, Kering emerges as a key player shaping market trends. However, the sector's performance varies quarterly. The first half of 2023 saw 17% growth, driven by China's border reopening and a relatively weak Japanese yen, facilitating luxury product arbitrage. The second half was more challenging due to weaker-than-expected Chinese market recovery and slowing European and American markets.

The luxury sector achieves 52% of its sales through retail (compared to 78% for Kering). The share of retail has increased over time to provide the best service and experience to customers before, during, and after the sale to build loyalty. Regarding wholesale (48%), its share has decreased, highlighting the intent to control distribution and work with fewer partners.

Asia as the Growth Driver?

Asia has been the growth engine of the luxury industry, bolstered by a burgeoning Chinese upper-middle class and the yen's weakness in 2023. Post-COVID border reopenings accelerated tourism recovery, initially in Asia and later in other regions. However, in 2024, China's luxury consumption growth slowed, with consumers deferring purchases in favor of essential goods. The sales in Japan also decelerated, as the yen strengthened, diminishing price arbitrage opportunities.

2024, A Challenging Year for the Entire Luxury Sector

The luxury sector experienced a more challenging 2024 than anticipated. The rebound in demand for luxury goods was weaker than expected. Various Chinese government stimulus measures were insufficient to reassure consumers.

Nevertheless, companies focusing on a higher-end segment, like Hermes, managed to maintain their market share throughout 2024. Conversely, companies catering to mid-range clients saw their market share decrease as this clientele is directly affected by macroeconomic conditions (inflation, central bank monetary policies, geopolitical stability). These factors strongly influence consumer confidence, thus reducing their consumption of luxury goods.

Long-term Growth Stability?

Despite short-term challenges, the industry holds solid long-term growth potential, with annual growth projected at 5–7% (reaching $540–580bn.) due to factors like: (1) Generational Transition: Younger generations (Gen Y, Z, and Alpha) are expected to dominate luxury consumption with a stronger focus on environmentally friendly products (85% of global consumption). Luxury brands must meet these sustainability demands and retain existing customer loyalty. (2) Expanding Middle Class in Asia-Pacific: As income levels rise, luxury consumption in this region is expected to stabilize, with its market share reaching 40% by 2030.

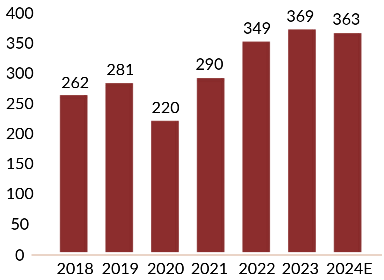
Competitive Positioning

Kering strives to elevate its brands to the highest level in the luxury industry. To achieve this, Kering relies on its organic growth strategy, which is based on innovation, sustainability, and engagement with younger generations, old and new customers ensuring the modernity and relevance of its brands. By investing in sustainable initiatives, Kering also positions itself as a pioneer in ESG (Environmental, Social, and Governance), further enhancing its reputation among consumers and investors attuned to these values. Finally, through unique creative expertise and cutting-edge resources, Kering successfully maintains the desirability of its products while continuously innovating, allowing it to remain competitive in a highly demanding industry.

Competitive Positionning keys points	KERING	LVMH	HERMES	RICHEMONT	PRADA
Market Capitalization	€28.7bn.	€312.5bn.	€241.3bn.	€76.99bn.	€19.6bn.
Oustanding Shares	122.6M	497.6M	104.7M	531.6M	2,558M
Revenue	€17.1bn.	€84.1bn.	€14.9bn.	€20.7bn.	€5.3bn.
EBITDA	€4.2bn.	€25.9bn.	€6.7bn.	€5.8bn.	€1.9bn.
Dividend Yield	2.8%	2.0%	0.8%	2.1%	2.2%
ROE	5.83%	20.1%	26.0%	16.4%	18.9%

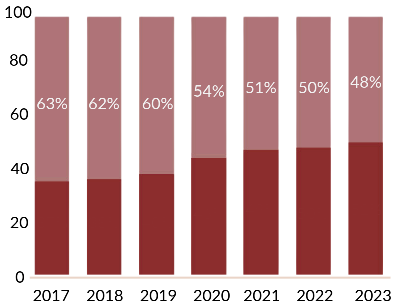
Source : Factset, Team Analysis

Figure 5: The global luxury market (in € billions)



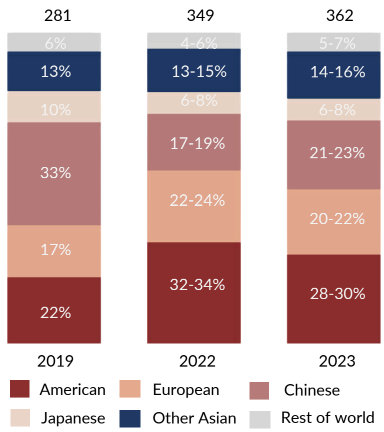
Source: Bain & Company

Figure 6: Global personal luxury goods, by channels



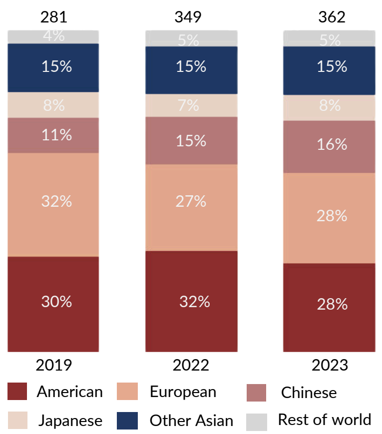
Source: Bain & Company

Figure 7: Share of global luxury goods markets by consumer nationality



Source: Bain & Company

Figure 8: Share of global luxury goods markets by region



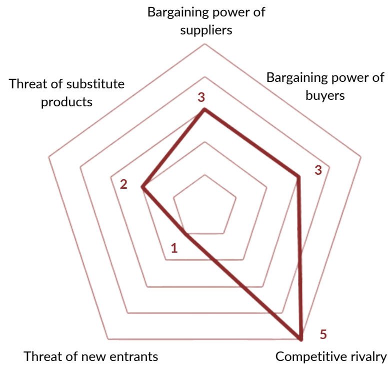
Source: Bain & Company

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

Porter Analysis

The threat of new entrants in the luxury sector is relatively low, mainly due to fierce competition and the dominance of established brands, making it difficult for newcomers to establish a prestigious brand image in this market. This challenge stems from the technical expertise and craftsmanship of these prestigious and recognized houses.
Besides, the production costs in the luxury sector are high, particularly due to the price of raw materials. Unlike major houses, smaller players cannot benefit from economies of scale. Finally, significant financial investments are required, forming a financial barrier, as strict control of the value chain is crucial for a brand's influence (from production to distribution).
Kering operates in a highly competitive market where customer demand remains extremely high. This clientele expects high quality and unique craftsmanship. Consumption trends, price increases, brand image, and sustainability are key criteria that justify price levels. Customers are willing to pay higher prices up to a certain threshold, limiting the impact on luxury companies depending on their target clientele, such is the case of Kering in its customer segment.
As Kering faces margin pressures, rising production costs, particularly for raw materials, can play a crucial role in determining the company's margins. The company is exposed to a relatively small pool of raw material suppliers. Nevertheless, in 2023, only 13.3% of global suppliers were considered to hold a critical position in the value chain of Kering.

Figure 9: Porter's five forces analysis



Source: Team Analysis

Figure 10: Quasi permanent ownership

OWNERSHIP	2019	2020	2021	2022	2023
ARTEMIS	42.2%	42%	41.7%	41.4%	41%
INSTITUTIONAL INVESTORS	52.7%	52.1%	53.5%	54.2%	53.1%
EMPLOYEES	0.2%	0.2%	0.6%	0.1%	0.1%
INDIVIDUAL SHAREHOLDERS	4.2%	4.2%	4.2%	4.2%	4.8%
TREASURY SHARES	0.7%	1.5%	0%	0.1%	1%

Source: Company Filings, 2023

INVESTMENT SUMMARY

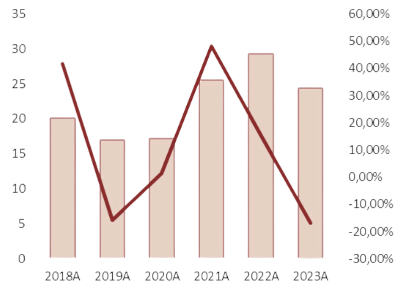
Our target price of €262.21 shows that the company shares are trading at a discount. Besides the intrinsic potential, the small investors, with stakes under the controlling thresholds, are exposed to various price-sensitive features and deals appealing or not momentum investing.

MARKET LIQUIDITY POTENTIAL

Quasi Permanent Ownership

The shareholding structure of Kering is indeed characterized by a strong presence of institutional investors, representing 52.7% of the capital. Among them, Baillie Gifford & Co, Harris Associates LP, and The Vanguard Group Inc stand out as the three main shareholders, with respective stakes of 5.02%, 2.08%, and 2.01%. Artémis Holding, owned by the Pinault family, is the major shareholder with 42.23% of the shares, granting it 58.99% of the theoretical voting rights. This allows Artémis to play a key role in Kering's governance, aligning shareholder objectives and thus providing stability. The proportion of shares held by individual shareholders is low, with only 4.2% of the shares. The free float, which represents 56.9% of the shareholding, is primarily held by institutional investors, indicating a concentrated yet stable ownership structure. This stability suggests that the company remains attractive to long-term investors. It can also reassure various market players, knowing that the company can rely on the support of its major shareholders if needed, whether for fundraising or other strategic initiatives. This solid ownership framework facilitates the implementation of a long-term strategy, which is crucial in the luxury sector where vision and continuity are essential.

Figure 11: EPS and EPS growth

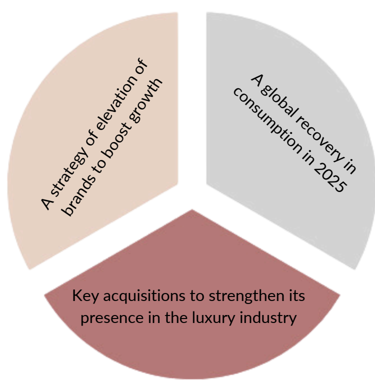


Source: Team Analysis

Company Strategy

The company's strategy is to regain market share by enhancing its competitiveness through innovation and organic growth. Kering aims to be a pioneering company in practicing environmentally responsible luxury, as well as ensuring responsibility towards consumers and stakeholders within its value chain. The company thus seeks to create stable long-term growth while adapting to changes in the conception of modern luxury.

Figure 12: Investment thesis



Source: Team Analysis

DRIVERS OF THE ESTIMATED PRICE

Capitalizing the Sustainable Finance Opportunity

In the field of sustainability, Kering is undertaking ambitious actions to address current environmental and social challenges. Carbon neutrality, investments in ecological initiatives like the Regenerative Fund for Nature, and the reduction of the environmental footprint of products are a testament to its commitment to balancing economic performance with social responsibility. Sustainable innovation is therefore a key lever for the group to remain at the forefront of the luxury industry. Kering implements numerous initiatives to reduce its impact as well as that of its partners. Indeed, Kering selects its partners by requiring them to commit to a number of sustainability measures. It also ensures the traceability of the materials used, innovates to develop alternatives to animal-based products, and prioritizes animal welfare.

Figure 13: Kering's achievement

Source: Team Analysis

INVESTMENT SUMMARY

Trading on Event Strategies

Kering has been exploiting the acquisition pipeline in order to increase its market share and strengthen its position in the luxury sector. The analysis of abnormal returns engendered by the announcement of four distinct company deals, that is the transactions made on the market for corporate control directly by the company, shows a limited impact on Kering's stock price of these various acquisitions. This limited impact implies that the markets consider that Kering paid a reasonable price for the various acquisitions. It also means that markets have been aligned with the company's strategy and therefore leaves time for the company to implement this strategy. (see Appendix D: Key Acquisitions).

Challenges Related to the Slow Recovery of Growth & Consumer Mistrust in Luxury Products

In the short term, Kering remains exposed to the negative effects of the economic environment and the risks of contraction on business, whether it is about luxury goods sales in the Asian region, or its limited ability to pass on price increases to consumers. This environment has succeeded in causing a form of saturation of mid-range luxury consumers, creating a sense of mistrust among consumers. This distrust of consumers towards luxury products, especially in China with the flow of luxury shame and the development of quiet luxury, forces the company to reinvent itself and develop more consumer-friendly products. To rekindle consumer interest in its brands, Kering has decided to renew the members of its management teams, with a particular focus on Gucci which has been losing ground in recent quarters. The arrival of Sabato De Sarno, head of the artistic direction of Gucci, is therefore aimed at making the consumer fall in love with Gucci collections and thus relaunch this iconic brand that contributes to more than half of the company's revenues.

The Elevation Strategy to Recreate Growth

The company remains heavily exposed to the economic environment of its current customer segment. Indeed, Kering is facing the limitations of its old business model in the luxury sector, which was focused on mid-market consumers. This class of consumers is strongly impacted by the economic environment, especially the level of inflation, as well as monetary policies, and is more easily prepared to postpone the various purchases and consumption of luxury products. To remedy this limitation, Kering decided to reposition its brands on a more high-end customer segment, because it is less exposed to the economic environment and can thus have more margin on price setting and limit the purchase postponement of its customers.

VALUATION

We conducted both intrinsic and relative valuation to confirm our **BUY** recommendation for Kering with a 12-month target price of €262.21, representing an upside potential of 10.06% compared to the closing price of €238.25 on December 31, 2024. In order to justify the actual market discount of Kering, we weight the DCF by 80% and Relative Valuation by 20% in our valuation analysis.

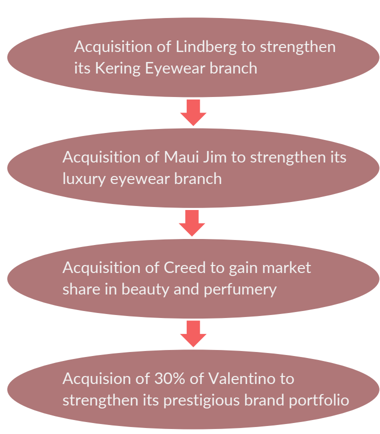
DCF Valuation: €262.10

In order to get the intrinsic value of the company, we apply a DCF Valuation on the FCFF. As Kering operates like a group, it is difficult to know the evolution of Sales and prices by brands. To deal with this business feature, we determine a trend in recurring operating income and revenues for each of houses, by addressing the peculiar difficulties that they may face, as well as the comprehensive growth strategy of the whole company. We also conduct separate analyses on Kering and Valentino, then consolidate Valentino into the group results from 2027 on, as we assume that Kering will exert its option to fully acquire Valentino by the end of 2026. We make the analysis over an explicit growth period spanning from 2025 to 2030, to take into account not only the the projections of the luxury sector but also the post-acquisition full business integration.

Estimated Revenue Growth and EBIT Margin

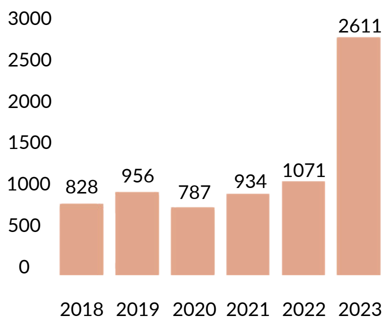
Given that Gucci represents 50.46% of Kering's revenues, we factor in the analysis its potential to steadly reach its historical performance, by assuming a CAGR up to 2.18%. Except for Gucci, our projections are based on the luxury sector trend, yielding thus a CAGR of 3.97% for Bottega Veneta, 3.94% for Yves Saint Laurent, and 9.00% for the other Kering houses. Combined with respect with the revenues weights, those assumptions lead to a CAGR of 4.34% for the company. We adopt a conservative approach concerning the company's takeover strategy in order to avoid excessive growth relative to that of the sector, which is comprised, according to Bain & Company, between 4.0% and 7.0% until 2030. In order to materialize the gradual recovery of the company's business, in our base case, we get an EBIT margin range from 14.65% in 2024 to 22.98% in 2030. These levels are still below the company's historical EBIT margins over the previous 5 years.

Figure 14 : Key Acquisitions



Source: Team Analysis

Figure 15: Capex's growth



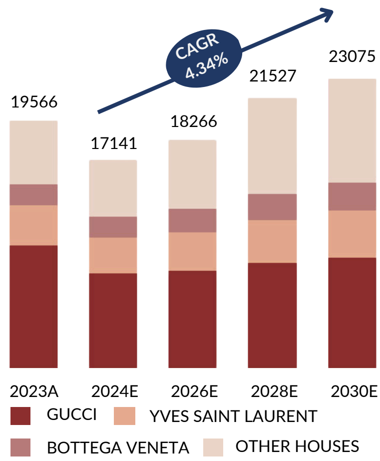
Source: Company Fillings, 2023

Figure 16: Kering equity beta

Market Index	1-Year	3-Year
CAC 40	1.70	1.46
SBF 120	1.67	1.45
FTSE MIB	1.34	1.08
MSCI	0.40	0.93

Source: Team Analysis

Figure 17: Revenue projections (M€)



Source: Team Analysis

VALUATION

WACC

The two components of the WACC, the Cost of Equity and Cost of Debt, are compounded by taking into account their respective exposure to the systematic risk. According to the CAPM:

Cost of Equity = Risk-free Rate + Equityβ*(Market Return – Risk-free Rate)

Cost of Debt = Risk-free Rate + Debtβ*[Market Return – Risk-free Rate*(1-Tax Rate)]

We estimated a WACC of 8.41% for the Explicit growth period and of 10.02% for the Terminal growth period (Figure 18). As 88% of Kering debt is denominated in EUR, we take the Germany 10-year Government Bond as proxy for the Risk-free rate (2.39%) for the Explicit growth period.

Cost of Equity

To estimate the cost of equity, we apply CAPM with respect to two different market indices in order to address the short-term difficulties of Kering. Thus, for the Explicit growth period, we run a linear regression on CAC 40 using weekly stock returns over a 3-year window (Equity β=1.461) and get a cost of equity of 11.46%. However, for the Terminal growth period, we address the dynamics of European luxury sector, by regressing the daily Kering returns after 2018 (the year of implementation of the new business strategy) on that of Stoxx 600 (Equity β=1.348) leading to a cost of equity of 12.76%.

Cost of Debt

It is equal to the required 5-year default-adjusted yield to maturity. The exposure to the market risk (Debt β=0.114) is estimated by using (*i*) the no-arbitrage pricing for each currency of Kering debt mix on December 16, 2024 (in order to address the Moody's downgrade of France credit rating to Aa3 several days earlier), (*ii*) the default risk for BBB+ corporate credit rating class, and (*iii*) the historical average recovery rates on first-lien | senior unsecured debt for Consumer Cyclical Sector. For EUR and EUR-international denominated debts, we use the spread metrics from the issuer curves over the France term structure of interest rate. The USD | GBP denominated debts are priced by adding the corresponding Z-spread for Consumer Cyclical Sector and BBB rating class to the US | GBP gilt yield curve. We fit by linear interpolation each non-arbitrage YTM to the remaining maturity of each type of debt. (see Appendix L-1 : Kering's Debt Analysis Part I.)

Terminal Growth

We expect the terminal growth rate to stabilize at 2.25% after 2030 based on the ECB's inflation target plus a premium of 25 bps. for addresing the effect of the population trend on the dynamics of luxury sector.

Relative Valuation : P/E Ratio Regression on Dividend Payout Ratio €262.31

To assess the market price relative to that of peers, we perform a data panel regression analysis of the historical P/E multiple on Dividend payout ratio over the period 2019-2023 for a sample of 62 companies belonging to the Apparel Accessory Products Industry Group (see Appendix H-1: Data Panel Regression). Based on the estimated slope, intercept, and firm fixed effects, as well as the median estimates of Dividend payout ratio reported by FactSet for 2025, we predict a P/E for Kering equal to 26.55x. Applied to 1-year forward EPS of €9.88, which is consistent with team's assumptions made for the DCF base-case scenario, it yields a relative price of €262.31. Because of the high volatility of historical equity multiples (reflecting the uneven access to finance in different domestic markets), the regression of Price to Book relative to ROE does not yield statistically significant results and cannot be used to predict any pattern for the P/B.

Scenarios Analysis

Bull Case Drivers: This scenario is possible if the company manages to recover faster than expected through an overall improvement in luxury consumption, particularly in the APAC region which could play a key role. To achieve this scenario, we assume an enhanced growth rate of revenues by taking into account the dynamics of each of Kering brands, and higher operating margins triggered by better management of the cost structure and improved commodity prices. Under this scenario, the company's stock price would reach €289.10 representing un upside of 21.39%, with respect to 2023 year-end closing price.

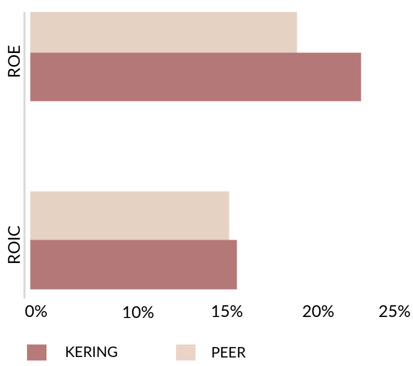
Bear Case Drivers: This scenario is possible if the company encounters a greater consumer distrust for the various luxury brands it owns, particularly Gucci. The APAC region could contribute to the slowdown in Sales, and impede the company to maintain the growth rate experienced over the last few years. To set this scenario, we adjust downwards the revenues, those of Gucci in particular, reduce the EBIT margin and weight lower the impact of the integration of Valentino into the company's results. Under this scenario, the company's stock price would reach €215.24 representing an downside of 9.65% with respect to 2023 year-end closing price.

Figure 18: WACC buildup

Imput	Rate	Source
Tax rate	27.27%	Average effective tax rate over 4 years
Risk-free rate Explicit period	2.39%	The Germany 10-Year Government Bond
Risk-free rate Terminal period	4.00%	
Equity market Risk premium	6.21%	Survey by Pablo Fernandez, Diego García and Lucia F. Acin.
Debt market Risk premium	6.86%	
Equity Beta Explicit period	1.461	Linear regression on Cac 40
Equity Beta Terminal period	1.348	Linear regression on Stoxx 600
Cost of equity Explicit period	11.46%	CAPM
Cost of equity Terminal period	12.76%	CAPM
Cost of debt Explicit period	3.172%	CAPM
Cost of debt Terminal period	4.865%	CAPM
D/E ratio Explicit period	46.47%	Actual level
D/E ratio Terminal period	30%	Target level
WACC Explicit period	**8.41%**	
WACC Terminal period	**10.02%**	

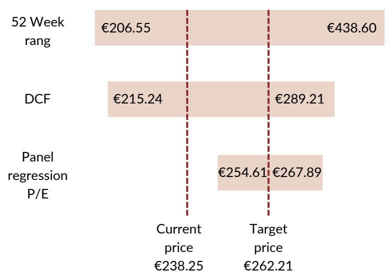
Source: Team Analysis

Figure 19: Superior profitability to peer (5-Year average)



Source: FactSet

Figure 20: Football field price projection



Source: Team Analysis

Figure 21: Price Target

	Price	Weight
DCF Price	€262.10	80%
Panel regression Price	€262.31	20%
Target Price	€262.21	100%

Source: Team Analysis

Scenarios	Bull case	Base case	Bear case
The company's ability to strengthen its business and the level of EBIT Margin	Business is picking up and company expenses are growing at a slower rate than revenue growth	An attenuated recovery of activity with a low rate of growth in expenses	The company is struggling to manage the increase in costs and the level of margin is facing a challenge
EBIT margin level in 2030	**25.07%**	**22.98%**	**20.85%**
The company's ability to strengthen its business and the level revenues	Gucci manages to find a good dynamic and a good integration of Valentino	Gucci is struggling to get back on its feet, but the business is gradually starting up in other houses	Difficulties in gaining market share, low interest in Gucci and low impact from the integration of Valentino
CAGR	**4.70%**	**4.34%**	**3.29%**
Stock price	**€289.21**	**€262.10**	**€215.24**
% change from the current market price	**21.39%**	**10.01%**	**-9.65%**

Source: Team Analysis

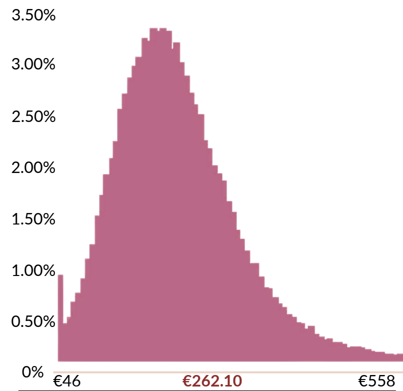
Monte Carlo Simulation

To test the sensitivity of our DCF price to simultaneous changes of FCFF items, we perform a Monte Carlo simulation with 100K reiterations. All parameters were randomly drawn from normal and uniform probability distributions (see Appendix K: Monte Carlo Simulation). The simulated 12-month target price trajectory shows that 40.0% of outcomes support a BUY recommendation (capital gain>5.0%), 2.4% support a HOLD recommendation (2.0<capital gain<5.0%), while in the 57.6% of outcomes the appropriate advice would be SELL, as the expected price change is either lower than medium-term target inflation or negative. We estimate a cumulated default probability till 2030 of 0.61%, closed to 0.74% that the team compounded based on S&P transition credit transition matrix (average value 1998-2023) over a 6-year horizon.

Sensitivity Analysis

We analyze the sensitivity of our fundamental price under the assumptions of (*i*) a flexible financial policy, (*ii*) an improvement of the corporate outlook triggering a rating upgrade to A-, (*iii*) adverse macroeconomic and industry shocks causing a downgrade to BBB. The impact of changing the target maturity of debt from 1Y to 10Y, as well as the credit rating is addressed by estimating the Debt β consistent with EUR-denominated debt pricing for Consumer Cyclical Sector. For the sake of comparability, we use the sector credit curves reported on December 16, 2024 and keep the same average recovery rate as that corresponding to the seniority of Kering debt mix. We also take into account that the Equity β and leverage ratio are different from one credit rating-class to another. We compound these two benchmarks as an average value, by constructing a peer group for A- | BBB+ | BBB rated Large Cap European companies operating in the Consumer Cyclical Sector (Market Cap>$1bn.). The range of WACC of [8.12%-10.01%] synthetizes the combined variation of the cost of equity and the cost of debt, by debt tenor. Based on a terminal growth rate comprised between 0% and 2.5%, our DCF price may drop to €205.56 or increase to €371.55. (see Appendix L-2 : Kering's Debt Analysis Part II). As within the BBB+ rating class the WACC varies with less than 50 bps. from 9.38% to 9.79%, the fundamental price would reach at best €307.18, if the company is not upgraded back to A- till the end of 2025.

Figure 22: MC Simulation



Source: Team Analysis

Figure 23: MC Simulation Statistics

Trials	100,000
75th Percentile	€303.56
Median	€221.31
25th Percentile	€152.02
% Buy	40.00%
% Hold	2.40%
% Sell	57.60%
Default Probability	0.61%

Source: Team Analysis

		WACC Consummer Cyclical Sector					KERING
		8.12%	8.59%	9.06%	9.54%	10.01%	
Terminal Growth Rate	0.00%	257.39	244.37	232.71	222.20	212.67	205.56
	1.00%	293.44	276.47	261.48	248.15	236.21	227.38
	1.50%	315.54	295.91	278.72	263.55	250.06	240.12
	2.00%	341.26	318.30	298.40	280.99	265.63	254.39
	2.25%	355.76	330.82	309.32	290.61	274.17	262.10
	2.50%	371.55	344.36	321.08	300.91	283.28	270.47

Financial Analysis

Key financials (mEUR)	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	13,665	15,884	13,099	17,646	20,351	19,566	17,141	17,400	18,266	20,796	21,527	22,286	23,075
EPS	20.13	16.97	17.20	25.49	29.31	24.37	10.54	9.88	11.36	14.73	16.15	17.74	19.66
EBIT Per Share	32.17	38.98	25.58	40.94	45.58	38.75	20.49	22.19	25.92	34.09	37.98	42.39	47.68
Dividend Payout Ratio	69.55%	82.50%	81.40%	54.92%	47.77%	57.45%	132.84%	141.75%	123.19%	95.02%	86.70%	78.91%	71.19%
Profitability Ratios													
Net Income	2,646	2,166	2,198	3,244	3,715	3,070	1,292	1,211	1,393	1,806	1,979	2,175	2,411
EBITDA	4,433	6,024	4,576	6,472	7,253	6,573	4,223	4,289	4,771	5,916	6,366	6,867	7,459
EBITDA Margin	32.44%	37.92%	34.93%	36.68%	35.64%	33.59%	24.64%	24.65%	26.12%	28.45%	29.57%	30.81%	32.32%
EBIT Margin	28.85%	30.08%	23.94%	28.44%	27.45%	24.28%	14.65%	15.31%	16.78%	19.11%	20.23%	21.47%	22.98%
ROE	26.71%	21.07%	18.59%	24.31%	26.54%	20.18%	5.83%	5.00%	5.27%	6.25%	6.26%	6.30%	6.38%
Leverage Ratios													
Total Debt/EBITDA	0.89	1.56	2.11	1.53	1.64	2.71	4.55	4.90	4.81	4.24	4.31	4.37	4.39
Total Debt/Equity	0.40	0.92	0.82	0.74	0.85	1.17	0.87	0.87	0.87	0.87	0.87	0.87	0.87
Operational Figures													
Net Working Capital	2.27%	10.89%	17.45%	14.76%	16.39%	17.83%	16.61%	16.61%	16.61%	20.01%	20.01%	20.01%	20.01%
Working Capital	310	1,729	2,286	2,604	3,336	3,488	2,700	2,890	3,033	4,161	4,307	4,459	4,617
Capex	828	956	787	934	1,071	2,611	2,100	1,200	1,320	1,452	1,597	1,757	1,933

Source: Factset, Team Analysis

A Slowdown During the Covid Crisis Followed by a Sudden Return to Growth

Kering had an adverse experience during the COVID-19 crisis because of the inability of luxury consumers to move to physical stores, which limited Kering's sales. Provided that 78% of the company's sales are made through its own stores, the company revenues had been falling sharply from €15.9bn. to €13.1bn., which corresponds to a drop of 17.53%. Kering had been able to exploit the opportunity created by the reopening of borders and the end of travel restrictions to recover its growth. Indeed, consumers searched to spend a portion of the extra-savings accumulated during the covid period on the consumption of luxury products. Consequently, the company's revenue grew strongly by 34.62% in 2021 and 15.33% in 2022.

2023, The Onset of Growth Challenges

In 2023, the company experienced a more volatile business environment, with sales rising in the first half of the year but declining in the second half. Thus, the sales incrased by 2.44% in Q1 2023 and 1.69% in Q2 2023 compared to the respective quarters of 2022. Due to a slowdown in luxury consumption in APAC region, and a growth decresing trend in other regions of the world, the sales experienced a drop, on a quarterly basis, of -13.10% and -6.00% in Q3 and Q4 2023, respectively. All in all, the annual sales contracted by -3.86%, the first decrease since the covid crisis.

Mounting Obstacles in the Luxury Sector, in General, and for Gucci, in Particular

Following a difficult 2023, 2024 proved to be an even tougher year for the company. After integrating the financial results reported for the first 3 quarters of 2024, we estimate a contraction in revenues of -12.39% compared to 2023. Such a level, which is even lower than that realized in 2021, removes all of the post-covid growth. This decline is mainly due to the low level of consumption of luxury goods and the effects of inflation on overall consumption. This downward is even stronger for Gucci, which remains the main house of Kering. According to our calculations, Gucci is expected to lose 22.31% of its turnover compared to 2023. We still predict a growth of the sales for Bottega Veneta in 2024 (2.43% according to our estimates), espcially thank to its higher-end positioning.

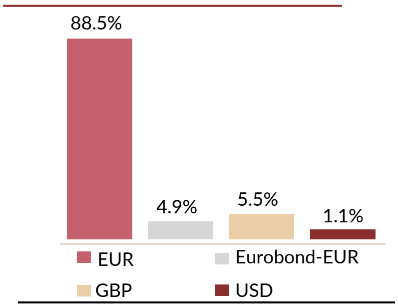
Strong Decline of EBIT Margin and EBIT Level Since 2023

The company recorded a decline in its EBIT margin of 11.55% in 2023, from 27.45% in 2022 to a margin level of 24.28% in 2023. We estimate an even more severe contraction for 2024, with a projected decline of EBIT margin by 39.66%. Compared to 2022, in 2023 the EBIT level decreased by 14.98%. We estimate a further strong decline of EBIT amonting to 47.12% for 2024, knowing that the company struggled to maintain sales volumes during this period of declining consumption.

Steady Growth in Capex

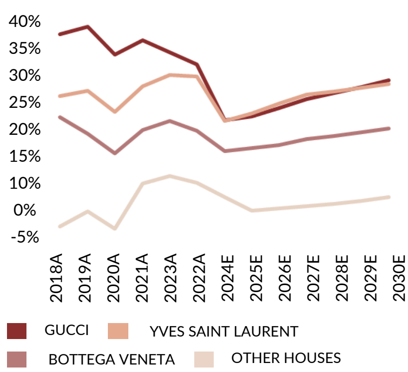
To sustain the strategy of enhancing Kering's brands and supporting its organic growth, the company has regularly increased its Capex, year after year. Capex reached a peak of €2.6bn. in 2023, tied to the renovation of existing stores, new property acquisitions, and the company's overall real estate strategy.

Figure 24: Structure of Long-Term Financial Debt



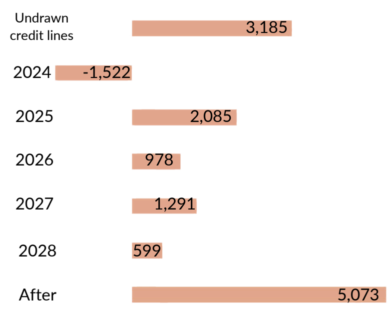
Source: FactSet

Figure 25: EBIT margin



Source: Team Analysis

Figure 26: Breakdown of financial debt by maturity (M€)



Source: Company Fillings, 2023

Financial Analysis

Historical Peer Comparison

Despite some difficulties, Kering remains comparable with its competitors, both from an economic and stock market perspective. Indeed, on a 5-year average, Kering is positioned above the luxury sector average for gross, EBITDA, EBIT and net margins but behind a few emblematic luxury players targeting very high-end customers. In terms of return to investors (ROE and ROIC), it is also above the industry average.

Leverage and Financial Cost

In order to sustain its growth, Kering has issued every year median and long-term senior unsecured bonds (see KERING Long-Term Financial Debt Structure on 16/12/2024 , in Appendix L-1: Kering's Debt Analysis Part I), mostly denominted in EUR. The proceeds raised on the market are used to sustain its external growth, to ensure the development through innovation, required to meet changing demand and attitudes, especially those of the new generation of consumers, who become more and more concerned about the environmental and social impact of their consumption. Because of the debt policy, Kering's leverage ratios are deteriorating, reaching, according to the last reported results, high levels of Debt (4.55 times EBITDA).

Liquidity Performance

In contrast, the current and quick ratios are well below the sector average. Indeed, faced with high levels of debt, its current ratio is lower than almost all of its peers, revealing difficulties in meeting the repayment of its short-term debt using only its current assets (see Figure 28).

ENVIRONNEMENT SOCIAL AND GOVERNANCE

Recently, concerns and efforts related to ESG actions have increased significantly. Kering, long aware of these issues, positions itself as a pillar and leader in its sector regarding ESG. Figure 31 summarizes Kering's environmental, social, and governance performance, while Figure 28 highlights the areas where the company excels. Kering actively engages in United Nations-led initiatives. The 17 Sustainable Development Goals (SDGs), adopted as part of the 2030 Agenda, represent a global call to action. These goals aim to eradicate poverty, safeguard our planet, foster world peace, and ensure prosperity for all of humanity. In line with these initiatives, Kering responds and commits substantially to 13 of the 17 goals. MSCI assesses Kering's degree of alignment with these 17 objectives. The group's strong alignment with 3 goals has earned it an AAA rating in terms of ESG, the highest possible score.

Environmental Pillar

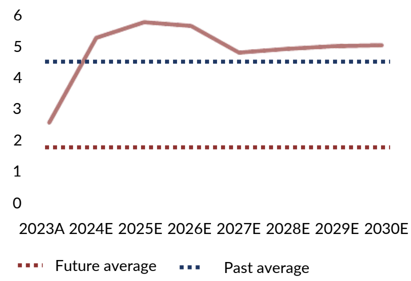
Kering is a leader in environmental protection, which has earned it high scores in this area (Figure 31). Indeed, in 2017, Kering presented its objective to reduce its environmental footprint by 40% by 2025. This goal was achieved in 2021, four years ahead of schedule.

Kering is a company strongly committed to environmental sustainability. For years, it has pioneered innovation and commitment in product production. The company has led several major changes in the industry. For example, in 2022 and since then, no product from the group contains animal fur. But Kering doesn't stop there; it is making every effort to eliminate all hazardous chemicals from the production of all its brands, to find new substitution and recycling technologies (such as the development of new materials like marine leather and Lunaform). It is also committed to installing solar panels to reduce its energy consumption, using chrome and metal-free leather, and eliminating plastic by 2025.

Scopes 1, 2, and 3 (Figure 32): The objective is to reduce Scopes 1 and 2 by 90% between 2015 and 2030, decreasing from 100,635 to 10,063 tCO_2e. For Scope 3, the goal is to reduce GHG emissions by 70% between 2015 and 2030, dropping from 292.6 to 87.8 tCO_2e. (For a more detailed follow-up on the evolution of GHG emissions, refer to Appendix N: CO2 Emissions Scope Reduction Targets).

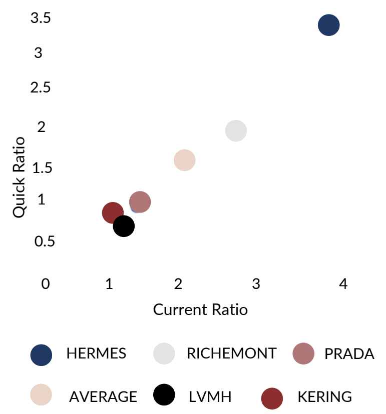
The objective is to become a nature-positive company by 2025. This goal is supported by the group's 100% reliance on renewable electricity sources, among other initiatives. More importantly, it's due to the implementation of programs such as the protection of 1 million hectares of critical and "irreplaceable" habitats outside their supply chain, as well as the establishment of regenerative agriculture practices (regenerating 1 million hectares of farms and rangelands in their supply chain). Regenerative agriculture involves increasing soil carbon capture, protecting and restoring native habitat and biodiversity, eliminating unnecessary harmful chemicals, and enhancing animal welfare.

Figure 27: Debt/EBITDA



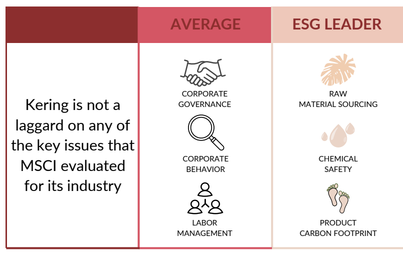
Source: Company Fillings, 2023

Figure 28: Liquidity analysis (5-Year Average)



Source: FactSet Team Analysis

Figure 29: MSCI Evaluation



Source: MSCI

Figure 30: Achievement in ESG

Criteria	Achievement
Environnement	Stop the animal fur
	Elimination of hazardous chemicals for the production
	Development of alternative and recycling products
Social	Many partnerships to support future generations around the world
	Kering Foundation to help women and children victims of violence

Source: Company Fillings, 2023

ENVIRONNEMENT SOCIAL AND GOVERNANCE

In terms of water usage, Kering aims to reduce its consumption by 35% by 2035. Consumption had already been reduced by 7% between 2022 and 2023. Kering has developed a tool to measure and quantify the environmental impacts of its activities: the EP&L. Kering's ambition is to share this innovation with all companies in the luxury sector.

Social Pillar

In terms of social criteria, Kering continues to improve in the social domain through its Collaborate pillar (see Appendix Q: Sustainable Development Strategy). The group's goal is to implement a global strategy with a regional approach to effectively adapt to the different contexts in which its various brands operate. This allows the group to rank among the leaders in the social field, with a score of 76%, compared to an industry average of 34%.

This global strategy is based on several pillars, including the creation of diverse and tailored leadership, contributing to improving workplace equity (social equity), supporting and developing talent, and ensuring a global dialogue with all Kering employees.

To illustrate the group's achievements, for example, Kering obtained a score of 100% in equal pay and gender parity (in line with the goals established by the United Nations).

Some figures: 55% of the members of the Board of Directors are women, 46% in Kering's Executive Committee, and 57% of managers are women (Figure 34). Kering also aims to create a healthy working environment for all its employees by constructing LEED-certified buildings to improve living conditions not only for its employees but also for its various suppliers.

To ensure the successful achievement of these goals, Kering has implemented various measures, including "Sustainability Reviews" in direct collaboration with the CEO of each brand. The goal is to assess objectives related to working conditions throughout the production and the supply chain. Finally, the group has also implemented a performance-based remuneration system for its executives, linked to the achievement of social and other non-financial objectives.

Regarding talent development, Kering is committed to offering training and internal mobility programs to support this initiative.

Aware of its responsibility to future generations, Kering has implemented numerous initiatives, including partnerships with design schools, business schools, and universities worldwide. Besides, for over 15 years, through the Kering Foundation, it has been committed to fighting violence against children and women; One in three women are victims of violence. This phenomenon affects all social classes and age groups.

Governance Pillar

The Board of Directors is composed of 13 members, including 7 independent directors, 3 non-independent directors, 2 employee representatives, and François-Henri Pinault, CEO of Kering. The proportion of women on the board is 55% in 2024 in accordance with the Copé-Zimmermann law, which requires a rate higher than 40%. This structure demonstrates Kering's commitment to tackling social issues (see Appendix P: Board of Directors).

The group also has specialized committees, such as the governance, risk, audit, and sustainability committees. The Sustainability Committee supports the implementation of Kering's sustainability strategy (Figure 35). The sustainability department, composed of 20 specialists, is responsible for defining this strategy and its policies. The director of this department is a member of the Executive Committee to enhance the influence of the strategy.

Regarding executive remuneration (Figure 36), it consists of 16% of fixed pay and 24% of short-term variable pay. The short-term variable pay is determined by three non-financial criteria: GHG emissions with defined scopes, the gender pay gap, and succession planning. Besides, part of the remuneration is linked to a long-term variable component of 60%, which incorporates climate-related criteria alongside biodiversity. This structure aligns shareholder interests with Kering's sustainable objectives, as 84% of the total remuneration is performance-based, incorporating both financial and non-financial metrics.

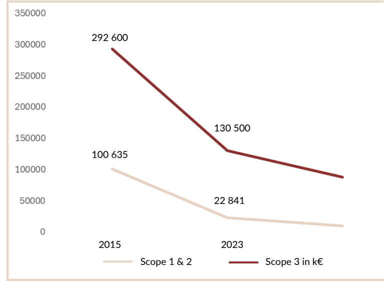
Finally, in terms of diversity and inclusion, the group is committed to promoting diversity within its Board of Directors and committees by ensuring gender balance and a good diversity of profiles, including age, nationality, and professional experiences.

Figure 31: Score ESG by various agencies

Source of data	Overall Score	Env.	Soc.	Gov.
Standard & Poor's	83	94	76	76
Morningstar	12.4/40+			
LSEG	77	99	86	56
MSCI	AAA			
FACTSET	67	70	59.5	34

Source: Standard & Poor's, Morningstar, LSEG, MSCI, FactSet

Figure 32: Evolution of GHG reduction

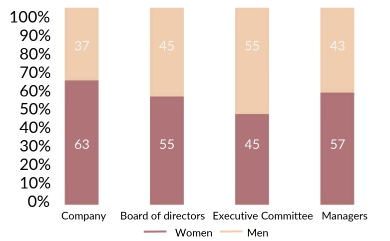


Source: Company Filings, 2023

Figure 33: ESG Score By Segment

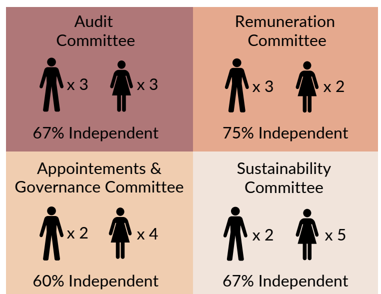
Source: Standard & Poor's, LSEG, FactSet

Figure 34: Gender distribution



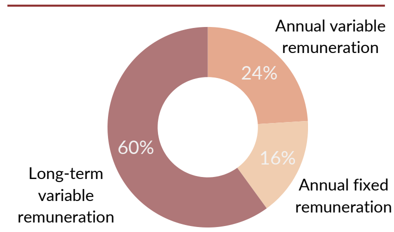
Source: Company Filings, 2023

Figure 35: Board committees



Source: Company Filings, 2023

Figure 36: Executive compensation



Source: Company Filings, 2023

Investment Risks

Market Risk (MR1) | Foreign Exchange Rate

Fluctuations in exchange rates between currencies have a huge impact on luxury consumption, especially in Japan. For example, there is an influx of consumers from the entire Asian region, especially Chinese customers who come directly to take advantage of the yen's weakness to resell products at higher prices in China. This phenomenon has decreased sharply with the rise of the yen thus limiting the excess purchases of products on Japan. This phenomenon, known as Daigou, can also occur in various regions of the world with notably Euro against the Dollar which can shake consumers' choices during the summer periods.

Market Risk (MR2) | A Potential Slowdown in Consumption

Our analysis of Kering is strongly based on a gradual recovery in consumption starting in 2025, followed by a return to normal in 2026. It is therefore important to note that a weak recovery in luxury consumption is expected in 2025, particularly in China. Successive stimulus plans have failed to satisfy financial markets. China struggles to meet its 5% growth target, and the recovery of domestic consumption remains a significant challenge. The luxury sector must find solutions to reignite enthusiasm for upcoming collections in the region.

Market Risk (MR3) | Interest Rate Risk

Geopolitical tensions in the Middle East, the war in Ukraine, and potential tariff increases from the U.S. could reignite inflationary cycles. The reception of U.S. economic policies in the first half of 2025 will be pivotal in determining their impact on raw material costs. The expectations of lower key rates for 2025 have also been revised downwards due to this potential risk of a second wave of inflation that could happen in 2025 with the arrival of Donald Trump at the head of the United States. This leads to a higher neutral rate target, which could push back investment projects to benefit from lower rates for borrowing and thus penalize the recovery of the luxury sector.

Industry Risk (IR1) | Global Competition Risk

Kering faces the risk of progressively losing market share. Customer loyalty is a long term process, and the company may encounter consumer defiance if it fails to maintain its competitive edge.

Industry Risk (IR2) | Brand Image and Reception of New Collections

Risks are associated with the brand's image and how new collections are received. Poor reception could adversely impact the company's market performance. Gucci's ability to satisfy consumers on its new collections under Sabato De Sarno will also have a huge impact on Kering's performance in the sector. The company is indeed playing its reputation on the next collections, so customers are highly awaiting a reaction from the flagship house of Kering.

Operational Risk (OR1) | Revenue Concentration in Leather Goods

Kering's revenue is heavily concentrated on three flagship brands—Gucci (50.46%), Saint Laurent (16.25%), and Bottega Veneta (8.41%). These brands share a common characteristic: a strong reliance on the leather goods segment, which constitutes 53%, 71%, and 77% of their respective revenues. This dependence creates significant risks if market conditions change.

Operational Risk (OR2) | Risks Related to Gucci's Contribution to Overall Results

Gucci has been experiencing significant consumer hesitancy for over a year. This hesitancy was evident again in the reception of its latest collection, which failed to generate enough enthusiasm to boost the brand's sales. As Gucci accounts for 50% of Kering's revenue, its new elevation strategy is critical to the company's market positioning and efforts to capture more market share.

Operational Risk (OR3) | Changing Customer Expectations and the Speed of Adaptation

Adapting quickly to evolving customer demands remains a significant operational challenge. The company must remain agile and innovative to meet these shifting expectations effectively.

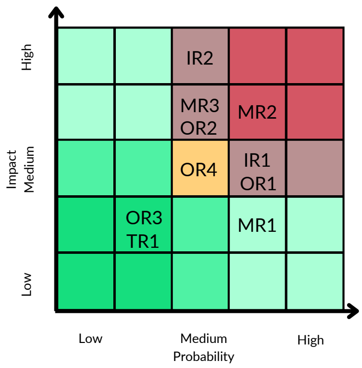
Operational Risk (OR4) | Ability to Continue to Increase Prices

The company must face a steady increase in competitive prices in an environment of risk of inflation and thus of rising production costs. As the company is repositioning its brands, too high prices can be a brake for consumers during this transition period while they reach the new segment of higher-end customers.

Taxation Risk (TR1) | The Risks of a General Tax Hike

Although Kering is not directly exposed to possible tax increases in France, the risk of a tax increase remains for some other key countries where Kering operates.

Figure 37: Risk mitigation



Source: Team Analysis

Figure 38: Risk mitigation

Risk	Mitigating Factor
MARKET RISK	
Foreign exchange rate	Daigou phenomenon
	Euro against Dollar
A Potential Slowdown in Consumption	Challenge on the recovery of Chinese consumption
	Consumer confidence
Interest Rate Risk	Risk of a return of a hawkish wave
	Risk of inflation return
INDUSTRY RISK	
Global Competition Risk	Consumer loyalty
Brand Image and Reception of New Collections	Reputational risk
	Risk related to artistic vision
OPERATIONNAL RISK	
Revenue Concentration in Leather Goods	Dependence on sources of income
Risks Related to Gucci's Contribution to Overall Results	Reliance on Gucci sales
	Risk to capacity related to the elevation of Gucci
Changing Customer Expectations and the Speed of Adaptation	Responsiveness and adaptability of kering to changes
Ability to continue to increase prices	Ability to pass on costs to consumers
TAXATION RISK	
The risks of a general tax hike	Risk of a generalized tax increase to finance public deficits

Source: Team Analysis

List of Appendices

Appendix A: Glossary

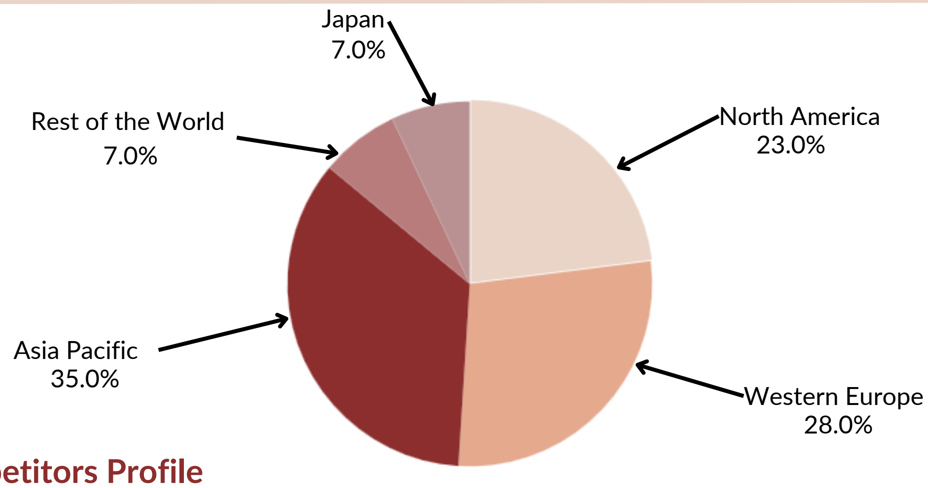
Acronym	Definition	Acronym	Definition
APAC	Asia Pacific	EV	Entreprise Value
AR	Abnormal Return	FCFF	Free Cash Flow to the firm
CAGR	Compound annual growth rate	GHG	Green House Gas
CAPM	Capital Asset Pricing Model	LEED	Leadership in Energy and Environmental Design
CAR	Cumulative Abnormal Return	M	Million
CEO	Chief Executive Officer	MC	Monte Carlo
EBIT	Earnings Before Interest and Taxes	P/E	Price Earning
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	P/B	Price to Book
		ROE	Return on Equity
ECB	European Central Bank	ROIC	Return on Invested Capital
EP&L	Environmental Profit & Loss	SDG	Sustainable Development Goals
EPS	Earnings Per Share	WACC	Weighted average cost of capital
ESG	Environment Social and Governance	Y	Year

Appendix B-1: Kering and Its Houses

KERING

GUCCI · Brioni · Pomellato · BOTTEGA VENETA · KERING EYEWEAR · KERING BEAUTÉ · McQUEEN · qeelin · GINORI 1735 · SAINT LAURENT · BALENCIAGA · BOUCHERON PARIS · DoDo CHARMING JEWELRY

Appendix B-2: Kering's Geographic Segmentation



Appendix C-1: Competitors Profile

LVMH	• **Main Activity:** Global leader in luxury goods with more than 75 prestigious brands. • **Sectors**: Fashion and leather goods (Louis Vuitton, Dior, Fendi), wines and spirits (Moët & Chandon, Hennessy), perfumes and cosmetics (Guerlain, Parfums Christian Dior), watches and jewelry (Bulgari, TAG Heuer), distribution (Sephora). • **Strengths**: Integrated model combining creativity, craftsmanship, and innovation. Strong global presence, particularly in Asia and the United States. • **Ranking**: World No. 1 with a market capitalization of $459 billion (2024). • LVMH stands out with its integrated model, combining creativity, artisanal expertise, and value chain control. The group emphasizes innovation, the cultural heritage of its brands, and a strong global footprint, particularly in Asia and the United States. • LVMH embodies luxury excellence through its exclusive products and global influence.
PRADA MILANO	• **Main Activity**: Italian luxury house known for its avant-garde and elegant style. • **Sectors**: Fashion and ready-to-wear, leather goods (bags, leather accessories), shoes, perfumes (Prada Candy, Luna Rossa), eyewear. • **Strengths**: Innovative design, minimalism, and a cultural strategy (Prada Foundation). • **Ranking**: World No. 7 with a market capitalization of $19.5 billion (2024). • Prada stands out with its avant-garde approach, combining technological innovation and classic aesthetics. The house also relies on a communication strategy centered on art and culture, with initiatives like the Prada Foundation dedicated to contemporary art. Prada embodies modern and timeless luxury, blending creativity, elegance, and innovation.
RICHEMONT	• **Main Activity** : Swiss group specializing in luxury jewelry and watchmaking. • **Sectors** : Jewelry (Cartier, Van Cleef & Arpels), watches (Jaeger-LeCoultre, Vacheron Constantin, IWC Schaffhausen), writing instruments (Montblanc), fashion (Chloé, Alaïa). • **Strengths** : Artisanal expertise, timeless design, strong presence in ultra-luxury segments. • **Ranking** : World No. 3 with a market capitalization of $90.2 billion (2024). • Richemont stands out for its commitment to exceptional craftsmanship, timeless design, and its strategy to preserve the heritage of its historic maisons. Richemont is a major player in luxury, known for its expertise in jewelry and watchmaking, with a prestigious portfolio of brands and a strong global presence.
HERMÈS PARIS	• **Main Activity:** Iconic French house specializing in luxury craftsmanship. • **Sectors:** Leather goods (Kelly, Birkin bags), ready-to-wear, perfumes (Terre d'Hermès, Twilly), watches and jewelry, lifestyle goods (tableware, furniture). • **Strengths:** Handcrafted production in France, focus on exceptional materials and family heritage. • **Ranking:** World No. 2 with a market capitalization of $273 billion (2024). • Hermès is renowned for its artisanal expertise, with most of its products handmade in France. The company emphasizes exceptional materials, limited production, and strict control over its creative process. Hermès embodies timeless luxury, discreet elegance, and artisanal excellence, with a strong commitment to quality and authenticity.

Appedix C-2: Historical Peer Comparison

Peer comparison	2019A	2020A	2021A	2022A	2023A	5-Year Average
Gross Margin (%)						
KERING	74.13	72.59	74.06	74.68	76.29	74.35
LVMH	66.20	64.40	68.29	68.44	68.80	67.23
HERMES	63.22	61.17	65.58	66.03	67.80	64.76
RICHEMONT	59.78	57.42	65.14	67.97	68.09	63.68
PRADA	51.15	46.06	57.77	63.59	66.60	57.03
Sector average	62.90	60.33	66.17	68.14	69.52	65.41
EBITDA Margin (%)						
KERING	37.92	34.92	36.67	35.65	33.57	35.75
LVMH	29.69	29.31	34.55	33.63	33.38	32.11
HERMES	40.84	40.15	46.26	47.26	47.75	44.45
RICHEMONT	21.54	21.35	31.95	32.72	30.87	27.69
PRADA	30.90	34.20	34.20	35.95	37.37	30.10
Sector average	32.18	31.56	36.73	37.04	36.59	34.82
EBIT Margin (%)						
KERING	30.08	23.93	28.43	27.46	24.26	26.83
LVMH	21.35	18.64	26.67	26.54	26.46	23.93
HERMES	34.39	32.18	40.01	42.03	42.79	38.28
RICHEMONT	12.46	9.42	22.40	24.78	24.06	18.62
PRADA	9.86	5.34	15.66	20.18	23.06	14.82
Sector average	21.63	17.90	26.64	28.20	28.12	24.50
Net Margin (%)						
KERING	13.64	16.49	17.93	17.75	15.25	16.21
LVMH	13.36	10.53	18.74	17.79	17.61	15.61
HERMES	22.20	21.68	27.23	29.02	32.11	26.45
RICHEMONT	8.14	6.01	15.81	18.04	18.98	13.40
PRADA	7.93	-2.23	8.74	11.07	14.20	7.94
Sector average	13.05	10.50	17.69	18.73	19.63	15.92

Peer comparison	2019A	2020A	2021A	2022A	2023A	5-Year Average
Return on equity (%)						
KERING	21.47	19.55	25.15	26.43	20.42	22.60
LVMH	20.82	12.71	28.48	27.55	26.13	23.14
HERMES	25.39	19.86	29.15	30.83	31.19	27.28
RICHEMONT	7.03	4.44	14.14	18.34	20.26	12.84
PRADA	8.68	-1.81	9.93	13.52	18.25	9.71
Sector average	16.68	10.95	21.37	23.33	23.25	19.12
Return on invested capital (%)						
KERING	14.41	11.94	16.09	16.84	11.36	14.13
LVMH	15.87	8.23	18.06	18.85	18.47	15.90
HERMES	21.94	16.96	24.71	26.87	27.75	23.65
RICHEMONT	5.3	3.05	9.47	12.37	13.63	8.76
PRADA	5.7	-1	5.75	8.23	11.66	6.07
Sector average	12.64	7.84	14.82	16.63	16.57	13.70
Current ratio						
KERING	0.93	1.34	1.31	1.37	1.38	1.27
LVMH	1.17	1.58	1.23	1.26	1.32	1.31
HERMES	3.01	3.62	3.43	3.94	4.40	3.68
RICHEMONT	2.70	2.73	2.46	2.47	2.56	2.58
PRADA	1.38	1.35	1.53	1.63	1.49	1.48
Sector average	1.84	2.12	1.99	2.13	2.23	2.06
Quick ratio						
KERING	0.56	0.92	0.92	0.85	0.86	0.82
LVMH	0.55	1.06	0.62	0.60	0.62	0.69
HERMES	2.45	2.92	2.87	3.35	3.64	3.05
RICHEMONT	1.65	1.88	1.74	1.89	1.91	1.81
PRADA	0.80	0.80	1.06	1.11	0.95	0.94
Sector average	1.20	1.52	1.44	1.56	1.60	1.46

Source: Factset

Appendix D: Key Acquisitions

Acquisition	Description	Study of event
LINDBERG	Acquisition of 100% of Lindberg in Sept. 2021 to diversify and expand Kering's brand portfolio. Lindberg is known for its high quality glasses and innovative designs. This acquisition has allowed us to expand the presence of Kering in the optics sector, responding to a growing demand for luxury glasses.	AR0 : Value: 0.10%; T-stat: 0.08 CAR[-1;+1]: Value: 0.97%; T-stat: 0.42 CAR[0;+10]: Value: 0.67%; T-stat: 0.15 CAR[-10;+10]: Value: -0.77%; T-stat: -0.13 As T-stat <1.96, the accquisition has not a significant impact the stock price on short-term
Maui Jim	Acquisition of 100% of Maui Jim in March 2022 to diversify and expand Kering's brand portfolio. Maui Jim is known for the high quality of his sunglasses. This acquisition completes the portfolio in the optics sector and the latest acquisitions.This acquisition also strengthens Kering's presence in North America and takes advantage of polarized lens technologies and UV protection innovations.	AR0 : Value: 1.00%; T-stat: 0.85 CAR[-1;+1]: Value: 1.65%; T-stat: 0.81 CAR[0;+10]: Value: 6.97%; T-stat: 1.79 CAR[-10;+10]: Value: 8.75%; T-stat: 1.62 As T-stat <1.96, the accquisition has not a significant impact the stock price on short-term
CREED 1760	The acquisition of Creed in June 2023, a high-end fragrance brand, also allowed the Group to gain in scale and lay the foundations for a significant growth platform in this area.	AR0 : Value: -0.07%; T-stat: -0.05 CAR[-1;+1]: Value: 2.72%; T-stat: 1.00 CAR[0;+10]: Value: 0.14%; T-stat: 0.03 CAR[-10;+10] : Value: 3.74%; T-stat: 0.52 As T-stat <1.96, the accquisition has not a significant impact the stock price on short-term
V VALENTINO	Acquisition of a 30% stake in Valentino in July 2023. Valention is an iconic Italian haute couture brand, synonymous with beauty and elegance. Kering keeps the opportunity to take full control of Valentino by 2028, consolidating thus its position in the world of fashion and leather goods.	AR0: Value: 1.36% ; T-stat: 0.87 CAR[-1;+1]: Value: 3.00%; T-stat: 1.09 CAR[0;+10]: Value: -3.81%; T-stat: -0.72 CAR[-10;+10]: Value: -3.58%; T-stat: -0.49 As T-stat <1.96, the accquisition has not a significant impact the stock price on short-term

Appendix E: SWOT Analysis

S

- Innovation, autonomy, and creativity of its houses with highly diversified revenue streams
- A brand owning renowned houses well-established in the luxury sector for several years, with a strong international presence
- Commitment to the environment, women, and children, as well as strong diversity within its executive committee
- Sustainability of the materials used
- Strong commitment to sustainable development with its EP&L and its initiative to reduce CO_2 emissions

W

- Dependence and reliance on certain major brands (Gucci, Yves Saint Laurent, Bottega Veneta) for revenue generation
- High exposure to the leather goods sector
- Vulnerability to economic crises and inflation, which can alter and reduce customer consumption as the products are non-essential
- Significant exposure to the Asian market, especially the Chinese market
- High production costs, rent, and strategic location expenses, which are expensive

O

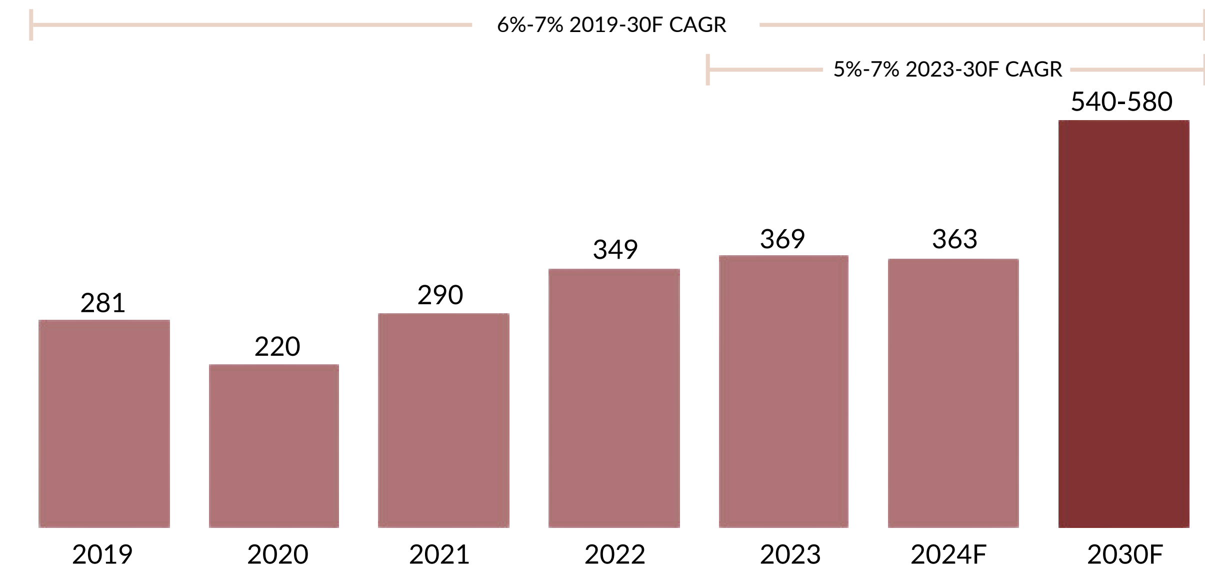
- Recovery of Chinese tourism and consumption
- Expansion into emerging markets
- Second-hand market.
- Acquisition of 100% of Valentino by 2028
- Development of the eyewear segment
- Growing need for experiential luxury product shopping in retail stores

T

- Competition from other major luxury players: competition for market share
- Changing customer demographics with the arrival of new generations, bringing new expectations that evolve over time
- U.S. elections and the policies to be implemented regarding customs duties
- Geopolitical and macroeconomic risks (inflation, monetary policies) that may influence raw material price levels

Appendix F: Luxury Sector Overview

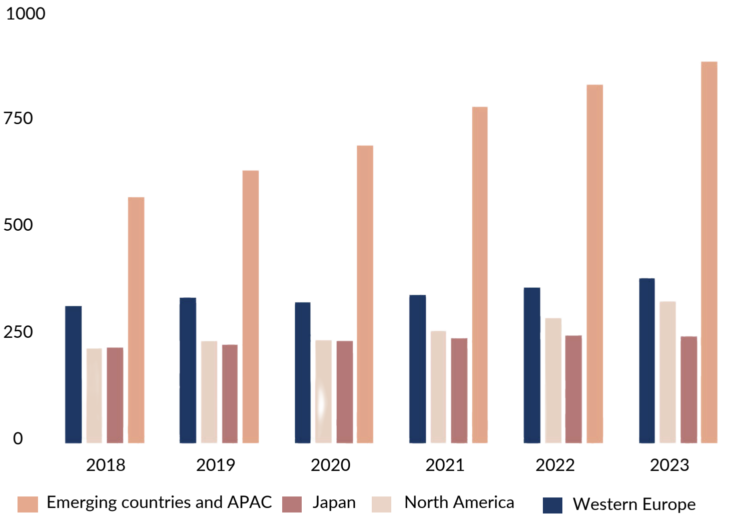
The luxury sector indeed experienced a significant recovery in 2023, reaching a record revenue of 1.5 trillion euros. This increase compared to 2022 demonstrates notable resilience despite the challenges posed by the COVID-19 pandemic. The most dynamic segments, particularly luxury cars, luxury hospitality, and personal luxury goods, continue to dominate the market, accounting for 80% of total revenue. Kering, in particular, is positioned in the personal luxury goods segment, which saw a 4% increase compared to the previous year, reaching €363bn. This underscores the strength of demand for luxury brands, despite the sector being heavily impacted by pandemic-related restrictions, especially in terms of sales and spending by travelers. The recovery of luxury tourist shopping in 2023, almost to pre-pandemic levels, is an encouraging sign. However, it is important to note that the sector remains vulnerable to various external factors. For instance, growth in Japan was driven by a weak yen, making luxury goods more accessible to both local and foreign consumers. In Asia, strong domestic demand, combined with an influx of Chinese tourists, also contributed to market growth. In contrast, the Americas experienced a slowdown due to economic uncertainty, which led consumers to reduce their spending. In Europe, the luxury sector continued to benefit from a gradual recovery in tourism, although macroeconomic instability affected local demand. In summary, while the luxury sector shows signs of recovery and growth in several regions, it must navigate through a series of economic and geopolitical challenges that may influence consumer demand and purchasing behavior.



Source: Bain & Company

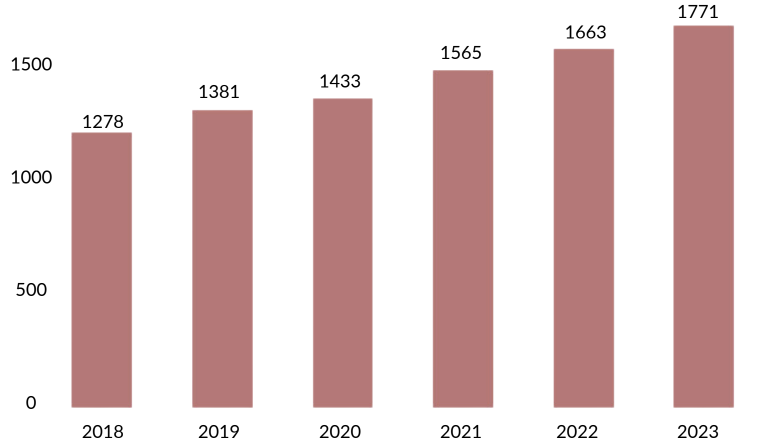
Appendix G: Organic Growth Strategy

Appendix G-1: Evolution of the number of stores by region



Kering is active worldwide and sells internationally, which make it own stores to cover a large sales area. Between 2018 and 2023, the number of stores had increased across all areas. It worth mentioning a very high dependency and exposure to the APAC area that could impact Kering's sales in case of difficulties in this geographical area.

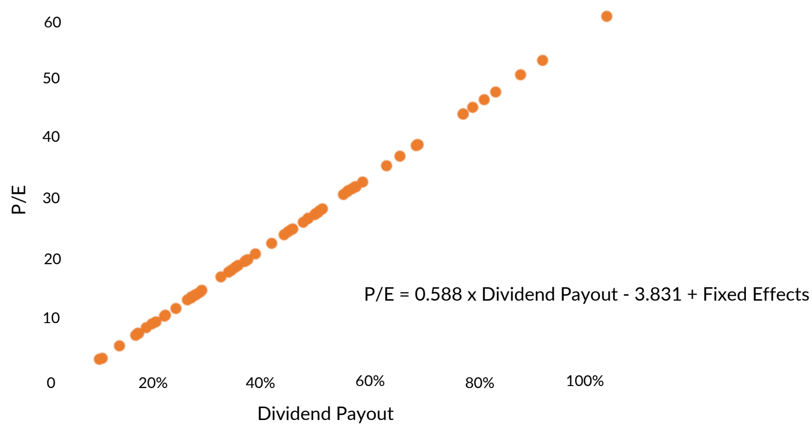
Appendix G-2: Evolution of the number of stores



In recent years, Kering has continued to expand to gain new market shares and maintain its presence alongside its competitors. This is why over the years the number of store openings have been increasing, bringing the number of stores in 2023 to 1,771. This increase in the number of stores also meets Kering's desire to focus on retail by providing the best customer experience and service.

Appendix H-1: Data Panel Regression

	Ticker	P/E
ESSOLOR LUXXOTICA	XPAR:EL	29.34
KERING	XPAR:KER	26.56
PRADA	1913:HK	26.37
MONCLER	XMIL:MONC	26.27
RICHEMONT	XSWX:CFR	25.05
LVMH	XPAR:MC	23.81
HERMES	XPAR:RMS	19.29
PUMA	XETR:PUM	17.29
PANDORA	PNDORA.CO	17.78
BURBERRY GROUP	LSE:BRBY	30.48



Appendix H-2: Valuation Support: Scenarios Analysis

Bull Case

Target Price	
Sum of DCFW explicit period (BV)	13,786
Discounted terminal value (MV)	31,891
CFWF	45,677
Cash and cash equivalents	4,406
Value of firm	50,083
Net debt	13,899
Value of the firm for shareholders	36,184
Minorities	732
Equity value	35,452
Number of oustanding shares	122,581,517
DCF price	289.21
Actual price	238.25
Capital gain	21.39%

Base Case

Target Price	
Sum of DCFW explicit period (BV)	13,157
Discounted terminal value (MV)	29,681
CFWF	42,838
Cash and cash equivalents	3,922
Value of firm	46,760
Net debt	13,899
Value of the firm for shareholders	32,861
Minorities	732
Equity value	32,129
Number of oustanding shares	122,581,517
DCF price	262.10
Actual price	238.25
Capital gain	10.01%

Bear Case

Target Price	
Sum of DCFW explicit period (BV)	11,814
Discounted terminal value (MV)	25,980
CFWF	37,794
Cash and cash equivalents	3,222
Value of firm	41,016
Net debt	13,899
Value of the firm for shareholders	27,117
Minorities	732
Equity value	26,385
Number of oustanding shares	122,581,517
DCF price	215.24
Actual price	238.25
Capital gain	-9.65%

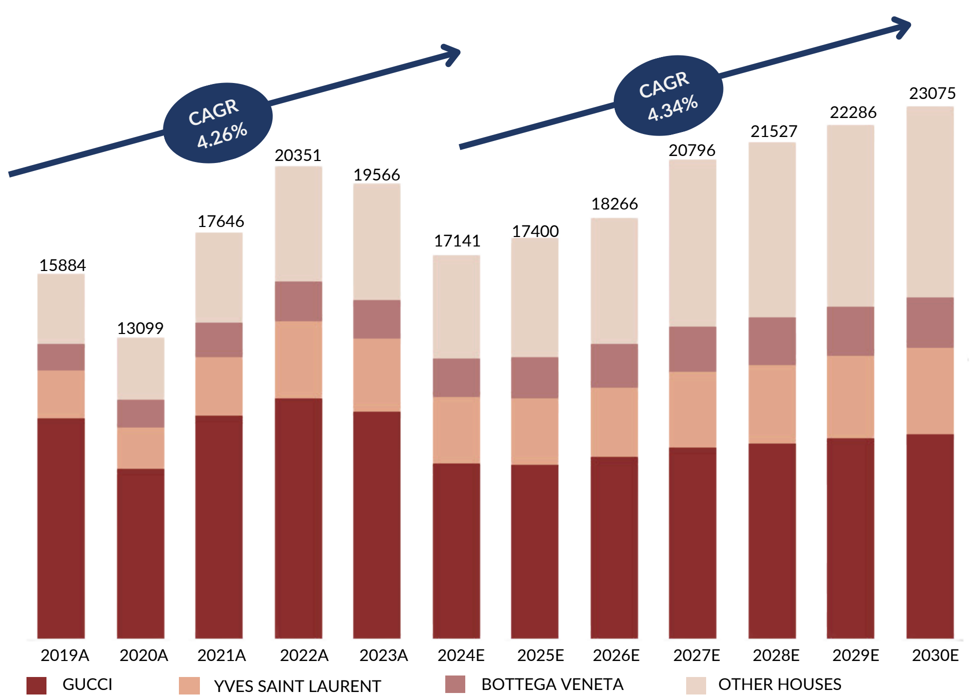
Source: Team Analysis

Appendix H-3: Valuation Support: Discounted Cash Flow Model

Discounted Cash Flow (m€)	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
GUCCI	8,285	9,628	7,441	9,731	10,487	9,873	7,670	7,593	7,935	8,332	8,523	8,719	8,920
YVES SAINT LAURENT	1,744	2,049	1,744	2,521	3,300	3,179	2,836	2,893	3,017	3,258	3,405	3,558	3,718
BOTTEGA VENETA	1,109	1,168	1,210	1,503	1,740	1,645	1,685	1,769	1,870	1,967	2,046	2,128	2,213
OTHER HOUSES	2,109	2,538	2,281	3,265	3,874	3,514	3,150	3,213	3,374	3,600	3,798	4,007	4,227
KERING EYEWEAR & CORPORATE	419	501	424	626	1,139	1,568	1,800	1,931	2,070	2,122	2,182	2,243	2,306
CONSOLIDATION VALENTINO						1,349	1,349	1,369	1,438	1,517	1,573	1,631	1,691
Revenue Total	13,665	15,884	13,099	17,646	20,351	19,566	17,141	17,400	18,266	20,796	21,527	22,286	23,075
Growth rate (%)		16.24%	-17.53%	34.71%	15.33%	-3.86%	-12.39%	1.51%	4.98%	13.85%	3.51%	3.53%	3.54%
GUCCI	3,275	3,947	2,615	3,715	3,732	3,264	1,625	1,674	1,891	2,137	2,298	2,470	2,655
YVES SAINT LAURENT	459	562	400	715	1,019	969	596	656	747	867	932	1,002	1,077
BOTTEGA VENETA	242	215	172	287	366	312	248	270	297	337	366	397	431
OTHER HOUSES	214	318	181	460	558	212	20	35	77	139	215	333	516
KERING EYEWEAR & CORPORATE	-247	-264	-232	-158	-88	7	23	29	52	114	142	157	172
CONSOLIDATION VALENTINO						310	270	300	330	379	402	426	452
EBIT	3,943	4,778	3,136	5,019	5,587	4,750	2,512	2,663	3,065	3,973	4,355	4,785	5,303
Growth rate (%)		21.18%	-34.37%	60.04%	11.32%	-14.98%	-47.12%	6.03%	15.07%	29.64%	9.60%	9.87%	10.84%
Cash flow to the firm													
EBIT	3,943	4,778	3,136	5,019	5,587	4,750	2,512	2,663	3,065	3,973	4,355	4,785	5,303
Pretax income	3,514	4,300	2,957	4,524	5,135	4,233	1,827	1,937	2,229	2,890	3,167	3,480	3,857
Tax rate	24.70%	49.63%	25.67%	28.29%	27.65%	27.47%	27.27%	27.27%	27.27%	27.27%	27.27%	27.27%	27.27%
Tax	868	2,134	759	1,280	1,420	1,163	535	726	836	1,084	1,188	1,305	1,446
Depreciation	490	1,246	1,440	1,453	1,666	1,823	1,711	1,626	1,707	1,943	2,011	2,082	2,156
Investments	828	956	787	934	1,071	2,611	2,100	1,200	1,320	1,452	1,597	1,757	1,933
Working Capital	310	1,729	2,286	2,604	3,336	3,488	2,700	2,890	3,033	4,161	4,307	4,459	4,617
Cash flow to the firm	2,420	2,864	1,915	3,254	4,459	1,873	344	2,173	2,472	2,253	3,435	3,653	3,922

Source: Team Analysis

Appendix I: Compound Annual Growth Rate (CAGR)



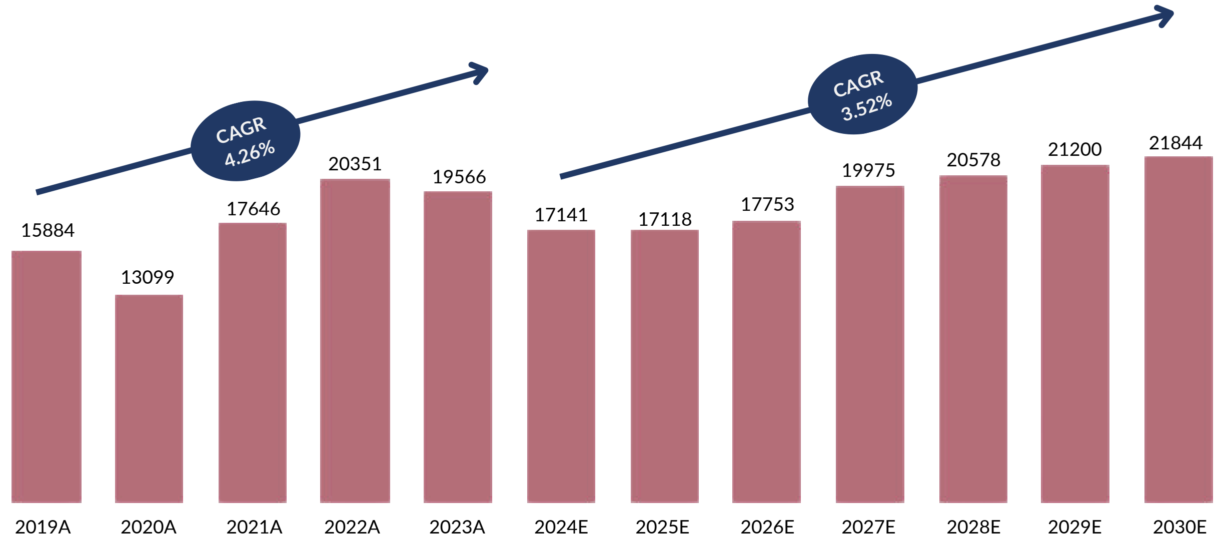
Source: Team Analysis

According to our analysis, Kering has experienced steady growth and maintained its market share in the luxury sector during the period 2019-2023. The strong slowdown observed in 2024 coincides with the difficulties of the entire sector, the macroeconomic difficulties related to the level of inflation, high policy rates and the crisis of consumer confidence in China, reflected by a weak recovery in consumption. We anticipate a gradual return to an environment conducive to the consumption of luxury goods and growth close to the levels observed between 2019 and 2023 for Kering. Growth rate will still be lower than that of the luxury goods sector.

Appendix J: Reverse DCF

We conducte a reverse DCF to measure the growth rate expected by financial markets for Kering. In order to get the current price level on the market, we adjusted Kering's revenues to find the right growth rate starting from our Base Case Scenario. As a result, we find out a slower market growth rate and EBIT margin than those used in our analysis. We believe that the current market discount will gradually decrease to move towards our growth rate that better reflects the potential of the company.

Results of the Reverse DCF

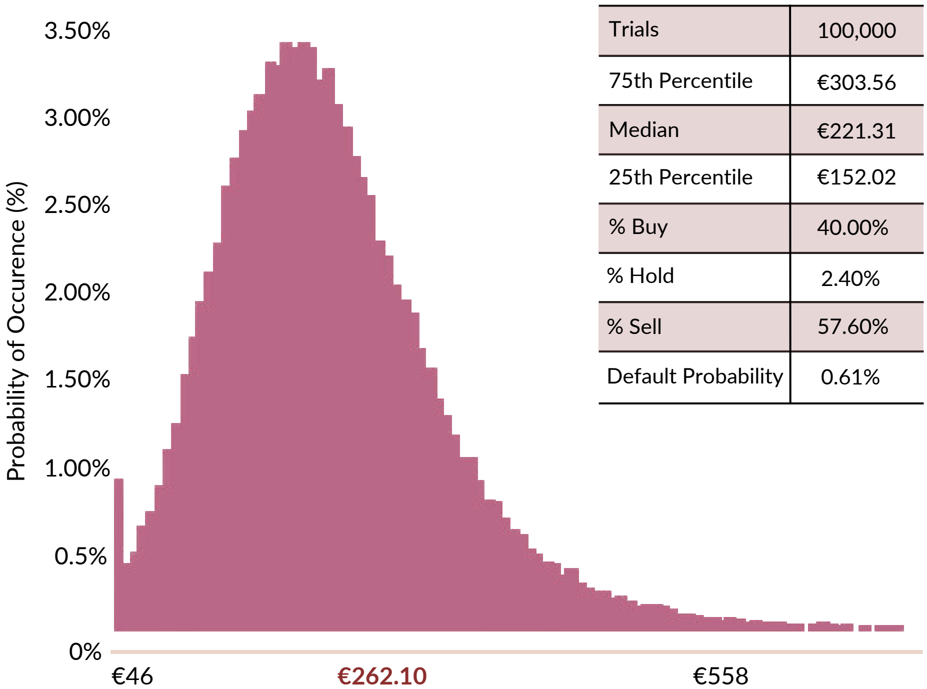


Source: Team Analysis

Scenarios	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
%Ebit Margin Base Case	30.08%	23.94%	28.44%	27.45%	24.28%	14.65%	**15.31%**	**16.78%**	**19.11%**	**20.23%**	**21.47%**	**22.98%**
%Ebit Margin Reverse DCF	30.08%	23.94%	28.44%	27.45%	24.28%	14.65%	**15.27%**	**16.64%**	**18.55%**	**19.57%**	**20.71%**	**22.05%**

Source: Team Analysis

Appendix K: Monte Carlo Simulation



MC Simulation Statistics

Trials	100,000
75th Percentile	€303.56
Median	€221.31
25th Percentile	€152.02
% Buy	40.00%
% Hold	2.40%
% Sell	57.60%
Default Probability	0.61%

Source: Team Analysis

Revenues : Normal distribution with the exepected mean equal to 3.5%.

Ebit Margin : Normal distribution with the exepected mean equal to 18%.

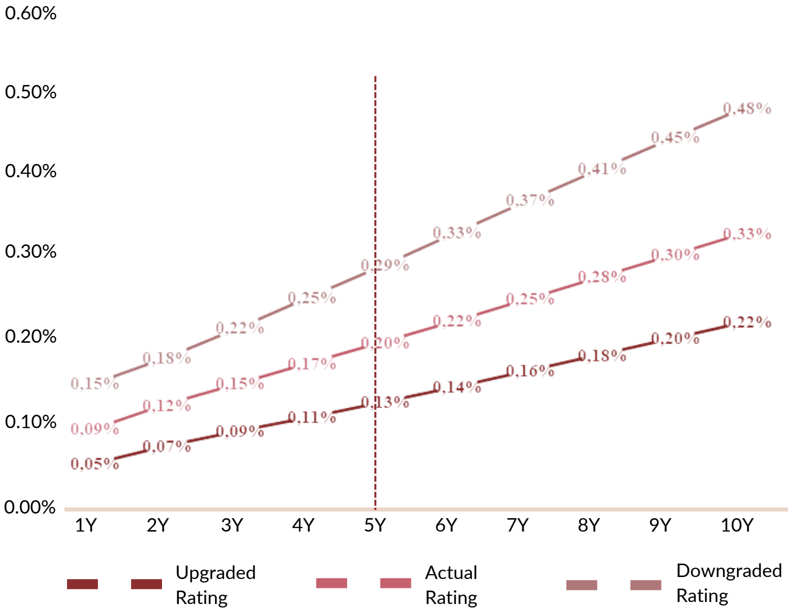
Investments : Uniform distribution between €800m and €2,000m reflecting the average value performed M&A Deals and addressing the acquistion of Valentino in the next 3 years.

Equity Beta : Uniform distribution between 0.800 and 1.750 based on the CAPM on various market indices and the the value capped at 85 percentile of the series of 3Y-Equity β of companies from Consummer Cyclical Sector.

Debt Beta : Uniform distribution: (1) between 0.01 and 0.12 for the explicit growth period, based on the team estimates for 5Y Tenor ; (2) between 0.050 and 0.430 for the terminal value period, based on the team estimates for tenors between 1Y and 10Y. The intervals take into account the change of the credit rating between BBB and AA- for the EUR-denominated debt issued by companies from Consumer Cyclical Sector at two dates: June 30 and December 16, 2004.

Debt Weight : (1) Uniform distribution between 35.0% and 47.0%, with an adjustment upward to 50.0%-70.0% in order to address a higher leverage when annual FCFF would be negative, for the explicit growth period; (2) Triangular distribution with the most likely value set at 30.0%, for the terminal value period, reflecting the levarage of stable firms.

Appendix L-1: Kering’s Debt Analysis Part I



Source: Team Analysis

Structure of Long-Term Financial Debt

Denomination	EUR	Eurobond-EUR	GBP	USD
Outstanding Amount	15,400.0m€	850.0m€	961.2m€	190.4m€
Mean Tenor at Issue	~7.6y	~13.3y	~6.0y	~5.0y
Mean Remaining Maturity	~4.5y	~2.2.y	~4.9y	~2.4y
Z Spread Range	93.9 bps	46-50 bps	158-185 bps	180-220 bps
No Arbitrage YTM	2.90%	3.37%	5.91%	6.20%
Debt Weight	88.5%	4.9%	5.5%	1.1%
Weighted Debt Maturity	~5.0y			
Weighted YTM	3.129%			
Default-Adjusted YTM	3.043%			
Marginal Tax Rate	27.27%			
Debt Market Premium	6.966%			
Debt β	**0.114**			

Obs. The statistics are compunded with respect to December 16, 2024

Squared NR-Adjusted Average 1Y Transition Rates for Global Corporates by Rating Modifier (1985-2023) (%)

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC/C	D	E
AAA	90.03%	5.96%	2.57%	0.69%	0.15%	0.24%	0.13%	0.00%	0.03%	0.00%	0.03%	0.05%	0.03%	0.00%	0.03%	0.00%	0.05%	0.00%	0.00%
AA+	2.14%	82.82%	10.37%	3.31%	0.66%	0.35%	0.17%	0.04%	0.08%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.42%	1.43%	84.49%	8.70%	2.68%	1.15%	0.35%	0.38%	0.12%	0.08%	0.05%	0.03%	0.02%	0.02%	0.00%	0.02%	0.05%	0.02%	0.00%
AA-	0.04%	0.10%	3.69%	82.87%	9.92%	2.20%	0.58%	0.24%	0.16%	0.06%	0.02%	0.00%	0.00%	0.02%	0.07%	0.00%	0.00%	0.02%	0.00%
A+	0.00%	0.08%	0.41%	4.25%	83.51%	8.48%	2.03%	0.57%	0.31%	0.08%	0.05%	0.08%	0.01%	0.06%	0.03%	0.00%	0.00%	0.04%	0.00%
A	0.03%	0.04%	0.20%	0.39%	5.33%	83.55%	6.73%	2.30%	0.80%	0.25%	0.08%	0.09%	0.05%	0.07%	0.02%	0.00%	0.01%	0.05%	0.00%
A-	0.04%	0.01%	0.05%	0.14%	0.39%	6.40%	82.91%	7.23%	1.78%	0.53%	0.11%	0.11%	0.09%	0.09%	0.03%	0.01%	0.03%	0.05%	0.00%
BBB+	0.00%	0.01%	0.04%	0.05%	0.20%	0.69%	6.91%	81.47%	8.04%	1.48%	0.33%	0.26%	0.12%	0.15%	0.08%	0.02%	0.05%	0.09%	0.00%
BBB	0.01%	0.01%	0.03%	0.02%	0.08%	0.29%	0.94%	7.54%	82.11%	6.27%	1.27%	0.61%	0.25%	0.20%	0.11%	0.05%	0.05%	0.15%	0.00%
BBB-	0.01%	0.01%	0.01%	0.04%	0.05%	0.12%	0.25%	1.10%	9.52%	79.12%	5.75%	2.06%	0.80%	0.38%	0.22%	0.15%	0.20%	0.23%	0.00%
BB+	0.03%	0.00%	0.00%	0.02%	0.02%	0.08%	0.08%	0.40%	1.54%	11.65%	73.21%	7.96%	2.60%	1.05%	0.51%	0.22%	0.33%	0.31%	0.00%
BB	0.00%	0.00%	0.03%	0.01%	0.00%	0.05%	0.07%	0.15%	0.62%	1.95%	10.69%	72.22%	9.23%	2.54%	1.07%	0.38%	0.51%	0.49%	0.00%
BB-	0.00%	0.00%	0.00%	0.01%	0.01%	0.01%	0.06%	0.09%	0.22%	0.32%	1.73%	10.89%	71.57%	9.24%	3.22%	0.85%	0.79%	0.98%	0.00%
B+	0.00%	0.01%	0.00%	0.03%	0.00%	0.03%	0.06%	0.05%	0.06%	0.14%	0.30%	1.57%	9.59%	70.72%	10.56%	2.85%	1.94%	2.10%	0.00%
B	0.00%	0.00%	0.01%	0.01%	0.00%	0.02%	0.03%	0.02%	0.05%	0.03%	0.09%	0.24%	1.19%	8.40%	70.93%	11.45%	4.40%	3.12%	0.00%
B-	0.00%	0.00%	0.00%	0.00%	0.01%	0.02%	0.00%	0.05%	0.05%	0.08%	0.06%	0.15%	0.38%	2.12%	11.06%	65.90%	13.91%	6.18%	0.00%
CCC/C	0.00%	0.00%	0.00%	0.00%	0.02%	0.00%	0.07%	0.05%	0.07%	0.05%	0.02%	0.14%	0.34%	0.87%	2.87%	11.96%	52.93%	30.59%	0.00%
D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
E	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%

Source: Team estimates on data sourced from S&P 2023 Annual Global Corporate Default And Rating Transition Study

KERING Expected Recovery Rate Upon Default

	Seniority Weight	Recovery Rate	Weighted Recovery Rate
Senior Unsecured Bonds	68.4%	32.7%	22.4%
Bank Loans	31.6%	62.0%	19.6%
Expected Recovery Rate			**41.96%**

Source: Team estimates on data sourced from Moody's 2023 Annual Default Study

Recovery Rates measured by trading prices for Consumer Goods Non-Durable Sector

KERING Long-Term Financial Debt Structure on 16/12/2024

Remaining Maturity Range	Average Remaining Maturity	Average Maturity at Issue	Total Issued Amount
<5 Y	2.3	5.6	10,571.0
5Y-7Y	6.1	8.0	1,750.0
7Y-10Y	8.3	9.3	2,980.6
>10Y	10.8	14.7	2,100.0
Total	**5.10**	**7.9**	**17,401.6**

The size of debt is expressed in EUR mil.

Appendix L-2: Kering's Debt Analysis Part II

The table displays the Debt β, by maturity and rating class, for EUR-denominated debts granted to companies from Consummer Cyclical Sector. The Equity β is the average by rating class of 5Y-Equity β of European companies operating in Consummer Cyclical Sector having a Market Cap.> $1bn.

Debt β and Equity β Sensitivity, by Credit Rating Class

Crédit Rating	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	10Y	Equity β
	Debt β by Tenor										
Upgraded Rating	0.047	0.193	0.057	0.069	0.079	0.093	0.105	0.115	0.125	0.134	0.951
Actual Rating	0.065	0.211	0.078	0.101	0.120	0.135	0.144	0.149	0.152	0.156	1.271
Downgrading Rating	0.062	0.208	0.074	0.096	0.115	0.129	0.137	0.142	0.144	0.147	1.516

Assumptions TV Period

Risk Free Rate	4.00%
Market Return	10.50%
Market Premium	6.50%
Marginal Tax Rate	27.27%
Debt Market Premium	7.59%

WACC Sensitivity on the Terminal Value Period

Crédit Rating	Cost of Debt by Tenor										Rating Class Average		
	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	10Y	Cost of Equity	LT-Debt %	Equity %
Upgraded Rating	4.356%	5.463%	4.432%	4.525%	4.597%	4.707%	4.795%	4.876%	4.947%	5.015%	10.18%	35.36%	64.64%
Actual Rating	4.492%	5.604%	4.595%	4.764%	4.914%	5.023%	5.091%	5.131%	5.157%	5.181%	12.26%	37.07%	62.93%
Downgrading Rating	4.468%	5.576%	4.563%	4.728%	4.873%	4.977%	5.040%	5.075%	5.097%	5.117%	13.85%	46.48%	53.52%

The table displays the Cost of Debt by debt tenor and credit rating class, the Cost of Equity by credit rating class and the average weights of Debt and Equity in total fundings for all European companies from Consummer Cyclical Sector having a Market Cap. > $1bn.
Source: Team original analysis on data sourced from FactSet

WACC Sensitivity on the Terminal Value Period

The table displays the Cost of Debt by debt tenor & credit rating class, the Cost of Equity, the average weights of Debt and Equity by credit rating class, for European companies operating in the Consumer Cyclical Sector having a Market Cap.>$1bn.
Source: Team original analysis based on data sourced from FactSet.

Crédit Rating	WACC by Debt Tenor									
	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	10Y
Upgraded Rating	8.122%	8.513%	8.148%	8.181%	8.207%	8.246%	8.277%	8.305%	8.330%	8.355%
Actual Rating	9.381%	9.794%	9.420%	9.482%	9.538%	9.578%	9.604%	9.618%	9.628%	9.637%
Downgrading Rating	9.492%	10.006%	9.536%	9.612%	9.679%	9.728%	9.757%	9.773%	9.784%	9.793%

Appendix M: Comparison of ESG Score with Competitors

Source of data	KERING	LVMH	RICHEMONT	PRADA	HERMES
Standard & Poor's	83	64	39	38	66
Morningstar	12.4/40+	13.9/40+	12.6/40+	18.7/40+	12.6/40+
LSEG	77	80	62	50	59
MSCI	AAA	A	AA	-	AA
FACTSET	67	59	61	69	39

Source: Standard & Poor's, Morningstar, LSEG, MSCI, FACTSET

Appendix N: CO2 Emissions Scope Reduction Targets

	DEFINITION	ACHIEVEMENTS	TARGETS
SCOPE 1	Direct emissions from sources owned or controlled by the company (emissions from company vehicles and on-site fuel combustion)	Reduced absolute emissions by 77% by the end of 2023 compared to 2015 (100 635 tCO2e to 22 841 tCO2e)	To reduce direct and indirect energy-related emissions by 90% in absolute value by 2030 (100 635 tCO2e to 10 063 tCO2e)
SCOPE 2	Indirect emissions associated with production of purchased electricty, heat, or steam used by the company		
SCOPE 3	Indirect emissions in the value chain, outside the company's direct control (such as goods transportation, employee commuting, waste, supplier purchases)	Decreased emissions intensity by 52% by the end of 2022 compared to 2015 (292 600 tCO2e to 130 500 tCO2e)	To reduce the intensity of emissions related to purchased goods and services by 70% by 2030 such as transportation and distribution, commerical flights, emissions from fuel and energy production (292 600 tCO2e to 87 800 tCO2e)

Source: Company Fillings, 2023

Appendix O: Executive Compensation

Annual Fixed Remuneration 16%	Annual Variable Remuneration 24% (1year)	Long-term Variable Remuneration 60% (3years)
Fixing: • Level and complexity of responsibilities on the positions of Chairman and Chief Executive Officer in a group of Kering's stature • Experience and expertise of the people occupying the position • Compensations practices in the market based on comparative studies and analyses for similar functions in comparable companies, notably in the CAC 40 and luxury goods sectors	***Financial Criteria 70%:*** • Consolidated recurring operating income 35% • Consolidated Free Cash-Flow from operations 35% ***Non-Financial Criteria 30%:*** • Climate 10% • Protection of the Group's intangible assets 10% • Organization and development talent 10%	***Financial Criteria 80%:*** • Consolidated recurring operating income 40% • Consolidated Free Cash-Flow from operations 40% ***Non-Financial Criteria 20%:*** • Proportion of women in executive management 10% • Biodiversity 5% • Climate 5%

Source: Company Fillings

Appendix P: Board of Directors

	Name & Position	Age	Nationality	Since when ?	Background
	François-Henri Pinault *Chairman and CEO*	62	French	1993	François-Henri Pinault joined the Pinault group in 1987. After holding several key positions within PPR (which would later become Kering), he was appointed Chairman and CEO in 2005. He gradually transformed Kering into a luxury group, pioneering sustainable development and deeply committed to women's causes.
Non-independent Directors	**Financière Pinault** *Represented by Héloïse Temple-Boyer*	46	French	2018	Financière Pinault is the investment company of the Pinault Family. Héloïse Temple-Boyer has been the Deputy CEO of Artémis since February 2018. She joined Artémis in 2013 as Investment Director. Prior to that, she spent just over 5 years in finance, working at Rothschild & Cie and the investment fund Advent International.
	Jean-Pierre Denis *Climate Change Lead*	64	French	2008	Jean-Pierre Denis served as an advisor to the Presidency of Compagnie Générale des Eaux (Vivendi) from 1997 to 1999. He has been Vice-Chairman of Paprec Group since October 2021. Jean-Pierre Denis has been a Director of Kering since June 9, 2008.
	Baudoin Prot	73	French	1998	Baudouin Prot joined BNP in 1983 as Deputy Director of Banque Nationale de Paris Intercontinentale, before taking over as Head of Europe in 1985. He joined the Board of Directors of BNP Paribas in March 2000 and was appointed Chief Executive Officer of the group in May 2003, a position he held for 8 years. Since 2015, he has been a Senior Advisor at Boston Consulting Group.
Independent Directors	**Véronique Weill** *Lead Independent Director* *Chair of the Remuneration Committee*	65	French	2022	Véronique Weill has held numerous responsibilities in the financial services sector, with a career of over 20 years in investment banking in the USA, the UK, and France, followed by 10 years at AXA. Since July 2020, she has been Chairwoman of the Board of Directors of CNP Assurances. She is also a member of the Board of Directors of Valeo and the Supervisory Board of Rothschild & Co.
	Serge Weinberg *Chair of the Appointements and Governacnce Committee*	73	French	2022	Serge Weinberg is Chairman of the investment management company Weinberg Capital Partners, which he founded in 2005. Between 2010 and 2023, he was Chairman of the Board of Directors of Sanofi. He joined the Pinault Group in 1990.
	Dominique D'Hinnin *Chair of the Audit Committee*	65	French	2024	Dominique D'Hinnin began his career at the Inspectorate General of Finance between 1986 and 1990. He was Co-Managing Partner of Lagardère SCA from 2009 to 2016. Since 2017, he has been Chairman of the Board of Directors of Eutelsat Communications, Edenred, Louis Delhaize SA, and Cellnex Telecom.
	Giovanna Melandri *Chair of the Sustainabilty Committee*	62	American / Italian	2024	Giovanna Melandri is an expert in ESG finance, sustainable development, and international relations. She is the president and founder of Human Foundation. She served as a member of the Italian Parliament from 1994 to 2012 and held positions as Minister of Culture and Sports, and later as Minister of Youth and Sports. She began her career as an economist at Montedison in 1983.
	Rachel Duan	54	Chinese	2024	Rachel Duan is a highly experienced business executive. She served as Senior Vice President of General Electric and President and CEO of GE Global Markets. Rachel Duan serves on the Boards of Directors of AXA, Sanofi, and HSBC as an independent director.
	Maureen Chiquet	61	American	2023	Maureen Chiquet was the first Global CEO of Chanel from 2007 to 2016. She significantly contributed to positioning this renowned fashion house internationally. Previously, she served on the Board of Directors of Vivendi and was a trustee of the Yale Corporation and the New York Academy of Art.
	Yonca Dervisoglu	55	Turkish / British	2022	Yonca Dervisoglu is Vice President of Marketing for Google in Europe, Middle East, and Africa. Before joining Google in 2006, she had an international career in senior marketing roles at Unilever, Yahoo!, and the Kale Group.
Employee Directors	**Concetta Battaglia**	55	Italian / British	2020	Concetta Battaglia is Head of Operations at Kering UK Services. Before joining Kering, she worked in sales and customer service. She joined Gucci in 2005 and progressed to her current role.
	Vincent Schaal	55	French	2022	Vincent Schaal is Director of Infrastructure at Kering Technologies. He began his career at Renault in 1994 as a network & telecom engineer. He joined the PPR Group in 1999 as Network Global Manager before progressing to his current role.

Source: Company Fillings

Appendix Q: Sustainable Development Strategy

CARE	COLLABORATE	CREATE
The CARE pillar aims to focus on preserving the environment while reducing its impact on the planet. The different objectives: • Climate trajectory • Biodiversity and planetary limits • EP&L • Implementation of Kering Standards • Traceability • Positive contribution to climate • Preservation of water resources	The COLLABORATE pillar focuses on employee commitment and improving social conditions. The different objectives: • Preserving know-how • Local communities • Supporting supplier transition • Partnerships with schools and universities • Progressive HR policies • Parity, diversity and inclusion • Career paths • Employer of choice	The CREATE pillar aims to create new business models while stimulating innovation. The different objectives: • Breakthrough innovations • Innovation Labs • Circular economy and sustainable design • Sustainable purchasing platforms and coordination • Transforming through strong governance

Source: Company Fillings, 2023