

HERMÈS: ORANGE IS THE NEW BLACKBOOK

Hermès has delivered a 5,400% TSR over the past 20 years and continues to hone its “Magic Formula.”

Hermès is the most desirable luxury brand. The allure of the Birkin and Kelly – always just out of reach – sits comfortably alongside a rich tradition of storytelling and whimsy that permeates across the brand.

Hermès is the mega-brand in disguise. It has grown beyond handbags and the high-end. It accommodates a much larger consumer audience than many suspect, offering a steady balance. Beauty and jewelry have come to complement ties, scarves, and belts that aspirational consumers can buy to their heart’s content.

Hermès is very seldom cheap, but high multiples are well-deserved: it has delivered outperformance in both good times and bad, while investors continue to reward a focus on organic growth, industry-leading ROIC (at >60%), and a record for stable and predictable performance.

We believe this performance is sustainable. High vertical integration ensures quality and a tight control over supply. A focus on craftsmanship not only means employees share a part of the profits, but also that clients keep coming back – especially if they can get their products repaired.

PORTFOLIO MANAGER'S SUMMARY

Hermès stands out as the most desirable luxury goods brand. That is a great position to have. When things are bad and people cut their shopping lists, Hermès would be the last brand most people will cut. When things are good, Hermès would be the first brand people will flock to. Combine this with a deliberate choice to sell — at least in some categories such as leather goods — less than the market would take, and you have one of the most stable and least volatile performers in the market. This is important, as we have shown that the more stable, consistent, and predictable the performance, the higher the PE multiple associated with the stock.

Hermès is focused on organic growth. Building scale through M&A comes at the expense of ROIC, and ultimately sacrificing TSR. The Hermès valuation makes sense not only in terms of stable, constant, and predictable performance, but also in terms of providing the best ROIC improvement over the past 20 years. LFL growth, ROIC improvement, and superior TSR performance go hand-in-hand.

LVMH's failed attempt to acquire Hermès in 2010 means growth remains the priority. Hermès is now a big target for anyone, even if most of the family hadn't committed to keeping its shares in a holding company for years to come — high dividends offer another great incentive to stick together and stay independent. Ubiquity is not a concern: the visibility of Hermès handbags — while moving higher in the past 10 years — is still very materially below its competitors.

Hermès is unique in many respects. Upstream integration into manufacturing gives it a major sustainability advantage. The decision to share with all employees part of the profit in the post-pandemic boom is a good example. Add to this a focus on repairing its products to extend their life, and you have a virtually perfect sustainability champion.

Hermès appears to be high-end in the eyes of consumers (and investors), while accommodating a very large consumer audience. Beauty and (costume) jewelry have come to complement ties, scarves, and belts that aspirational consumers can buy to their hearts content, unlike at high-end niche players — think Loro Piana or Brunello Cucinelli. This provides a steadier balance, we believe: aspirational consumers go back to the brand in good times, just when rich consumers may be setting their sights on more expensive products and services.

Where could things go wrong? Hermès is still exposed to exotic skins, but processes and controls have been tightened. Experiments are well under way to employ alternative materials. The practice of “qualifying” for a Hermès bag has generated a parallel market. Hermès may reduce this by reinforcing the desirability of other categories that would sell in their own right — as it has done in ready-to-wear (RTW) and footwear, but could do more in watches, for instance.

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June 17, 2025

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EXHIBIT 1: **Rating and target price**

11 Jun 2025						Adjusted EPS Annualized				Adjusted P/E (x)		
						Organic Growth						
Ticker	Rating	Cur	Closing Price	Price Target	Rel. Perf.	Cur	2024A	2025E	2026E	2024A	2025E	2026E
RMS.FP	O	EUR	2,360.00	2,800.00	(6.4)%	EUR	43.87	45.15	54.24	53.8	52.3	43.5
EDM			1,449.00									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

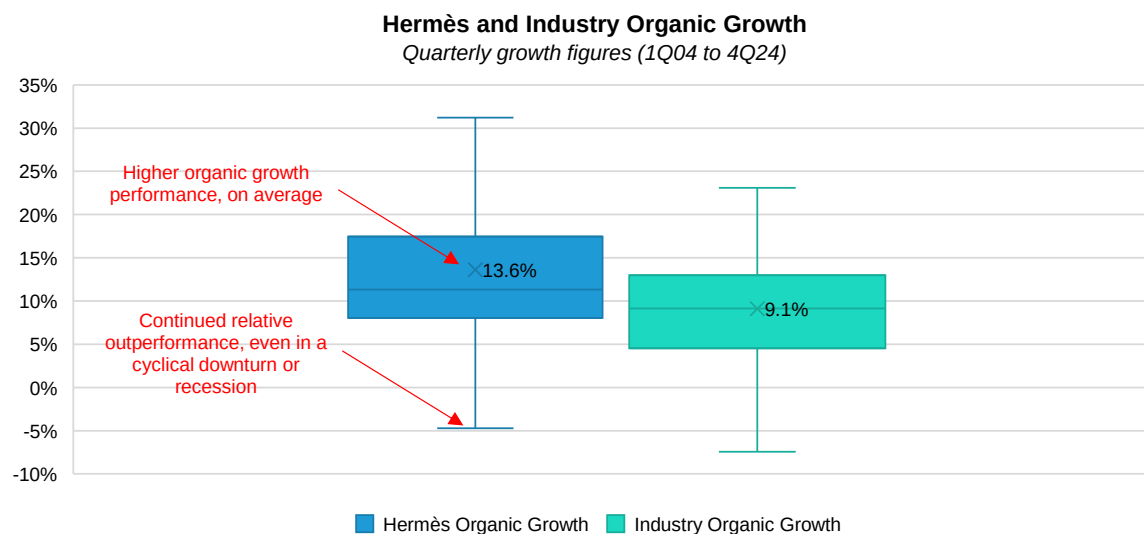
SIGNIFICANT RESEARCH CONCLUSIONS

WE BELIEVE HERMÈS IS
AN INVESTMENT FOR ALL
CYCLES

Within the global luxury industry, Hermès has delivered best-in-class total shareholder returns (TSR) and share price performance over the past two decades.

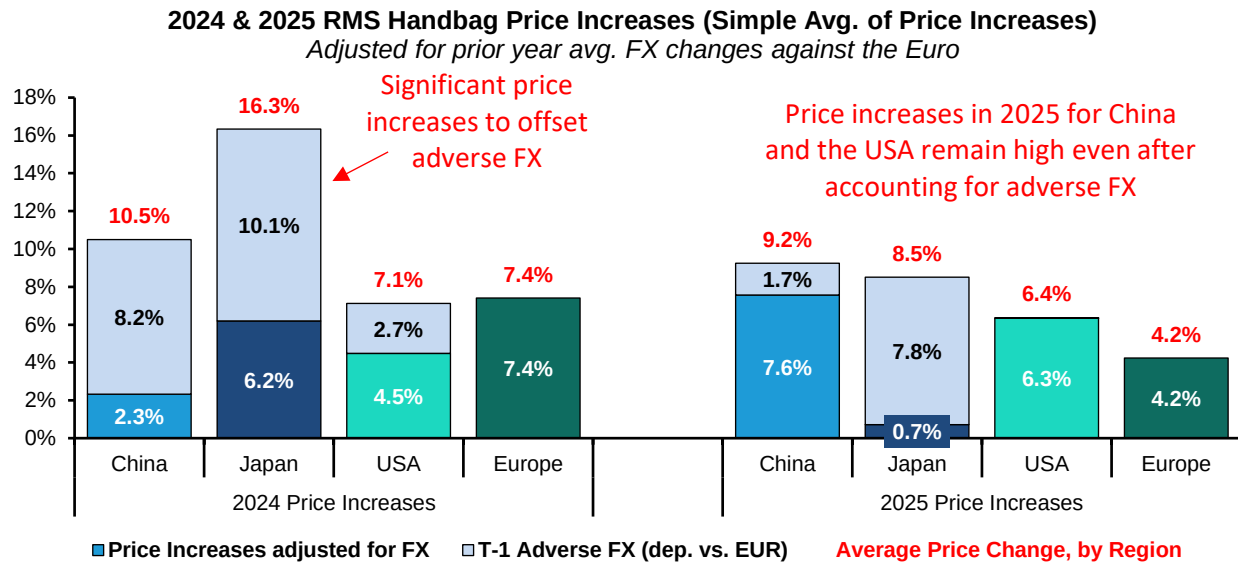
- **Hermès is rightly seen as a defensive stock in a cyclical industry.** Its position at the top of the leather goods pyramid and policy of selling less than the market can take provide a cushion during demand lulls. Waiting lists can be tapped into when broader consumer demand wanes, supporting organic growth even when times are tough ([Exhibit 1](#)).
- **Yet Hermès has also provided relative outperformance even when times are good.** Hermès consistently delivers organic growth above the industry average. Excess demand for its iconic Birkin and Kelly handbags spills over into its expanded range of products within the leather goods category, and its silks, ready-to-wear (RTW), and jewelry offers.
- **Consistent performance is underpinned by disciplined brand management.** Unlike many soft luxury peers, Hermès held off on aggressive price increases in response to booming post-pandemic luxury demand, opting to invest in its untapped price reservoir instead. This has made Hermès products ever more desirable. As such, Hermès has been able to implement significant price increases in 2024 and 2025 to support organic growth amid a lull in overall luxury demand ([Exhibit 2](#)).

EXHIBIT 1: **Hermès is an investment for all cycles – it delivers outperformance in both good and bad times**



Source: Company reports, Bernstein analysis and estimates (industry organic growth)

EXHIBIT 2: Hermès has implemented high-single digit to low-double digit price increases across 2024 and 2025, even as other soft luxury brands contend with value for money concerns



Note: We use the average forex rate over 2023 and 2024 to calculate the change in forex. Using YoY changes in end-of-year forex rates would see CNY and USD strengthening against EUR in 2024, as opposed to depreciating 1.7% and flat, respectively.

Source: RED, Instagram, Bloomberg, Bernstein analysis

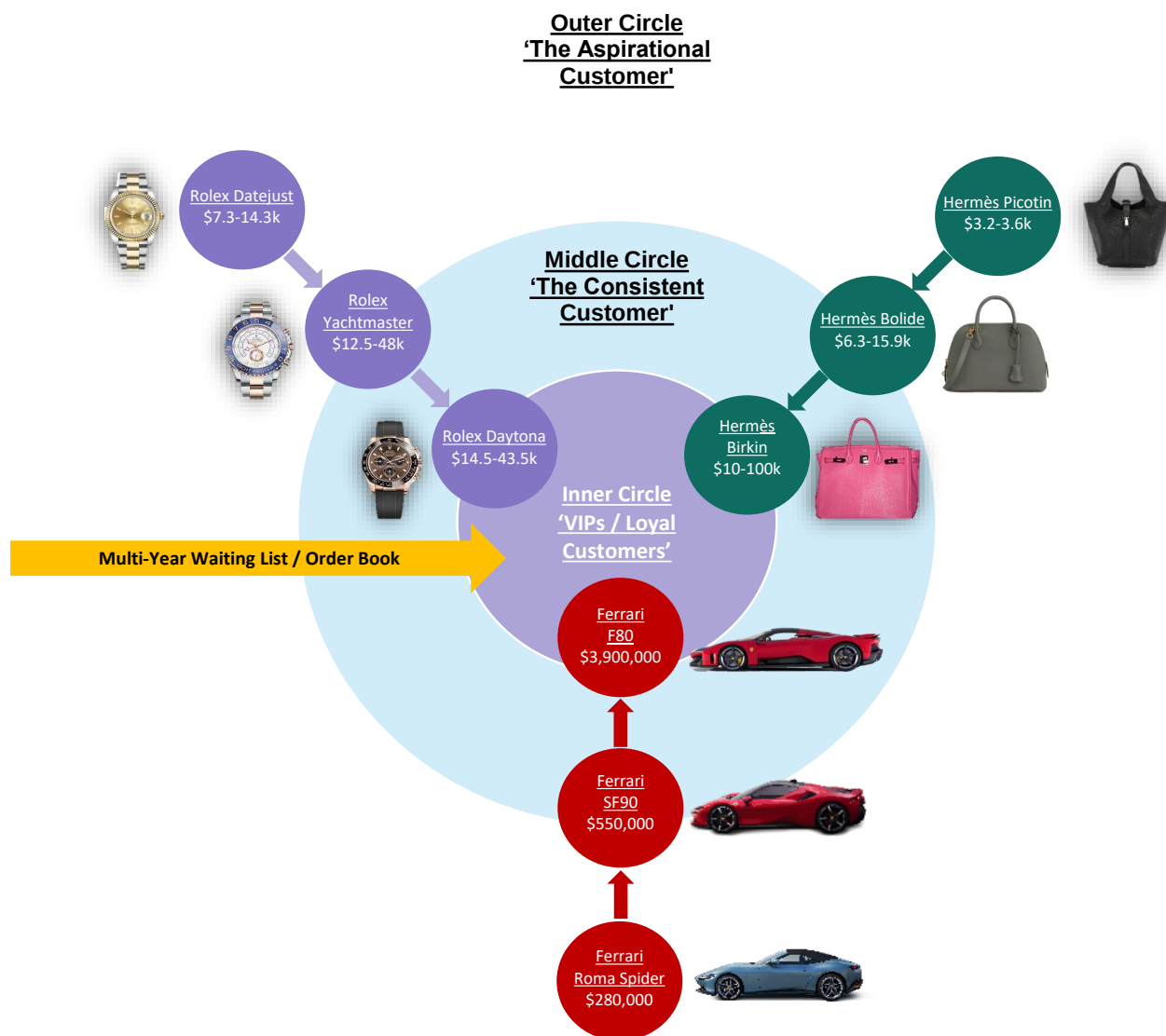
HERMÈS STANDS WITHIN AN EXCLUSIVE GROUP

Hermès stands within an exclusive group of luxury brands, each at the pinnacle of their respective categories: Hermès in leather goods, Ferrari (covered) in luxury cars, and Rolex (private) in luxury watches, to name a few. None of these brands are the most expensive brands in these categories, as one can always find niche brands with nominal volumes but at higher price points. However, each represents the “volume” player at the high-end ([Exhibit 3](#)).

We highlight how Ferrari and Hermès have adopted similar business strategies — with each playing hard to get, stretching the top of their offers, fostering customer loyalty, cultivating a collector’s cult, and maintaining pricing upside.

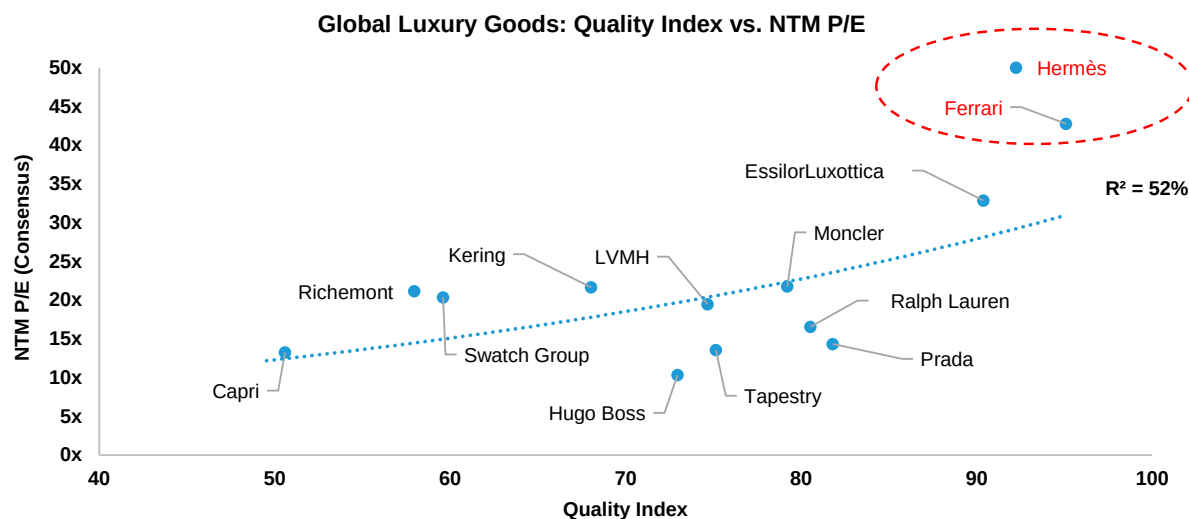
This has also led to similar financial performance. Both brands exhibit low cyclicalities in otherwise highly cyclical industries, consistent ROIC improvement driven by organic growth, and deservedly high valuations ([Exhibit 4](#) and [Exhibit 5](#)).

EXHIBIT 3: **Few brands have been able to create a highly desirable range of products exclusively catered toward an “inner circle” of VIP/loyal customers**



Source: Company websites (all Ferrari images courtesy of Ferrari S.p.A.), Bernstein analysis

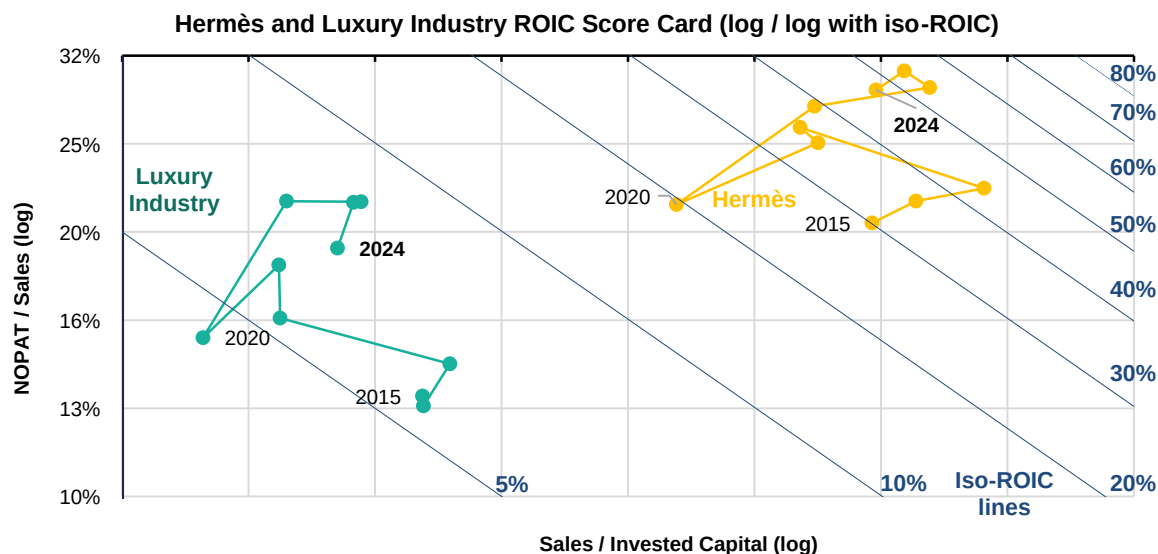
EXHIBIT 4: **Both Ferrari and Hermès valuation multiples reflect their superior earnings stability; we show that beta, negative/positive earnings surprises, and forecast dispersions inversely correlate with valuation multiples**



Note: Companies covered by Luca Solca include Richemont, Kering, Swatch Group, LVMH, Moncler, Prada, LVMH, EssilorLuxottica, and Hermès. Ferrari, Capri, and Tapestry are covered by Bernstein. Ralph Lauren and Hugo Boss are not covered.

Source: Bloomberg, Bernstein analysis and estimates (quality index)

EXHIBIT 5: **High valuations are further supported by significantly higher ROIC than the rest of the luxury industry**



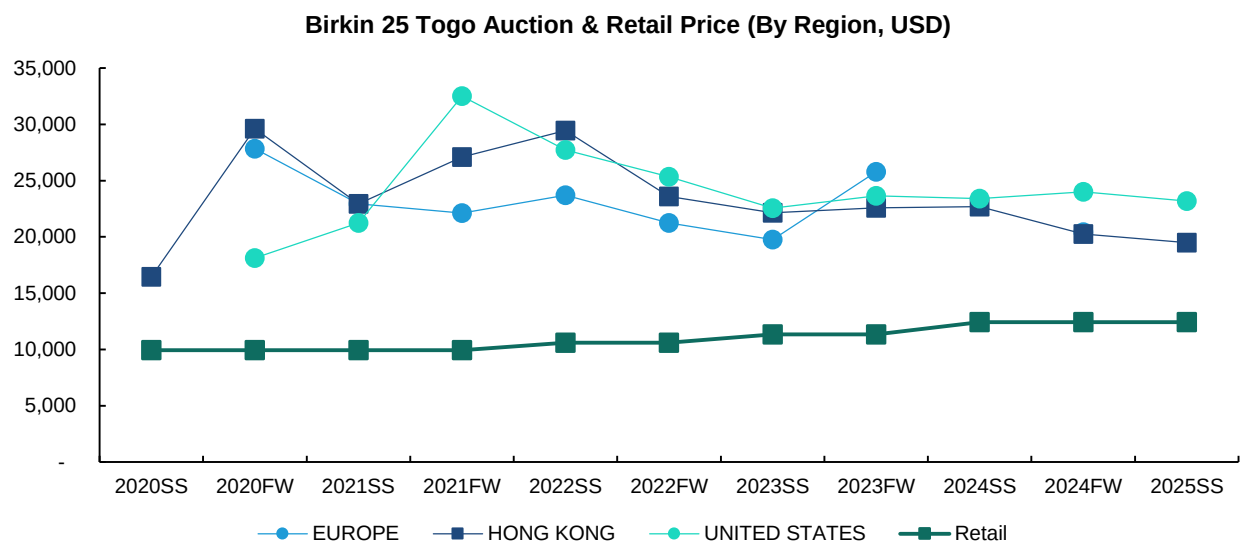
Source: Company reports, Bernstein analysis and estimates (ROIC)

HERMÈS HAS REMAINED TRUE TO ITS "MAGIC FORMULA"

Hermès dominates the top end of the handbags market, with its iconic products — the Birkin and the Kelly — scoring highest in consumer desirability and occupying the highest pricing echelon. We estimate that ~25% of Hermès revenue is driven by the sale of these two iconic products, with Hermès selling ~150k Birkins and Kellys every year. Demand consistently exceeds supply: luxury buyers are willing to pay 50% to 100% premiums on the secondary market to avoid long waiting lists to buy a new Birkin ([Exhibit 6](#)).

We highlight five core attributes — the “Magic Formula” that has set Hermès apart.

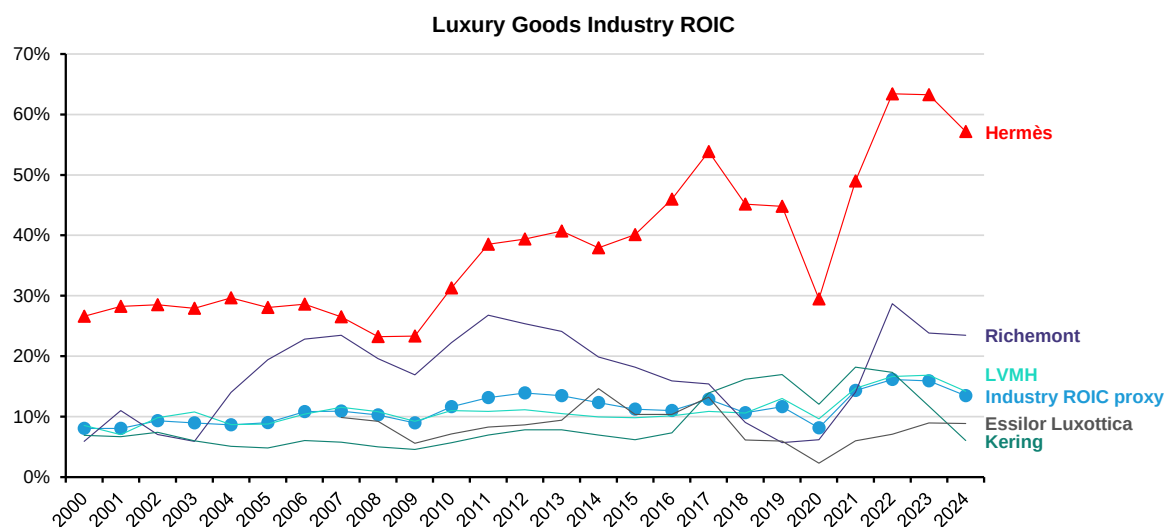
- Hermès has consistently **limited its leather goods capacity and product availability**, selling less than the market could take.
- Hermès has **widened its consumer audience** by introducing new entry styles at more accessible price points.
- Hermès has **leveraged non-leather goods categories** such as RTW and jewelry to boost growth.
- Hermès has **stuck to uncompromising quality standards** despite its significant growth — enabled by deep vertical integration.
- Hermès has focused on delivering **steady and predictable organic growth**, which has allowed it to deliver industry-leading ROIC ([Exhibit 7](#)).

EXHIBIT 6: Hermès' most iconic handbags regularly appear on auctions at Sotheby's

Note: SS refers to “Spring-Summer” auctions; FW refers to “Fall-Winter” auctions.

Source: Sotheby's, Bernstein analysis

EXHIBIT 7: Hermès has delivered the greatest ROIC expansion in the industry over the past two decades: earnings growth has come organically and has not been saddled by M&A



Source: Company reports, Bernstein analysis

TAKING THE ARTISAN MODEL TO THE NEXT LEVEL

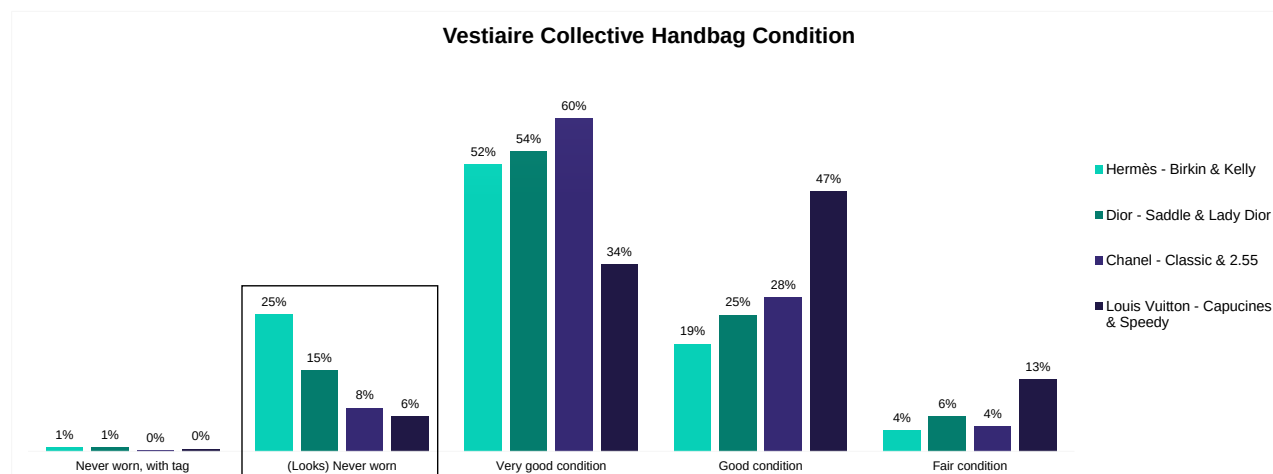
Luxury goods brands define themselves through the savoir-faire and craftsmanship of their products. However, Hermès takes the artisan model to another level.

One man, one bag means that each artisan creates a handbag from start to finish, thus preserving the one-of-a-kind nature of the bag. All bags are signed, and the customer is educated regarding the sourcing, production, and eventual aging of the product. The lack of official celebrity endorsements also underlines its timelessness and focus on product quality. This creates loyalty with consumers.

Luxury is that which can be repaired. Durability and timelessness are key for the Hermès customer. Hermès offers a repair service to its customers, which may be loss-making but acts as a recruiting tool as it brings customers back in store. At Hermès you can repair anything, even a heritage item that is out of production. This has two important implications: (1) every new material used by Hermès is guaranteed to be of the highest quality and stress-tested for its durability, e.g., the Sylvania mycelium leather, and (2) durability improves success in the secondary market ([Exhibit 8](#)).

Hermès rations by waiting lists rather than price hikes. The secondary market has raised Hermès handbags to investment-grade assets. Besides the quality and durability of the handbags it sells, Hermès has exercised remarkable volume restraint across markets. Production is tightly controlled in a highly upstream integrated company with 80% of the items being manufactured in France. A lean supply chain leads to low net working capital and allows Hermès to avoid brand-destructive discounts.

EXHIBIT 8: The quality and durability of Hermès' leather goods products guarantee their success in the secondary market as the pieces look virtually new after multiple wears and, thus, sell at higher prices on the likes of Vestiaire Collective, The RealReal, etc.



Note: Chanel is private.

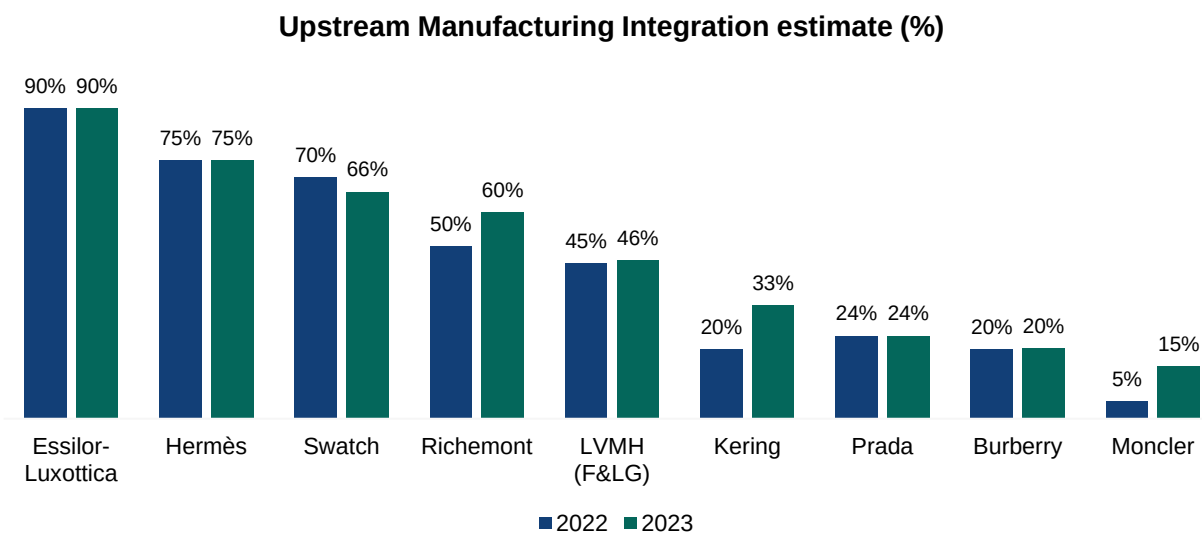
Source: Vestiaire Collective, Bernstein analysis

AN UNDERAPPRECIATED ESG LEADER

Hermès leads the companies under our coverage in both ESG performance and ESG transparency. The company hasn't talked much about its ESG qualifications, but by contrast it seems to have done a lot.

Part of the reason for this is a high level of upstream integration (75%) ([Exhibit 9](#)), giving Hermès more effective control over its supply chain. However, this also burdens the company with higher pollution metrics, which usually fall outside the reporting scope for other luxury goods companies.

EXHIBIT 9: Hermès ranks second out of 10 in upstream integration in our coverage, which allows it to closely review almost every step of its supply chain



Source: Bernstein analysis and estimates (all data)

TACKLING UBIQUITY RISK

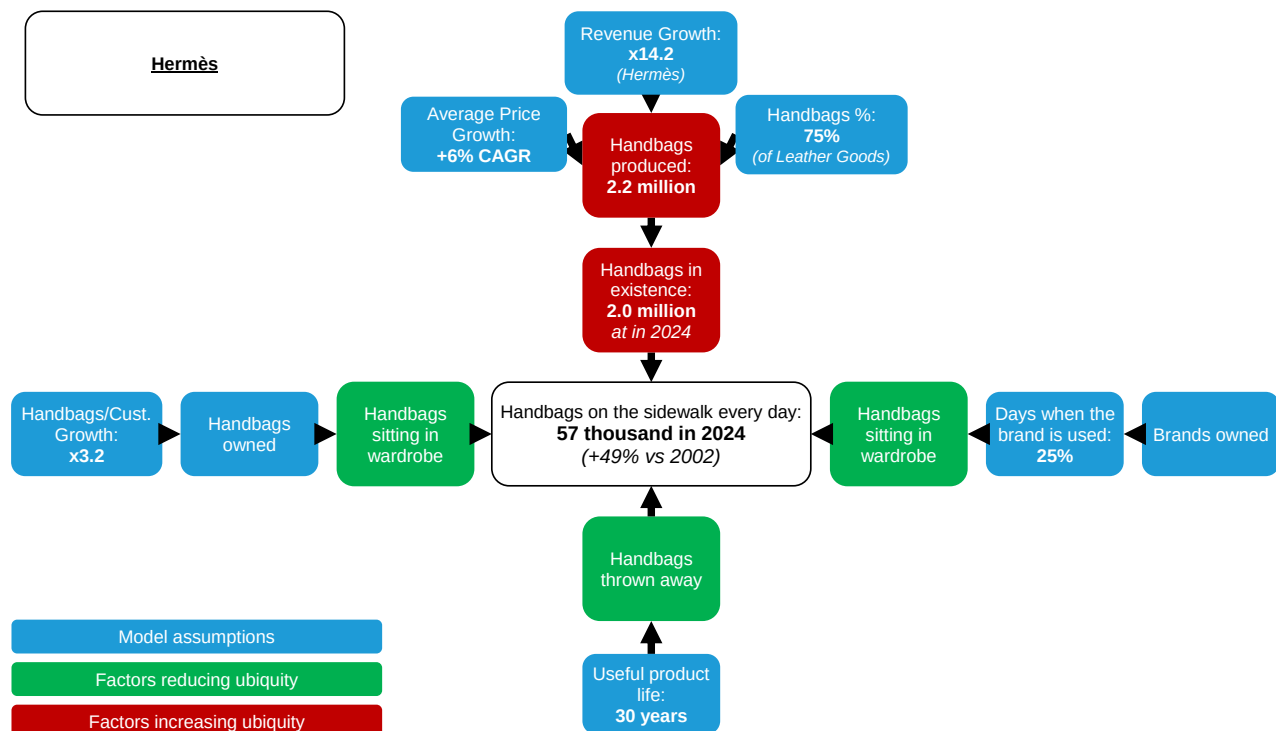
Some investors are worrying about the risk of mega-brands getting overexposed, especially after the very significant revenue growth top players have experienced after the pandemic. Ubiquity, when consumers become overwhelmed seeing a brand's blockbuster styles too often on the streets, is a very relevant concern.

We show that calculating ubiquity is a little trickier than it could appear at first sight — one has to consider the factors that drive volume in use at any given time. We break this calculation down into four key factors: (1) wear and tear, (2) price and mix, (3) brand pieces per user, and (4) category pieces per user ([Exhibit 10](#)).

With this framework, we show that ubiquity has hardly changed over the past 20 years. Even for Hermès where leather goods revenue has increased by more than 14x, ubiquity risk remains low: only one in a 100 of the handbags worn on the street in any given day from our four mega-brands (Louis Vuitton, Gucci, Prada, and Hermès) will likely be from Hermès. This number falls even further once we consider contributions from other brands such as Chanel, Saint Laurent, and Bottega Veneta ([Exhibit 11](#)).

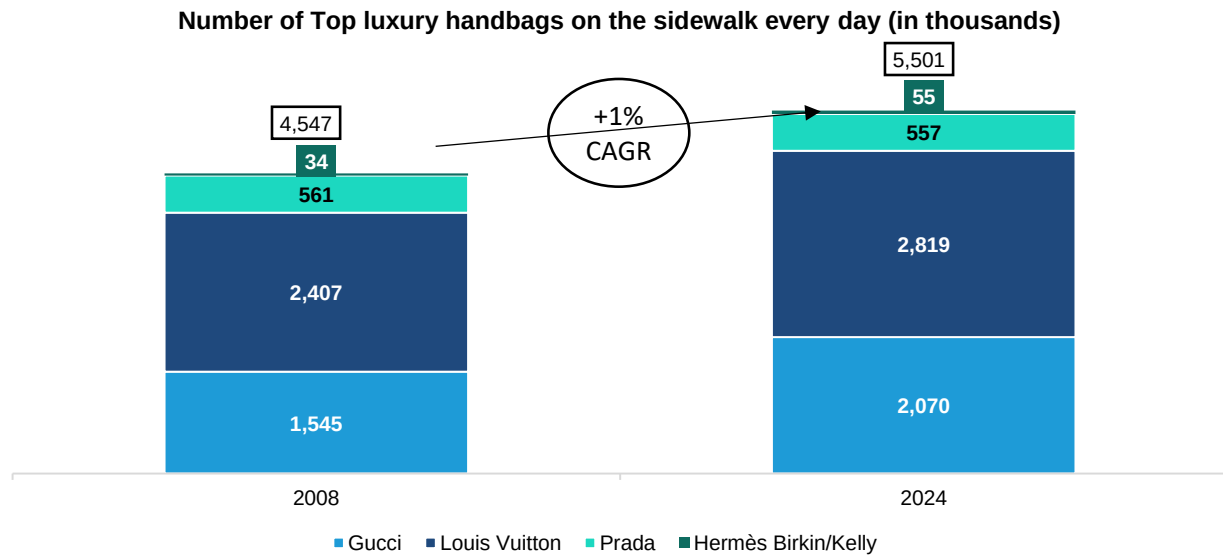
Ubiquity is also reduced by a significant expansion in geographical footprint. In 2002, Hermès had 217 doors and derived 37% of its top-line from Europe, 29% from Japan, and 15% each from APAC excluding Japan and the Americas ([Exhibit 12](#)). By 2024, this had increased to 296 doors (+36%), with APAC excluding Japan representing 44% of revenue ([Exhibit 13](#)). This has significantly expanded the number of “sidewalks” that one can find a Birkin or a Kelly on, helping neutralize the +49% increase in handbags on the sidewalk every day.

EXHIBIT 10: **We estimate there are now 57k Birkin/Kelly bags on the sidewalk every day, a +49% increase versus 2002**



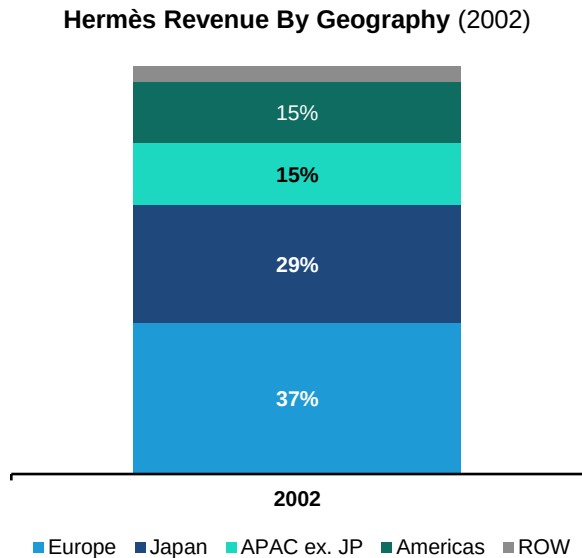
Source: Company reports, Bernstein analysis and estimates (volumes, prices, mix, and average life)

EXHIBIT 11: **We estimate that the number of luxury handbags seen on the streets, from the four major brands we cover, has increased at a 1% CAGR over the past two decades (including data for Prada from 2008 onward)**



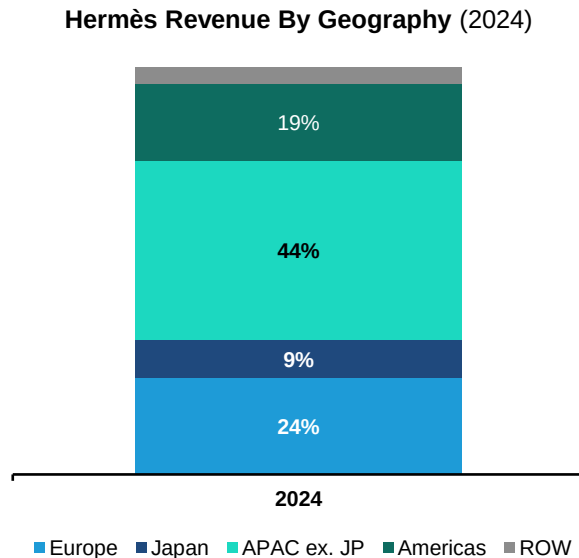
Source: Bernstein analysis and estimates (all data)

EXHIBIT 12: **Hermès has grown beyond its core markets of Europe and Japan over the past two decades, led by a significant expansion into APAC excluding Japan (mainly Mainland China)...**



Source: Company reports, Bernstein analysis

EXHIBIT 13: **... as such, even if the total number of Birkins and Kellys on the street may have increased over time, Hermès has spread this across a significantly wider number of "sidewalks"**



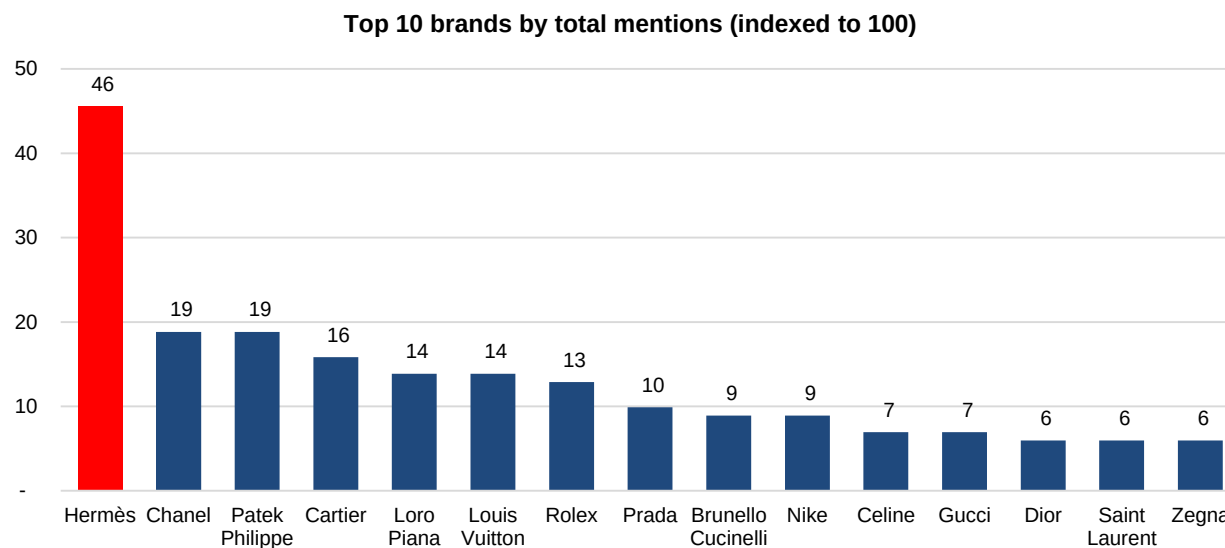
Source: Company reports, Bernstein analysis

THE ULTIMATE BRAND CHOICE FOR LIFE

We conducted a consumer survey, canvassing more than 100 respondents, to provide additional insights into the most desirable brands at the moment. We asked each survey respondent to provide three brands they would most want to own if money were no object.

Hermès stands out as the most popular brand, with a total of 46 mentions ([Exhibit 14](#)) — significantly higher than any other brand. The data reveals Hermès' strong universal appeal across genders, age groups, and regions, making it a versatile brand with wide-reaching influence.

EXHIBIT 14: **Hermès stands out as the most popular brand, with a total of 46 mentions**



Note: Chanel, Patek Philippe, and Rolex are privately owned. Cartier is owned by Richemont. Loro Piana, Louis Vuitton, Celine, and Dior are owned by LVMH. Gucci and Saint Laurent are owned by Kering. Nike is covered; Brunello Cucinelli and Zegna are not covered.

Source: Bernstein analysis

VALUATION METHODOLOGY

See the Disclosure Appendix of this *Blackbook* for details.

RISKS

See the Disclosure Appendix of this *Blackbook* for details.

INVESTMENT IMPLICATIONS

We rate Hermès Outperform.

AN INVESTMENT FOR ALL CYCLES

Hermès has historically delivered both relative and absolute outperformance

HERMÈS IS
QUINTESSENTIALLY
DEFENSIVE AMONG LUXURY
STOCKS

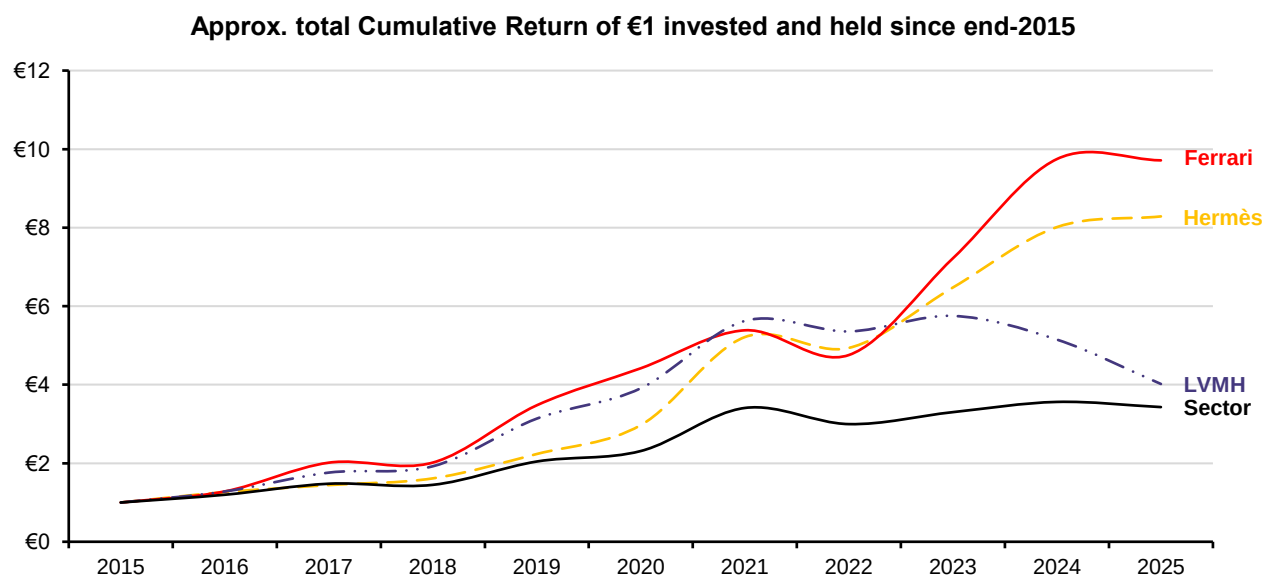
Hermès — like the best-in-class companies in the broader luxury goods space (Ferrari, Rolex, Patek Philippe) — has decided to produce less than the market would take, at least of its most coveted iconic handbags. Waiting lists, therefore, give Hermès the ability to cushion any demand lulls, similar to what we saw in 2024 (see the chapter titled “The Hermès Magic Formula” of this *Blackbook* for details).

THE INVESTMENT QUESTION:
WHAT TO DO WITH HERMÈS
IN A CYCLICAL RECOVERY?

Investors focused on **absolute performance** would not have to worry about having Hermès in their portfolio, as it has been the best-in-class TSR investment in our luxury goods coverage over the past 10 years ([Exhibit 1](#) and [Exhibit 2](#)). But what about those focused on **relative performance**? After all, investors would usually want to add more beta to their portfolio in anticipation of a cyclical recovery.

On both **absolute** and **relative** performance, Hermès has historically outperformed its peers in the luxury industry ([Exhibit 3](#) to [Exhibit 5](#)).

EXHIBIT 1: **Hermès has provided best-in-class TSR in the luxury sector over the past decade**



Note: 2025 represents data until April 2025

Source: Bloomberg, Bernstein analysis and estimates (cumulative TSR)

EXHIBIT 2: Hermès has also been the best-in-class TSR investment over the past 10 years, even as the competitor set has expanded with new IPOs

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD
Annual Total Shareholder Return													
Hermès	17.6%	13.1%	8.3%	26.4%	14.2%	11.8%	38.5%	32.9%	75.4%	-5.3%	31.2%	23.8%	2.1%
LVMH	-2.2%	13.1%	11.8%	28.0%	37.6%	9.1%	63.2%	24.6%	43.9%	-4.7%	7.4%	-10.5%	-24.2%
Moncler	54.9%	-30.4%	17.5%	34.0%	56.5%	12.9%	39.0%	23.5%	29.1%	-21.9%	11.9%	-6.7%	8.5%
Richemont	17.3%	4.0%	-5.5%	0.6%	22.4%	-24.7%	32.4%	6.1%	79.8%	-5.6%	-0.3%	24.4%	14.1%
EssilorLuxottica	2.7%	21.4%	25.3%	-5.8%	8.5%	-0.6%	25.3%	-5.2%	47.9%	-8.1%	8.1%	32.4%	8.4%
Burberry	23.3%	18.2%	-21.2%	11.4%	17.0%	-2.0%	37.9%	-23.3%	11.1%	9.3%	-28.0%	-23.1%	8.2%
Prada Group	-9.6%	-26.0%	-37.6%	16.5%	-6.3%	-2.6%	31.0%	46.7%	4.7%	-4.9%	-4.7%	48.0%	-23.0%
Swatch Group	20.1%	-22.3%	-8.6%	-2.2%	17.2%	-24.6%	4.4%	-8.1%	22.1%	0.3%	-10.5%	-23.4%	-8.3%
Cumulative Total Shareholder Return													
Hermès	1.2	1.3	1.4	1.8	2.1	2.3	3.2	4.3	7.5	7.1	9.3	11.5	11.8
LVMH	1.0	1.1	1.2	1.6	2.2	2.4	3.9	4.8	7.0	6.6	7.1	6.4	4.8
Moncler	1.5	1.1	1.3	1.7	2.7	3.0	4.2	5.2	6.7	5.2	5.8	5.4	5.9
Richemont	1.2	1.2	1.2	1.2	1.4	1.1	1.4	1.5	2.7	2.5	2.5	3.2	3.6
EssilorLuxottica	1.0	1.2	1.6	1.5	1.6	1.6	2.0	1.9	2.8	2.6	2.8	3.7	4.0
Burberry	1.2	1.5	1.1	1.3	1.5	1.5	2.0	1.6	1.7	1.9	1.4	1.0	1.1
Prada Group	0.9	0.7	0.4	0.5	0.5	0.4	0.6	0.9	0.9	0.8	0.8	1.2	0.9
Swatch Group	1.2	0.9	0.9	0.8	1.0	0.7	0.8	0.7	0.9	0.9	0.8	0.6	0.5

Note: 2025 represents data until April 2025

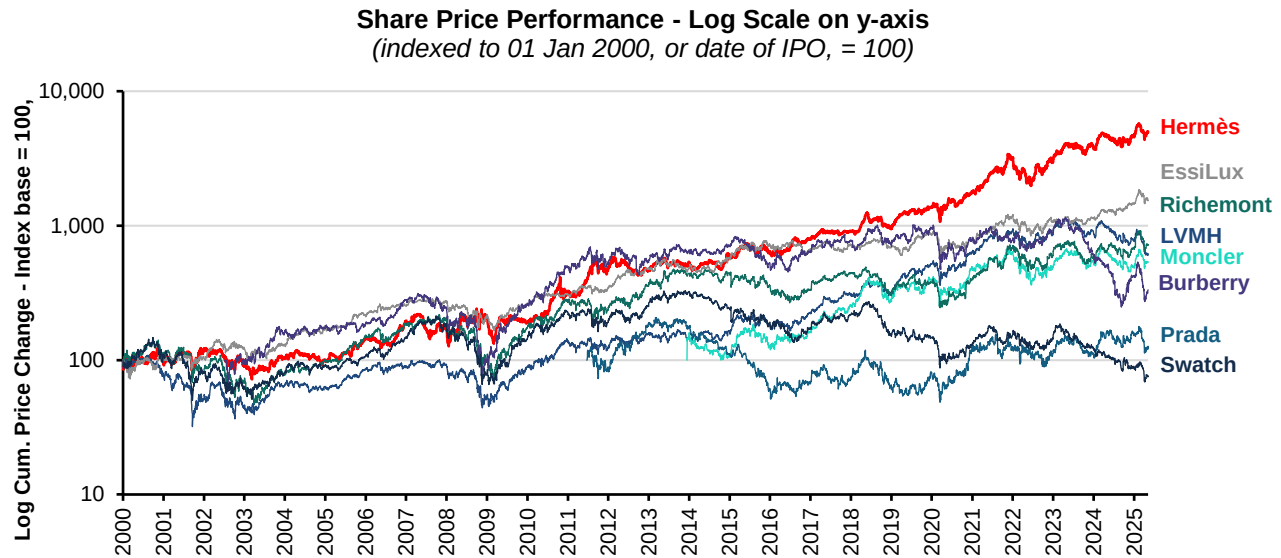
Source: Bloomberg, Bernstein analysis and estimates

EXHIBIT 3: Investors focused on absolute performance haven't had to worry about having Hermès in their portfolio over the past two decades...
Absolute Performance (MoM Change in Share Price)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	+ve months
2000	-7.9%	-5.1%	10.7%	7.6%	-7.1%	-2.4%	2.1%	6.6%	5.1%	-1.9%	3.1%	-8.0%	6
2001	4.8%	-3.9%	-3.3%	10.2%	3.1%	-2.4%	0.5%	-0.9%	-20.5%	9.5%	19.0%	3.0%	7
2002	2.5%	-7.2%	1.8%	2.3%	2.2%	-8.6%	-9.0%	-2.8%	-10.4%	19.2%	-3.0%	-10.1%	5
2003	-1.1%	-10.8%	5.9%	1.3%	5.5%	-6.7%	2.4%	13.9%	-7.1%	11.5%	4.1%	-0.5%	7
2004	-1.4%	5.4%	4.2%	0.1%	-2.3%	1.1%	-2.3%	-3.2%	-1.6%	-1.0%	-8.7%	6.4%	5
2005	2.5%	9.5%	-5.8%	-4.9%	6.5%	6.0%	2.5%	0.4%	14.6%	-4.7%	4.7%	7.8%	9
2006	0.3%	-1.0%	-0.6%	-2.5%	-5.1%	7.4%	-6.1%	2.0%	10.1%	16.7%	-3.2%	15.1%	6
2007	-0.9%	5.2%	4.9%	2.4%	-2.5%	-18.9%	-11.5%	6.6%	-0.3%	15.0%	-2.9%	-2.0%	5
2008	-22.5%	15.9%	1.9%	9.6%	22.5%	-5.9%	2.5%	-5.1%	17.7%	-11.8%	-2.2%	1.3%	7
2009	-21.1%	-14.9%	30.4%	15.1%	-6.1%	4.6%	6.5%	-2.0%	-2.4%	-6.0%	-0.1%	-1.5%	4
2010	6.8%	-0.7%	3.9%	-3.1%	8.0%	1.3%	20.8%	8.6%	17.1%	-9.0%	-4.2%	7.4%	8
2011	-6.0%	7.0%	-1.9%	2.3%	13.1%	14.0%	18.1%	10.5%	-15.1%	8.9%	-4.0%	-2.4%	7
2012	15.3%	5.4%	-9.8%	5.8%	-2.1%	-7.4%	-8.5%	3.3%	-8.7%	0.8%	12.8%	-4.8%	6
2013	5.8%	6.6%	6.1%	-5.4%	7.5%	-9.9%	3.0%	-0.7%	4.9%	-5.7%	2.4%	2.5%	8
2014	-10.3%	-1.2%	3.5%	4.8%	2.7%	3.7%	-4.2%	1.5%	-9.6%	4.4%	9.0%	9.5%	8
2015	1.9%	-4.0%	13.9%	2.6%	5.5%	-5.9%	5.9%	-10.7%	2.6%	7.8%	-4.9%	-6.5%	7
2016	0.6%	0.3%	-1.6%	0.5%	4.5%	3.7%	14.2%	-1.6%	-4.3%	1.9%	5.5%	0.2%	9
2017	3.2%	2.3%	7.8%	-1.1%	0.2%	-1.7%	-1.1%	3.8%	-4.0%	4.5%	-0.6%	0.8%	7
2018	-0.2%	-0.7%	8.9%	11.3%	13.6%	-14.0%	3.4%	3.4%	1.9%	-11.5%	-5.4%	1.5%	7
2019	8.2%	6.2%	5.6%	6.6%	-5.2%	6.6%	0.4%	-2.5%	2.1%	1.7%	5.4%	-2.0%	9
2020	1.6%	-6.9%	-0.2%	6.2%	12.0%	-0.5%	-7.7%	4.8%	2.3%	8.5%	2.3%	7.6%	8
2021	-4.2%	9.6%	2.3%	10.6%	10.4%	6.6%	4.9%	-3.5%	-3.9%	14.5%	20.6%	-7.1%	8
2022	-14.2%	-5.8%	4.0%	-8.1%	-6.4%	-3.9%	25.0%	-3.9%	-5.1%	7.7%	17.7%	-6.3%	4
2023	18.7%	0.1%	8.7%	5.5%	-3.3%	4.6%	1.3%	-5.7%	-9.0%	1.7%	8.2%	0.8%	9
2024	2.0%	18.1%	2.3%	-4.9%	-3.3%	-1.7%	-5.5%	7.2%	1.7%	-6.0%	-0.4%	12.4%	6
2025	17.3%	0.5%	-11.9%	-0.8%									2
Average	0.1%	1.2%	3.5%	2.8%	3.0%	-1.2%	2.3%	1.2%	-0.9%	3.1%	3.0%	1.0%	6.9

Source: Bloomberg, Bernstein analysis and estimates (blended benchmark calculation)

EXHIBIT 4: ... as its cumulative share price performance over the past two decades clearly shows its lead



Source: Bloomberg, Bernstein analysis

EXHIBIT 5: Even those focused on relative performance should also be satisfied, particularly post-pandemic when Hermès has consistently outperformed a market-cap weighted basket of peers

Relative Performance (MoM Change in Share Price; Market-Cap Weighted Basket)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	+ve months
2000	-1.8%	1.0%	2.4%	1.7%	-5.3%	-2.6%	-5.1%	5.7%	2.6%	-1.5%	9.8%	-4.4%	6
2001	2.9%	-1.7%	2.7%	-2.7%	2.9%	-1.5%	3.4%	1.8%	-7.7%	7.8%	10.1%	5.3%	8
2002	0.3%	-16.5%	-4.4%	3.5%	1.6%	1.7%	2.0%	-0.7%	-3.8%	6.9%	-5.9%	-1.5%	6
2003	0.2%	-10.2%	11.9%	-4.4%	0.1%	-4.6%	-8.6%	6.1%	-6.8%	5.9%	4.0%	1.0%	7
2004	-3.9%	2.3%	3.6%	-3.3%	-2.8%	2.0%	1.1%	0.0%	-5.7%	1.4%	-8.2%	2.5%	6
2005	4.5%	7.5%	-8.8%	-2.6%	2.7%	-1.7%	-4.1%	2.5%	9.4%	-5.3%	-0.3%	5.6%	6
2006	0.3%	-0.8%	-4.1%	-5.6%	2.4%	6.1%	-7.3%	-1.5%	6.5%	14.7%	-6.2%	10.2%	6
2007	-1.6%	3.5%	4.1%	-0.2%	-5.9%	-16.7%	-12.3%	8.1%	-1.5%	9.7%	1.1%	-3.5%	5
2008	-9.0%	15.2%	3.7%	5.0%	20.8%	2.0%	-2.8%	-6.0%	30.1%	-8.0%	2.4%	-2.1%	7
2009	-18.1%	-14.7%	23.5%	2.9%	-10.2%	1.0%	-3.0%	-5.4%	-3.9%	-4.2%	-3.4%	-11.2%	3
2010	3.8%	-0.8%	-4.6%	-3.1%	9.5%	-2.0%	19.4%	8.0%	6.0%	-10.3%	-8.3%	2.1%	6
2011	-3.4%	4.2%	2.0%	-3.0%	10.4%	13.2%	14.0%	17.6%	-4.3%	-7.2%	-0.9%	1.0%	7
2012	5.5%	2.1%	-11.7%	6.5%	1.9%	-8.0%	-12.9%	-1.2%	-5.5%	-4.0%	3.9%	-5.8%	5
2013	5.9%	7.1%	3.3%	-4.0%	3.9%	-6.7%	-4.5%	0.7%	1.6%	-3.6%	3.6%	4.7%	8
2014	-7.2%	-5.1%	6.5%	-0.8%	0.6%	4.7%	2.9%	-1.8%	-5.4%	0.6%	2.2%	10.0%	7
2015	-2.3%	-14.9%	14.6%	3.2%	4.8%	-1.4%	-2.4%	0.9%	0.2%	-3.3%	0.1%	0.4%	7
2016	1.8%	-0.3%	0.8%	1.9%	7.3%	6.0%	8.1%	0.0%	-6.5%	-2.9%	2.3%	-5.8%	8
2017	-2.4%	2.5%	0.8%	-8.8%	1.0%	2.8%	1.2%	1.7%	-8.5%	-1.8%	4.3%	-1.4%	7
2018	-3.5%	2.9%	7.7%	-1.8%	11.3%	-10.3%	-0.4%	2.9%	2.5%	-2.0%	1.8%	1.1%	7
2019	2.7%	0.3%	2.0%	0.6%	-2.0%	-4.3%	-1.8%	-0.4%	2.8%	-2.8%	1.0%	-2.8%	6
2020	5.8%	-0.3%	11.3%	-0.2%	7.5%	-4.7%	-2.7%	-0.6%	-0.1%	10.7%	-17.2%	1.9%	5
2021	-2.0%	3.3%	-4.0%	3.0%	4.6%	4.1%	2.7%	2.7%	-2.5%	4.6%	16.4%	-12.1%	8
2022	-11.5%	1.4%	4.9%	-4.5%	-1.6%	-1.3%	10.6%	0.2%	1.5%	2.1%	1.4%	0.1%	8
2023	3.4%	1.1%	3.2%	2.1%	2.4%	-0.5%	2.3%	2.1%	-0.7%	5.8%	4.5%	-4.1%	9
2024	-3.1%	9.9%	2.5%	1.9%	-2.3%	0.8%	-0.5%	4.8%	0.5%	1.9%	0.2%	5.6%	9
2025	3.2%	-1.5%	3.4%	8.8%									3
Average	-1.1%	-0.1%	3.0%	-0.1%	2.6%	-0.9%	0.0%	1.9%	0.0%	0.6%	0.8%	-0.1%	6.7

Note: Relative benchmark consists of LVMH, Richemont, Moncler, EssilorLuxottica, Prada Group, Burberry, and Swatch Group.

Source: Bloomberg, Bernstein analysis and estimates (for benchmark)

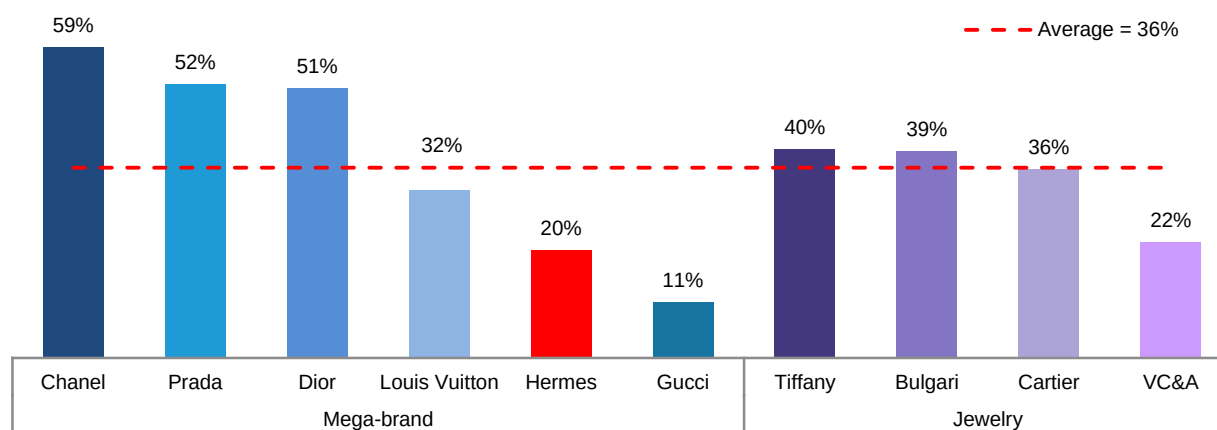
HERMÈS' TOP-LINE GROWTH WILL LIKELY BE SUPPORTED BY MATERIAL PRICING TAILWINDS

Hermès was among the most prudent with price increases in the post-Covid-19 luxury demand boom, which leaves it with the [most important LFL pricing upside reservoir](#) in its back pocket ([Exhibit 6](#)).¹

Our analysis suggests Hermès is deploying its pricing potential, both to increase its prices in Europe and to reestablish price gaps with overseas markets, particularly in Japan and China where forex weakness had eroded the customary price premia the industry has worked with. Luxury brands tend to maintain a 15-30% price premium in these countries to like-for-like (LFL) prices in France — this encourages Asian luxury buyers to travel overseas to make their purchases, supporting retail productivity in Europe ([Exhibit 7](#) and [Exhibit 8](#)).

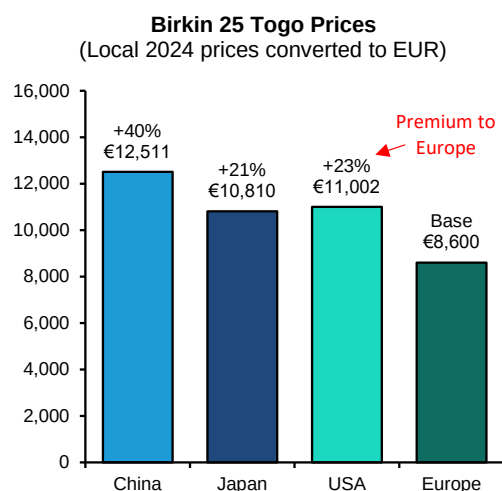
EXHIBIT 6: Hermès had been less aggressive with price increases over the pandemic; it has instead accumulated a significant “pricing reservoir” that it could gradually deploy over the coming years

LFL price inflation across selected key products
France, 2023 vs. 2020 (%)



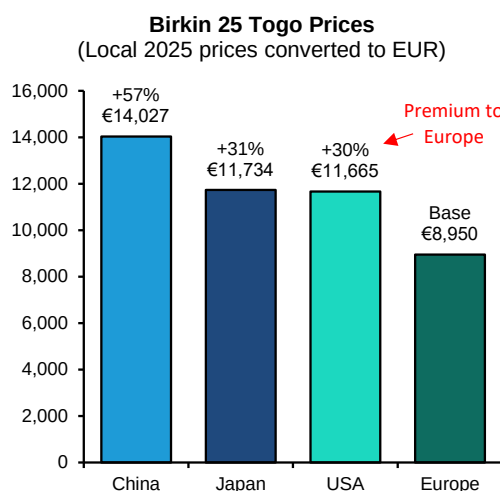
Source: brand.com, Bernstein analysis and estimates (price increases)

¹ www.bernsteinresearch.com/brweb/viewresearch.aspx?cid=UO%2bnWEhwc2PlakMb6xqHC1z1p%2bsPUB6stLkpbxtRFp2uVf2bd7YgirqCZhb89mIF

EXHIBIT 7: Hermès 1H25 price increases reinflated the brand's regional price gaps...

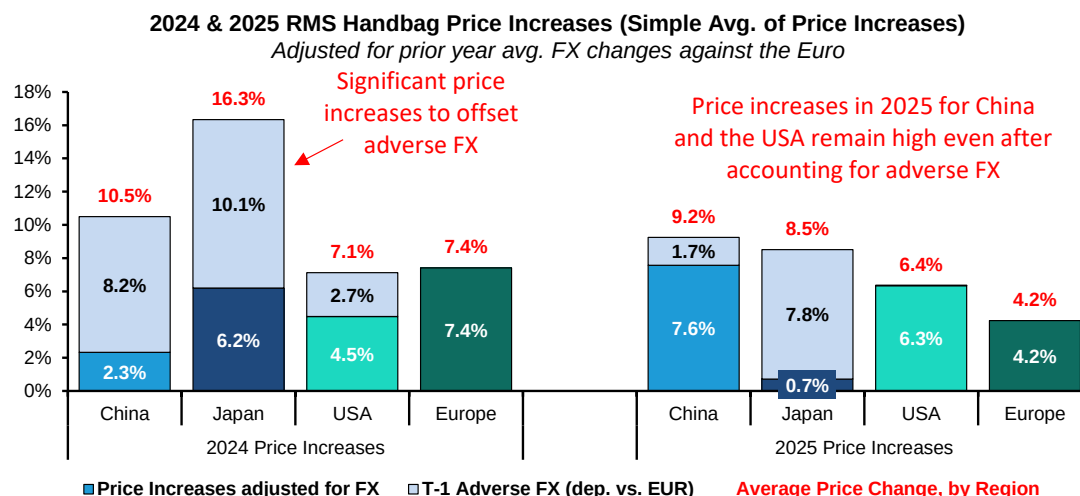
Source: RED, Instagram, Bloomberg, Bernstein analysis

WE THINK HERMÈS WILL
BENEFIT FROM ~7% LFL
PRICING TAILWINDS IN FY25

EXHIBIT 8: ... but also led to a significant expansion of its China-Europe price gap

Source: RED, Instagram, Bloomberg, Bernstein analysis

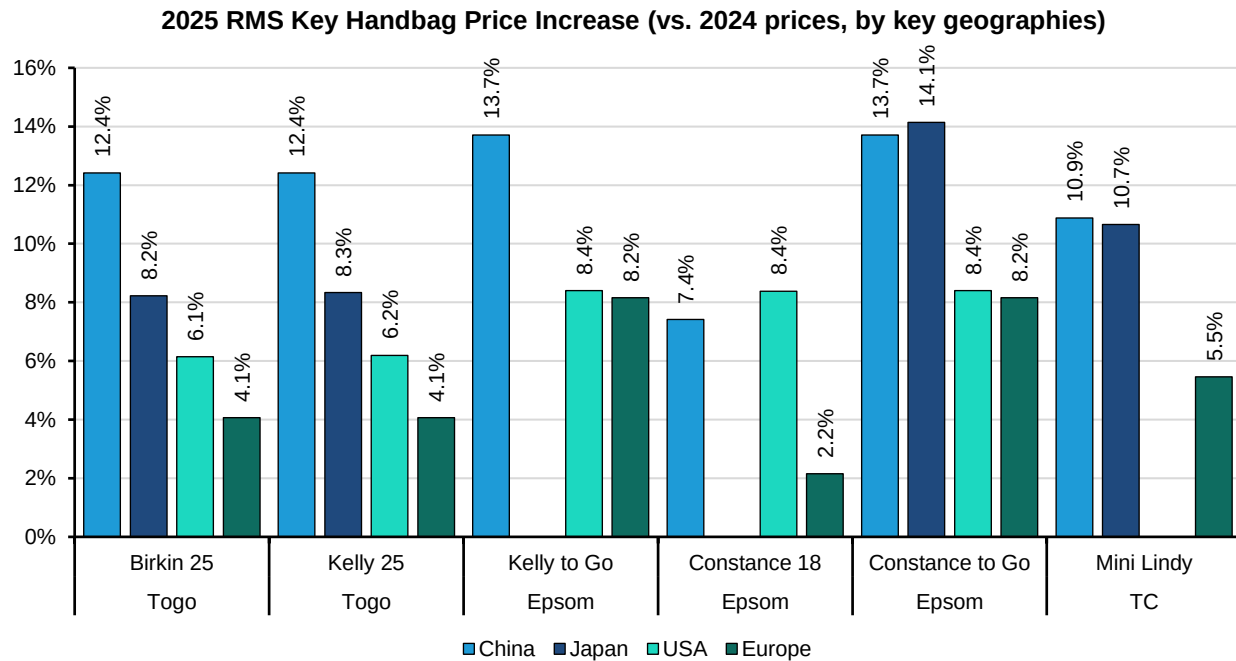
Our data shows Hermès' first round of price increases in early-2025 led to an 8-9% increase in prices for Hermès' handbags in Japan and China, a 6%+ increase in the US, and a 4% increase in Europe ([Exhibit 9](#) to [Exhibit 11](#)). This follows high-single-digit to low-double-digit increases in 2024. Most competitors have implemented price increases well below Hermès' range for 2025, with most commenting that they will only seek to pass on cost inflation (~2-3%). This underscores Hermès' significant pricing power within the leather goods category and supports its organic growth-driven strategy.

EXHIBIT 9: Taken at face value, 2025 seems to see Hermès implementing slightly less aggressive price increases globally; however, adjusting for significant forex fluctuations in 2023 and 2024 indicates that 2025's increases in China and the US are effectively higher than those in 2024

Note: We use the average forex rate over 2023 and 2024 to calculate the change in forex. Using YoY changes in end-of-year forex rates would see CNY and USD strengthening against EUR in 2024, as opposed to depreciating 1.7% and flat, respectively.

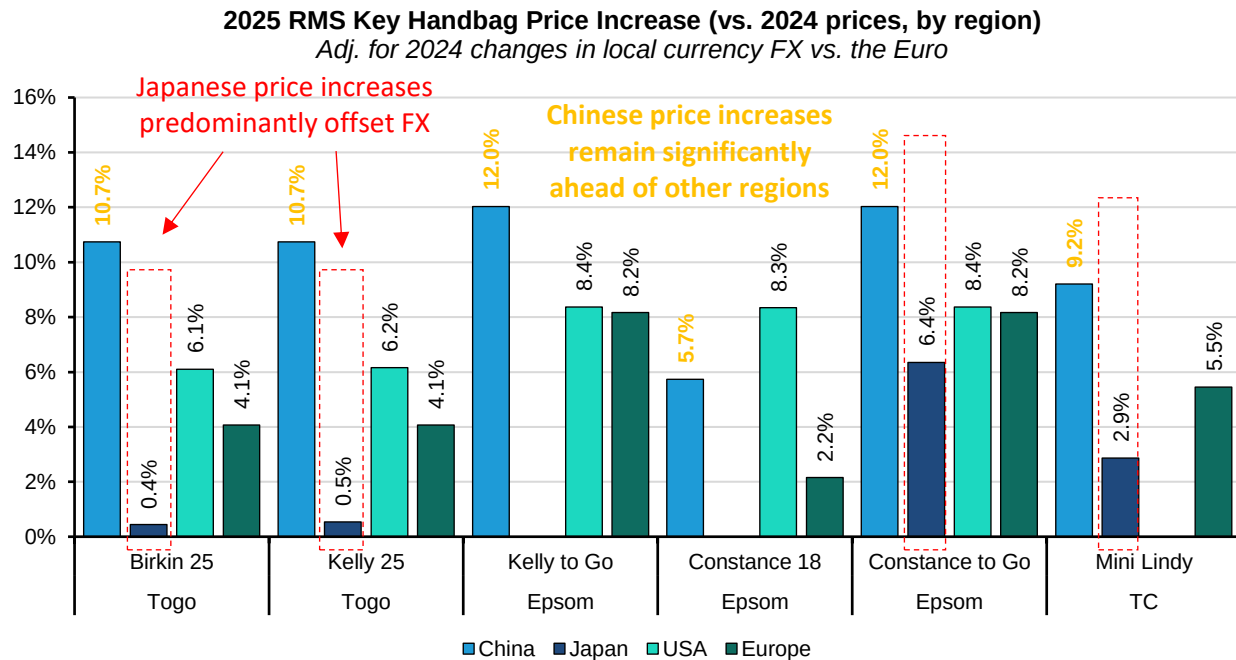
Source: RED, Instagram, Bloomberg, Bernstein analysis and estimates

EXHIBIT 10: Price increases have been the most significant for Hermes' most desirable handbags (the "Birkin-Kelly-Constance" – BKC – "holy trinity"), even after accounting for forex (1/2)



Source: RED, Instagram, Bernstein analysis

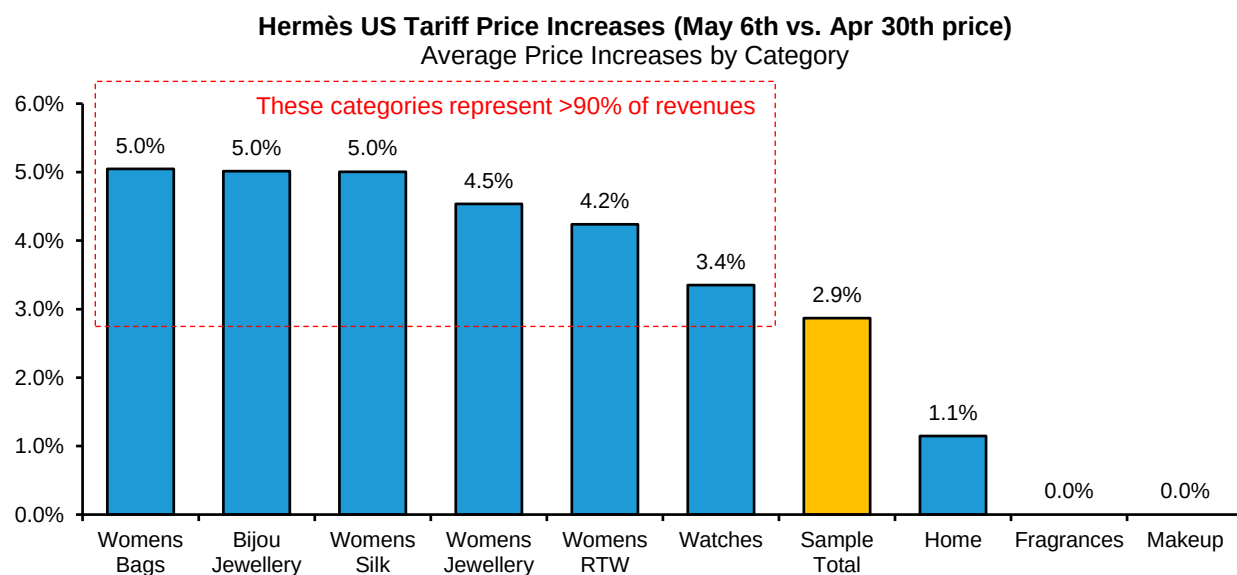
EXHIBIT 11: Price increases have been the most significant for Hermes' most desirable handbags (the "Birkin-Kelly-Constance" – BKC – "holy trinity"), even after accounting for forex (1/2)



Note: We use the average forex rate over 2023 and 2024 to calculate the change in forex.

Source: RED, Instagram, Bloomberg, Bernstein analysis and estimates

EXHIBIT 12: **Hermès has opted to pass on the cost of US import tariffs to consumers, on top of the 6%+ price increases implemented at the start of 2025, bringing total price increases in the US to 11-12%**



Source: brand.com, Bernstein analysis

ACKNOWLEDGEMENT



The partner for the research in this chapter is Data Boutique, a marketplace for web data.

Data Boutique enables users to safely buy and sell high-quality web-scraped data for fast and safe access to global product prices and discounts on global ecommerce.

WHY FERRARI AND HERMÈS ARE SIMILAR...

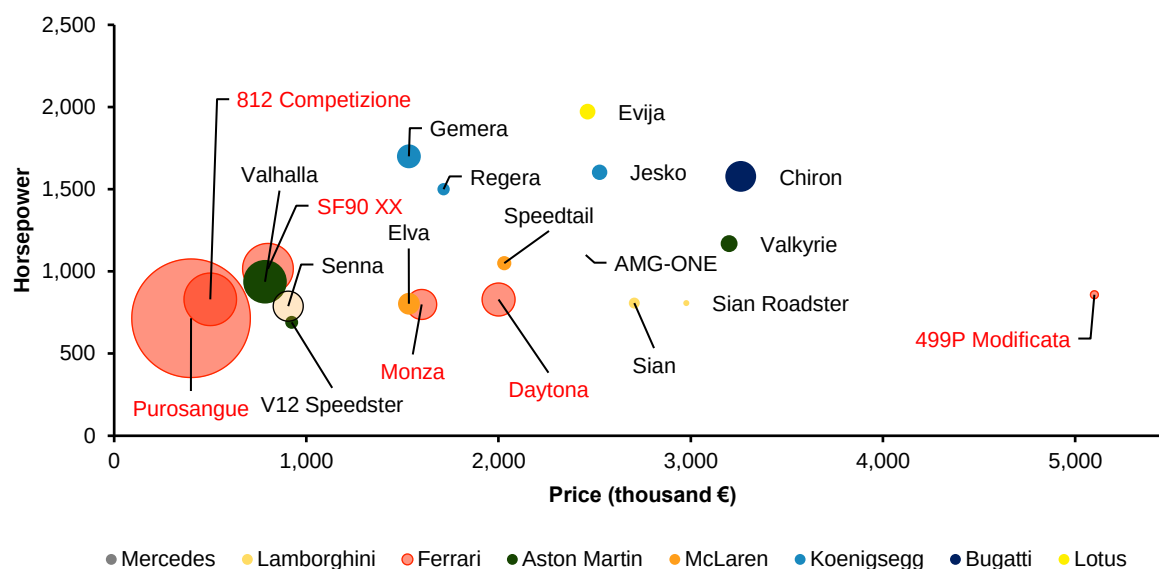
... and why Sergio Marchionne was right

FERRARI AND HERMÈS OCCUPY THE TOP END OF THE PRICING PYRAMID WITH MATERIAL VOLUMES IN THEIR CATEGORIES

Neither Ferrari nor Hermès are the most expensive brands in sports cars or leather goods, as one could find niche brands with nominal volumes to be indeed more expensive. But both are the “volume player” in the high-end ([Exhibit 1](#) to [Exhibit 3](#)) (also see the chapter titled “The Hermès Magic Formula” of this *Blackbook*).

EXHIBIT 1: Ferrari's ability to sell hundreds of supercars and hypercars every year as opposed to competitors who struggle to produce a hundred models over multiple years reflects its dominance of the >€400k luxury cars market

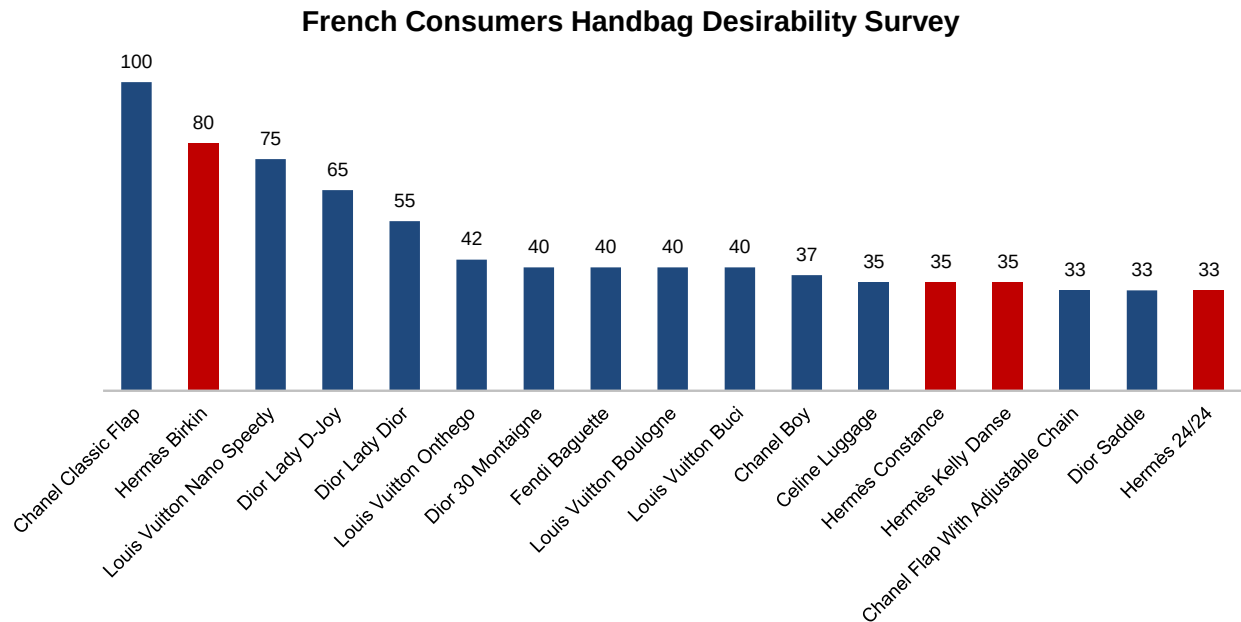
Supercar and hypercar market by price and horsepower; bubble size reflects expected total lifetime production volume (Valkyrie = 150)



Note: Courtesy of the US Autos team. Mercedes, Ferrari, Lamborghini, and Bugatti (both owned by Volkswagen Group), Aston Martin, and Lotus (owner of Geely) are covered; McLaren and Koenigsegg are privately owned. Super- and hypercar market by price and horsepower. Bubble size reflects expected total lifetime production volume (Valkyrie = 150).

Source: Company reports, Bernstein analysis and estimates (volume)

EXHIBIT 2: **Hermès' iconic products, Birkin and Kelly, score highly in consumer desirability despite being out of the price (and accessibility) range of most consumers**



Note: Survey of 111 French consumers on most desirable handbag models. Survey is a preliminary effort and results may change in future iterations.
Source: Promise Consulting, Bernstein analysis

EXHIBIT 3: **Hermès dominates the top end of the handbags market**

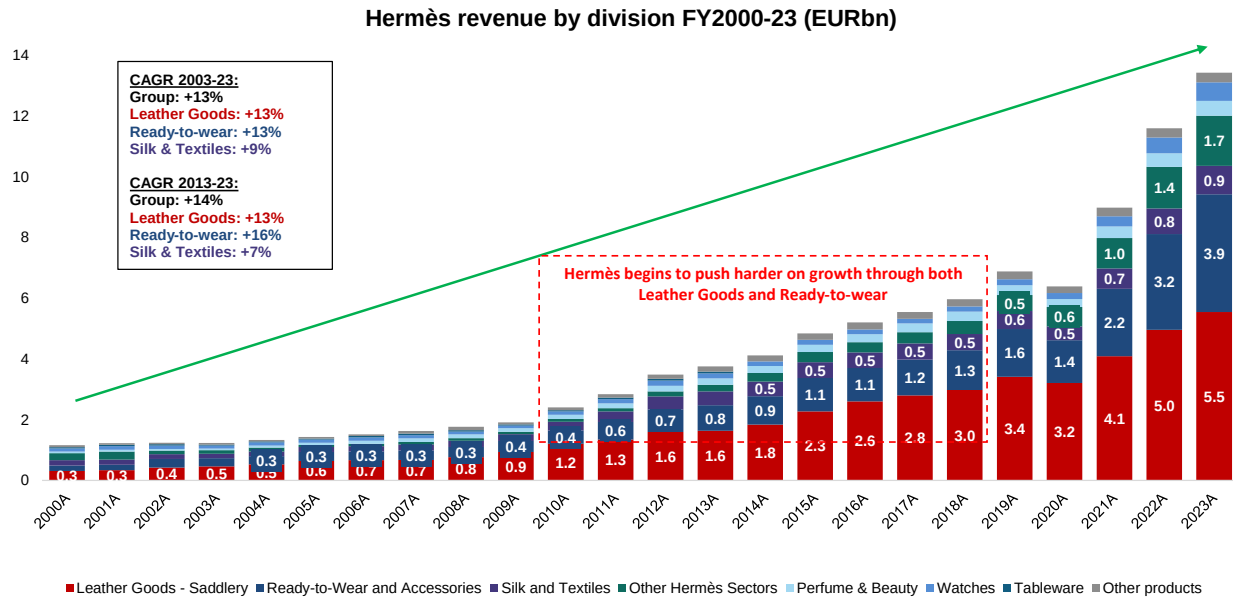


Note: Chanel, among other brands, has stopped using exotic skins, hence its relatively lower prices in the "special" category.
Source: brand.com, Rebag, Bernstein analysis

FERRARI AND HERMÈS ARE PERFECTLY POSITIONED TO BENEFIT FROM THE RISE OF INCOME AND WEALTH INEQUALITY

The rise of income and wealth inequality, and globalization have created a perfect environment for luxury goods players to thrive. As two of the best luxury goods companies in the world, Ferrari and Hermès have greatly benefited from this.

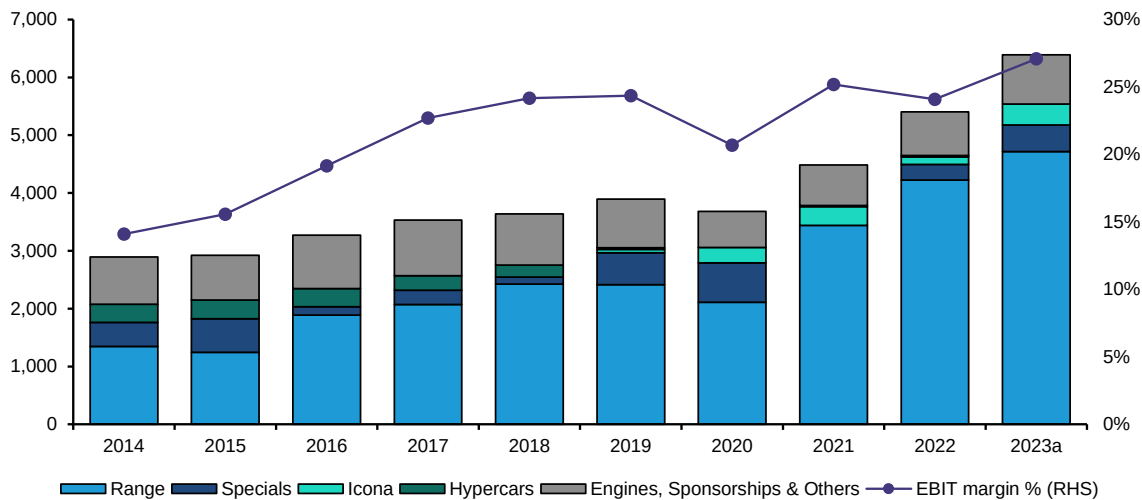
EXHIBIT 4: **Hermès RTW has grown at >16% over the past 10 years as compared with leather goods in the low-teens**



Source: Company reports, Bernstein analysis

EXHIBIT 5: **Ferrari has grown at a 9% CAGR over the past decade, largely driven by an expansion of its Range model portfolio**

Ferrari revenue breakdown by vehicle type and business segment, and group EBIT margins (€Mn)



Source: Company reports, Bernstein analysis

Ferrari and Hermès sell less than the market would take. Ferrari is selling fewer cars than the market would want to buy. Hermès applies the same principle, especially to leather goods and even more so when it comes to its iconic handbags.

The "Inner Circle" of Hermès

It is a known fact that Hermès sales associates are asking "inner circle" customers to buy a lot of other Hermès products as a condition to sell them Birkin or Kelly bags.

The diagram illustrates the 'Inner Circle' of Hermès, showing a customer's journey from a secondhand dealer to the Hermès store, and the items they receive and pay for.

Items Received (Paid c.200K HKD):

- c.100K for the Birkin 30 bag
- c. 100K for RTW and accessories

Items Received (Received c.200K HKD):

- c.160K for the Birkin 30 bag
- c. 40K for RTW and accessories

An "Inner Circle" Loyal Customer of Hermès for the past 8 years

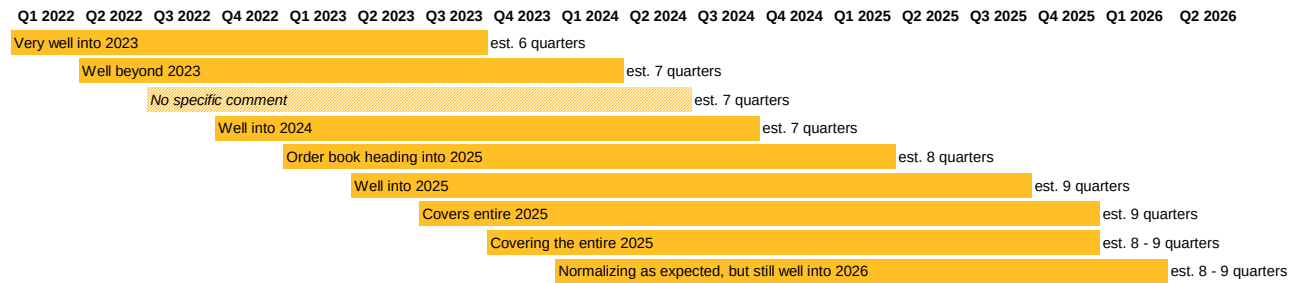
Hermès Store in HK Central

Hermès secondhand dealer store in HK Central

The customer got to keep the dress selling at 34,100 HKD free of charge

HERMÈS: ORANGE IS THE NEW BLACKBOOK

EXHIBIT 7: Ferrari consistently sells less than market demand, leading to a multi-year order book

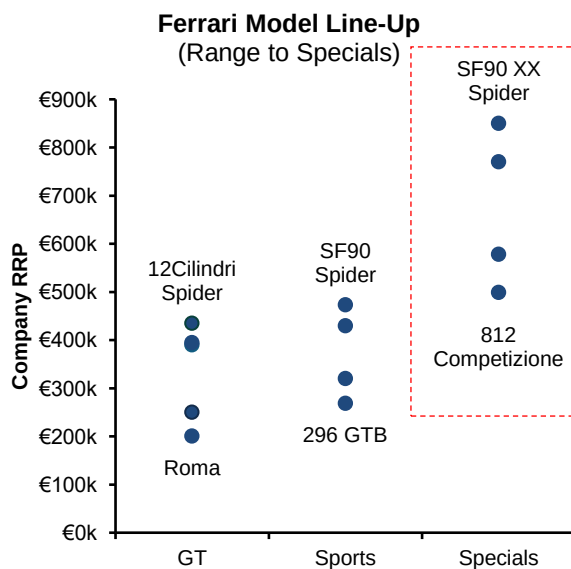


Source: Company reports, Bernstein analysis and estimates (based on company commentary)

Stretching the top of the offer

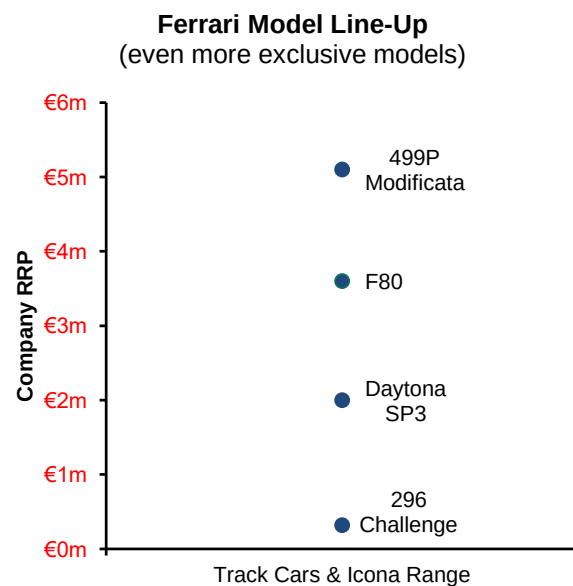
Ferrari and Hermès maximize desirability through special and limited editions. Both offer a clear product ladder for their most avid customers to gradually climb and have catered to demand for even more desirable versions of their products by creating special or limited editions of their sports cars and handbags ([Exhibit 8](#) to [Exhibit 10](#)). Ferrari seems more advanced than Hermès in this area.

EXHIBIT 8: Ferrari offers a clear product ladder for its avid customer base to climb...



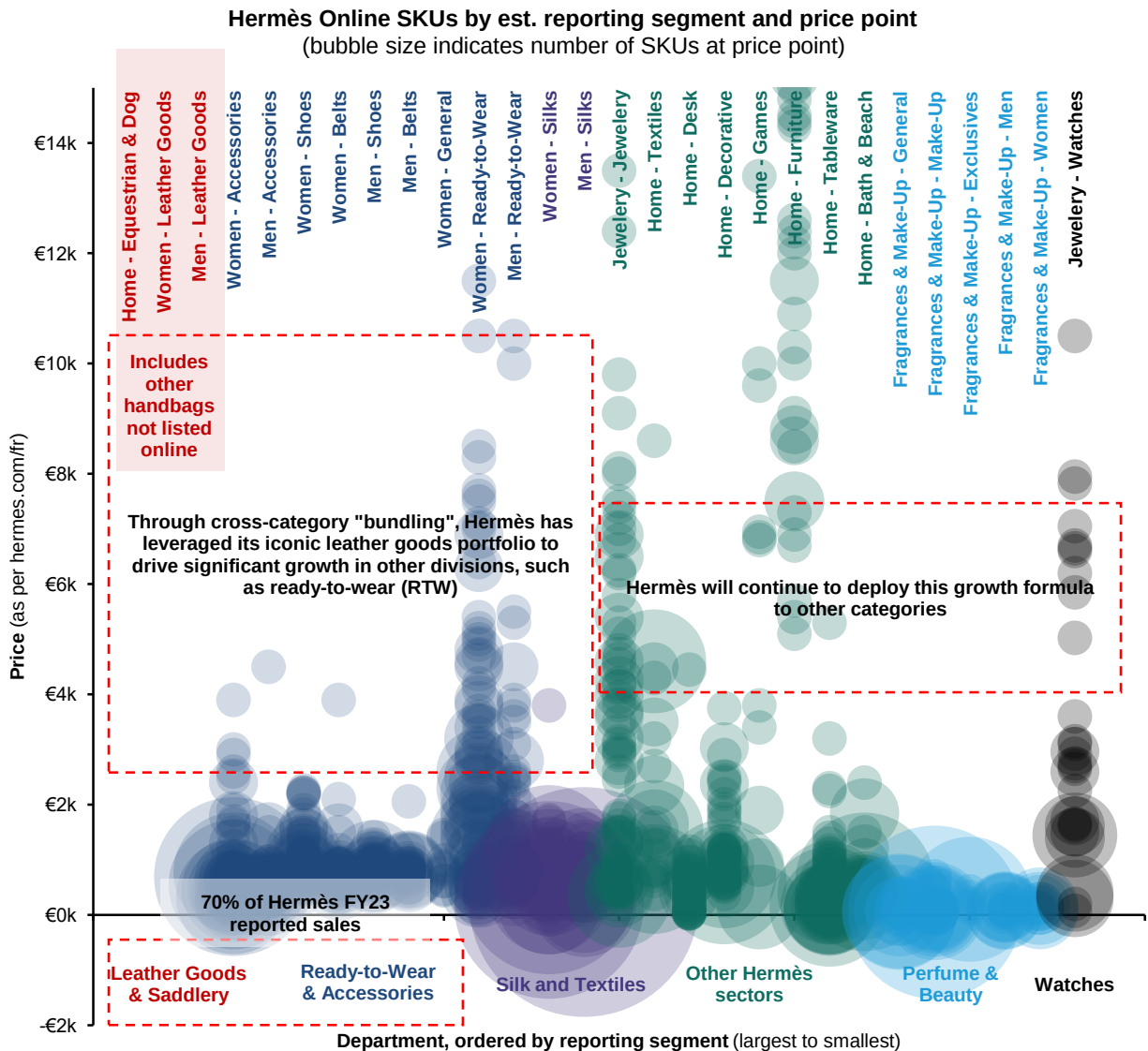
Source: Ferrari, Bernstein analysis

EXHIBIT 9: ... and enhances desirability even further by launching extremely limited specials



Source: Ferrari, Bernstein analysis

EXHIBIT 10: Hermès has leveraged its highly desirable handbags to enhance demand for its other products, expanding further up the RTW category – and increasingly in the watches and jewelry categories

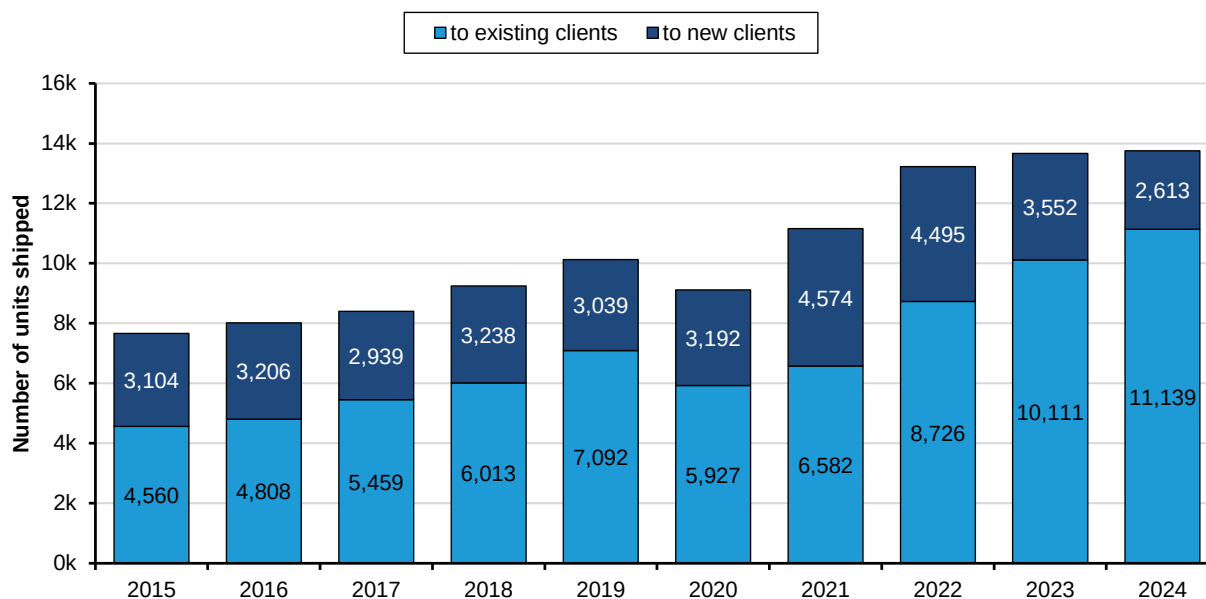


Source: hermes.com/fr, Bernstein analysis and estimates

Fostering loyalty

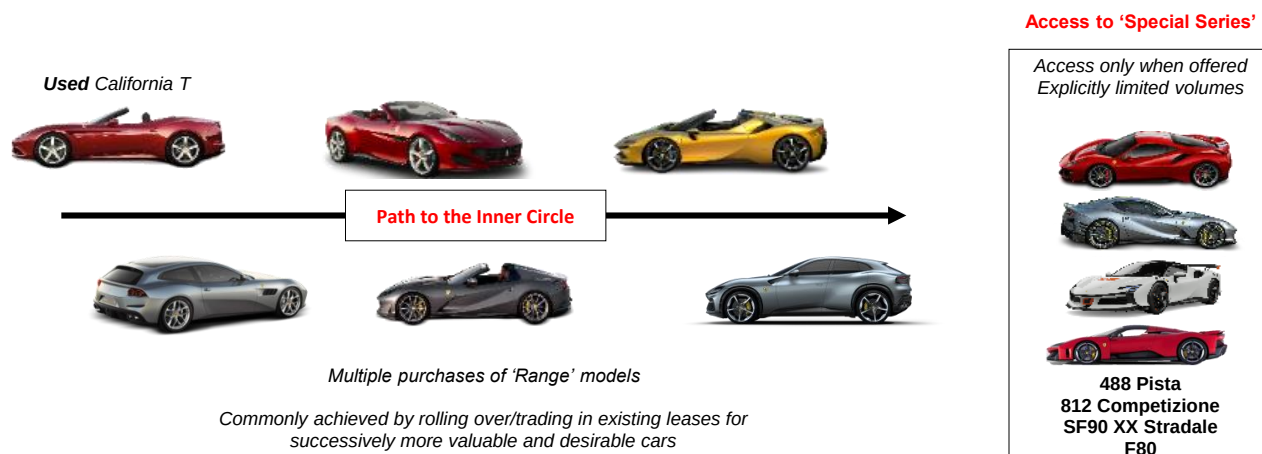
Ferrari and Hermès reserve these products for their most loyal customers. Both companies suffer from the risk of predatory resellers and have responded by reserving access to their most desirable products — Ferrari's special editions and Hermès' Birkin's and Kelly's — only to the most loyal return customers ([Exhibit 11](#) to [Exhibit 13](#)). This in effect "bundles" access and amps up desirability.

EXHIBIT 11: **More than two-thirds of Ferrari's annual shipments are to return customers**



Source: Company reports, Bernstein analysis and estimates (split in absolute number of units shipped)

EXHIBIT 12: **Ferrari offers its “Special Series” models only to its most loyal or visible customers**



Source: Ferrari S.p.A., Bernstein analysis

EXHIBIT 13: **Hermès offers its Birkins and Kellys only to its most loyal or visible customers**

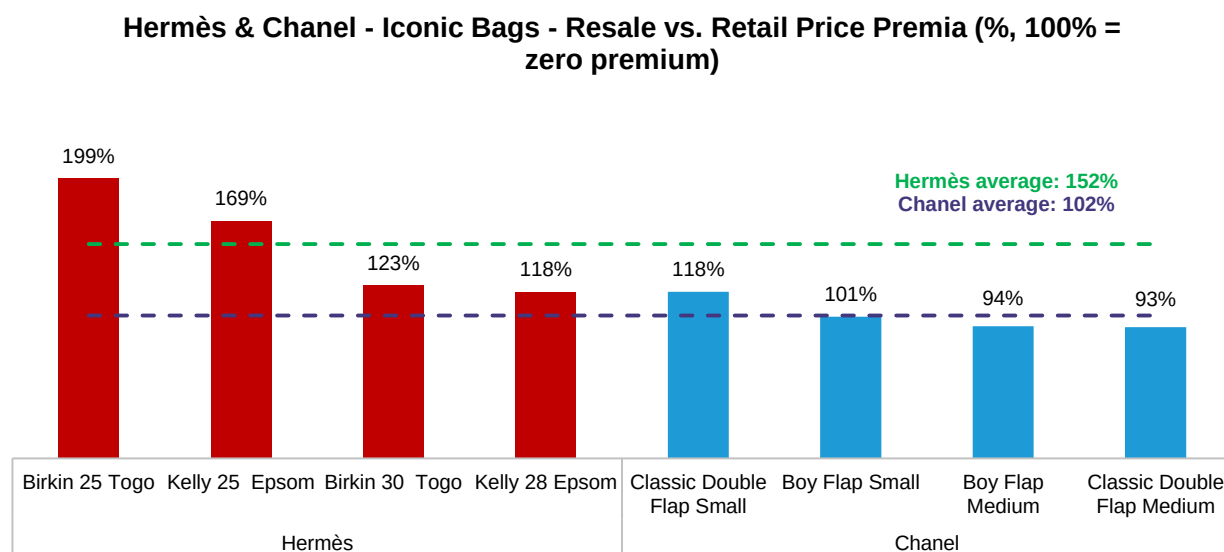


Source: brand.com, Bernstein analysis

Creating a collector's cult

Ferrari and Hermès create collector's items with high intrinsic value. Few brands can join this club — Rolex is another notable member ([Exhibit 15](#)). Their products are seen as holding long-term intrinsic value ([Exhibit 14](#)). Limited new supply also supports pricing on the second-hand market, further cementing their status as savvy investments ([Exhibit 16](#) and [Exhibit 17](#)).

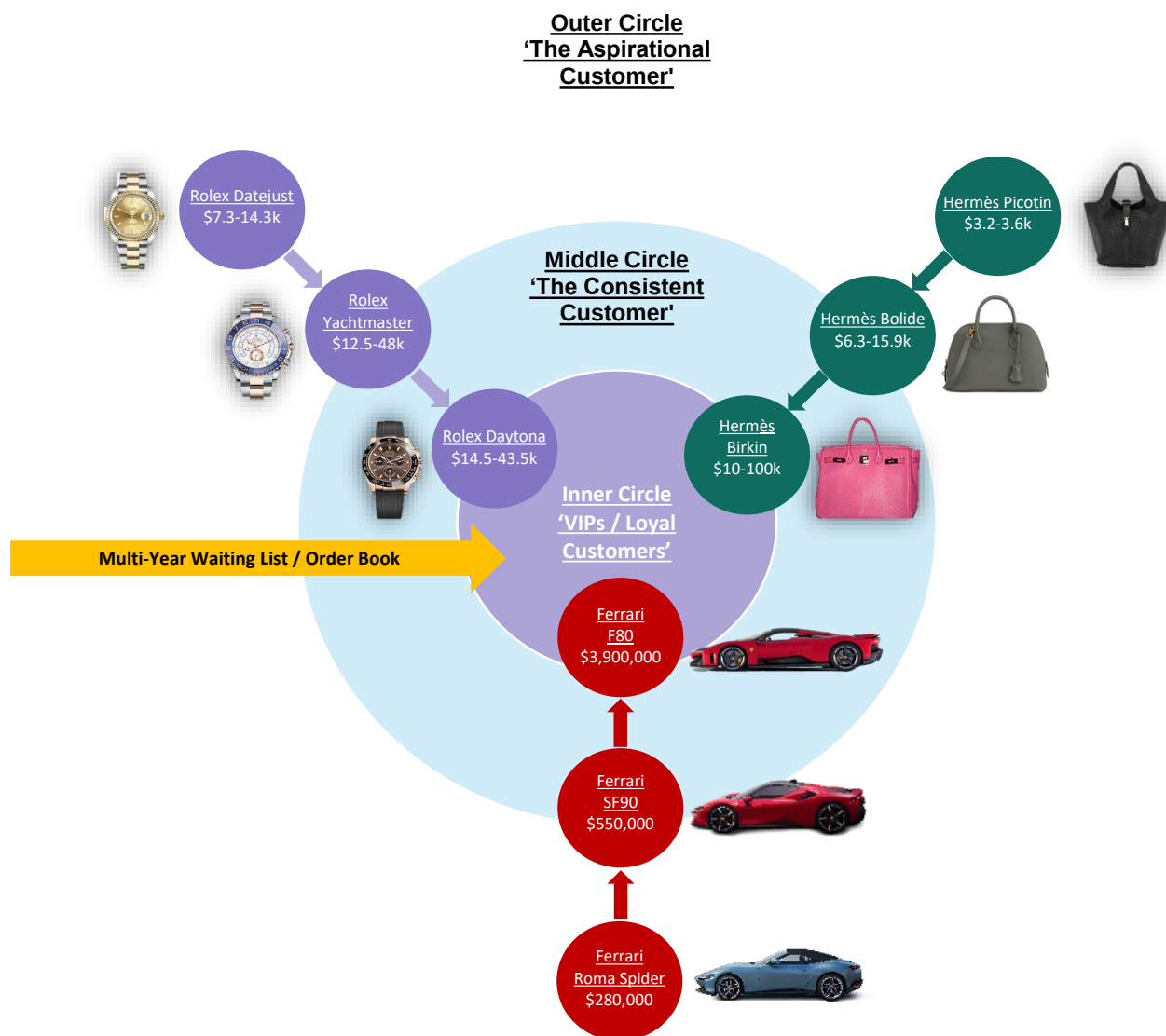
EXHIBIT 14: **Hermès's most desirable handbags – Birkin and Kelly – regularly sell at a premium to their retail prices**



Note: Hermès prices from Hong Kong and Sotheby's/Christie's auctions; Chanel prices from brand.com and Rebag.

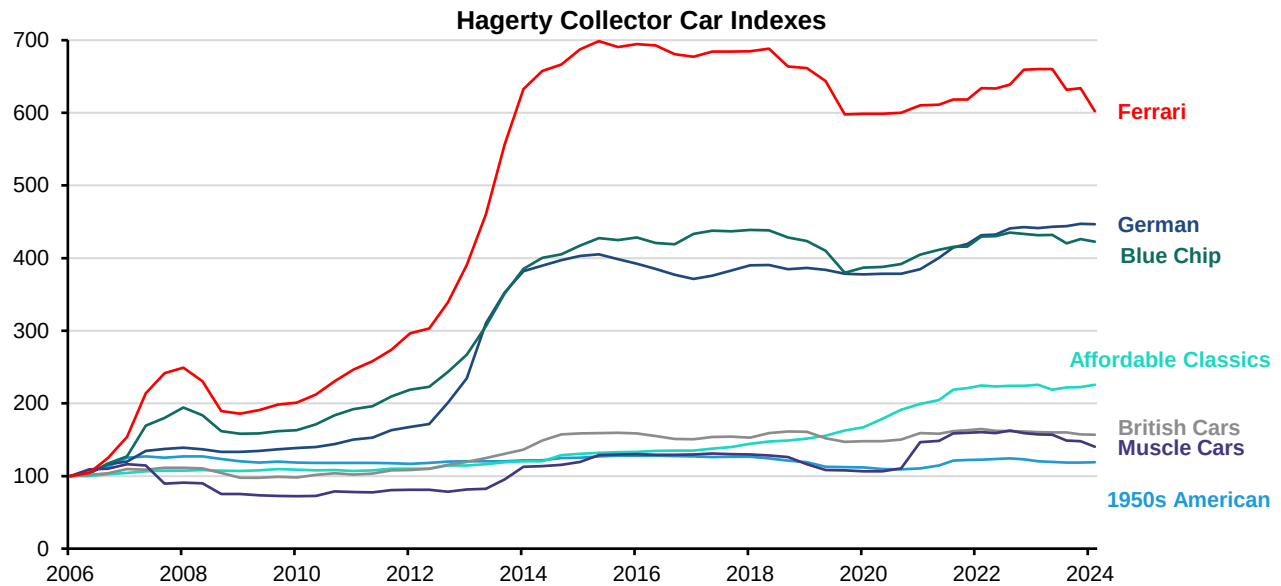
Source: brand.com, Rebag, Sotheby's, Christie's, Bernstein analysis

EXHIBIT 15: **Few brands have been able to create a highly desirable range of products exclusively catered toward an “inner circle” of VIP/loyal customers**



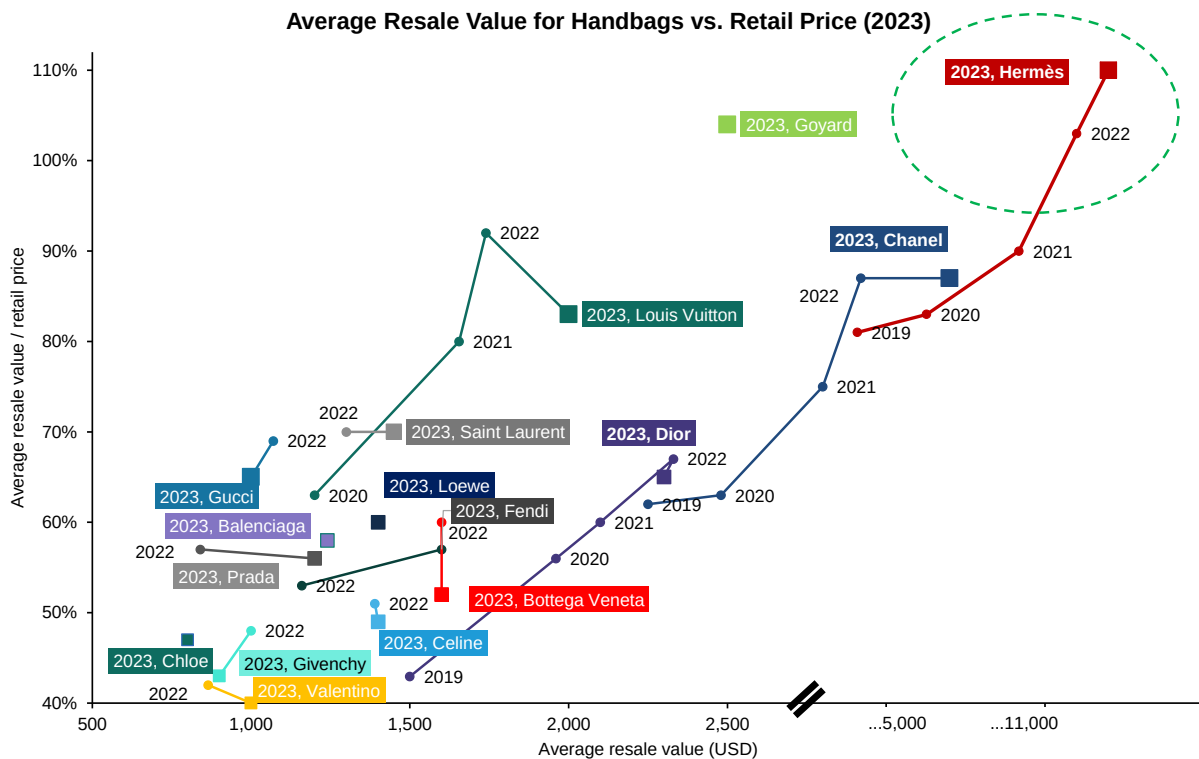
Source: Company websites (all Ferrari images courtesy of Ferrari S.p.A.), Bernstein analysis

EXHIBIT 16: **Ferrari cars have a well-established track record of holding their value, and even appreciating, in the second-hand car market**



Source: Hagerty, Bernstein analysis

EXHIBIT 17: **Limited supply of new Hermès iconic handbags has led to value appreciation in the resale market**



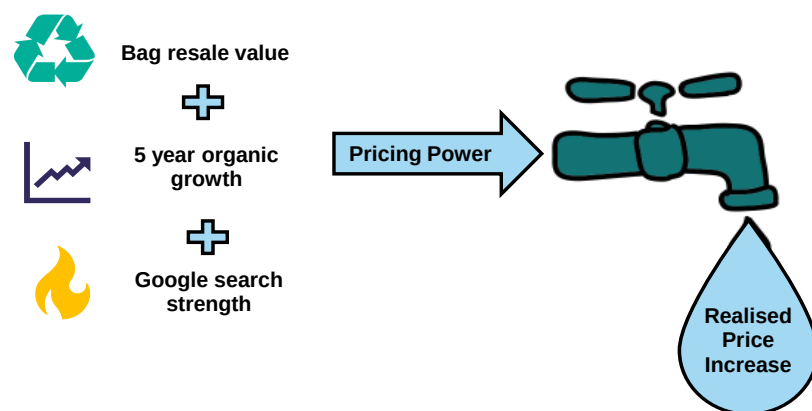
Source: Rebag, Bernstein analysis

Maintaining pricing upside

Ferrari and Hermès both hold deep pricing reservoirs. Both companies have historically raised prices at a slower pace than other luxury brands ([Exhibit 19](#) and [Exhibit 20](#)). Pushing pricing less has created an even higher consumer desire — the growth in potential clients has outpaced supply, intensifying competition for the same products. Ferrari has recently started tapping into this pricing reservoir more so than Hermès ([Exhibit 18](#) and [Exhibit 21](#)).

EXHIBIT 18: We prefer luxury goods brands that appear to have an unrealized pricing upside

Untapped Price Increase Reservoir



Source: Bernstein analysis

EXHIBIT 19: Hermès has pushed pricing much less than peers, leading to even higher consumer desirability for its products

Brand	Metrics 1-3			Metric 4	Index 1-3			Average of Index 1-3	Index 4 x 25%	Untapped Price Increase Reservoir
	Bag resale value	Growth Δ (2022-23)	Google Search TTM growth	France / China price change 2020-23	Bag resale value	Organic growth (2022-23)	Google Search TTM growth	Pricing Power	France / China price change 2020-23	Pricing Power Index minus Index 4 x 25%
	Higher = better	Higher = better	Higher = better	Lower = better	Index					Score
Hermès	103%	-3%	+52%	+20%	100	88	45	78	4	74
Moncler	40%	+0%	+104%	+54%	24	100	82	69	20	49
Gucci	69%	-3%	-13%	+21%	59	88	0	49	4	44
Cartier	66%	-12%	+19%	+11%	55	49	22	42	0	42
Dior	67%	-14%	+129%	+66%	57	42	100	66	25	41
Louis Vuitton	92%	-16%	+7%	+31%	87	33	14	45	9	36
Saint Laurent	70%	-24%	+53%	+25%	60	0	46	36	6	29
Burberry	20%	-5%	+9%	+18%	0	79	15	31	3	28
Prada	57%	-12%	+10%	+43%	45	48	16	36	15	22
Bulgari	40%	-11%	+9%	+39%	24	53	15	31	13	18
Tiffany	36%	-13%	+20%	+40%	19	47	23	30	13	17

Source: brand.com, RED, industry interviews, company reports, Bernstein analysis

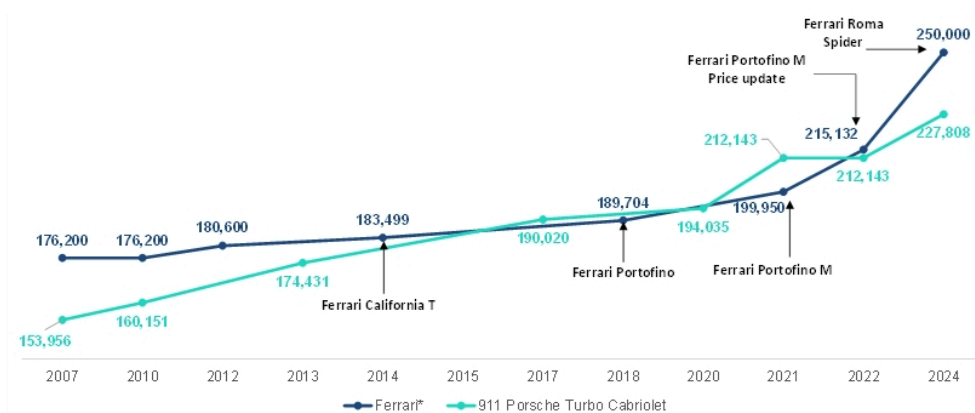
EXHIBIT 20: Ferrari price changes on its V12 series engine models

Model	Year launched	Base price*, €	Price change, %	Engine	BHP	Power boost, %
 F12	2012	276,700		V12	730	
 F12 TDF	2016	379,000	+37%	V12	780	+6.8%
 812 Superfast	2017	291,642 <i>(last price 303,727)</i>	vs F12 -23% vs F12 TDF +5.4%	V12	789	+1.2% vs F12 TDF +8.1% vs F12
 812 GTS	2020	336,000 <i>(last price 342,660)</i>	-	V12	789	-
 12 Cilindri	2024	395,000	+30% vs 812 Superfast	V12	819	+3.8% vs 812 Superfast
 12 Cilindri Spider	2024	435,000	+27% vs 812 GTS	V12	819	+3.8% vs 812 GTS

*Based on prices in Italy

Source: Ferrari, Bernstein analysis

EXHIBIT 21: Price developments of the Ferrari California to Portofino to Portofino M to Roma Spider versus Porsche 911 Turbo Cabriolet



Note: All prices in EUR. *Ferrari prices based on estimated entry price specifications.

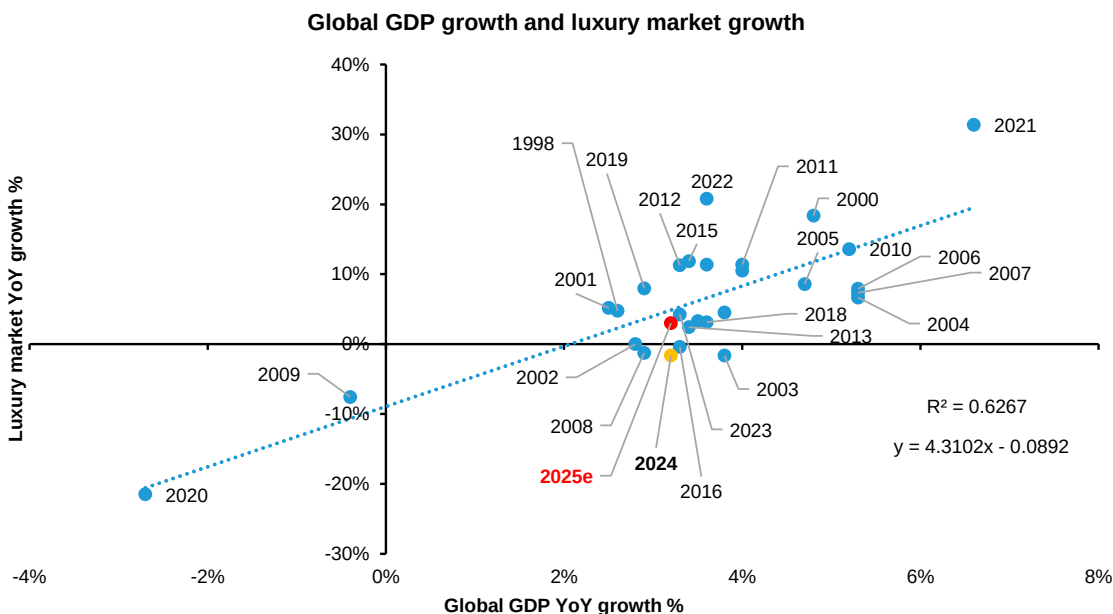
Source: Ferrari Deutschland, Porsche Deutschland, Bernstein analysis

FERRARI AND HERMÈS
LOOK SIMILAR IN THEIR
PERFORMANCE

Low cyclicality

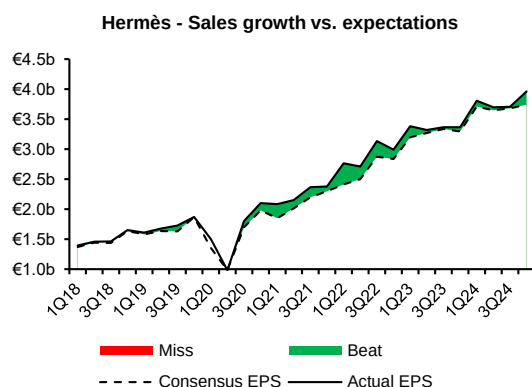
Ferrari and Hermès are less susceptible to the macroeconomic cycle ([Exhibit 22](#) to [Exhibit 26](#)). As both companies benefit from long waiting lists, it is possible for them to tap into them so that they can smooth out their progression — even when times are more difficult. This makes their performance steady, predictable, and reliable.

EXHIBIT 22: The broader luxury market is cyclical – Ferrari and Hermès offer the opportunity to reduce this cyclicality and remain exposed to the highest echelons of luxury consumers



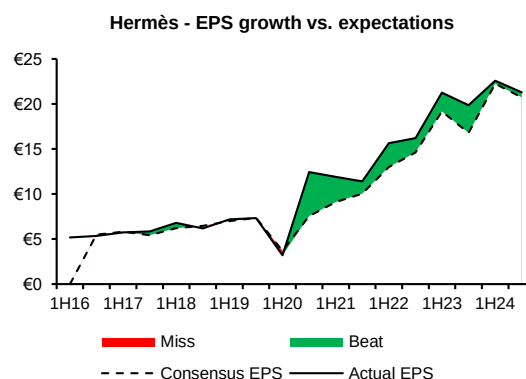
Source: World Bank, Bernstein analysis and estimates

EXHIBIT 23: Hermès has only missed sales growth expectations once over the past 25 quarters

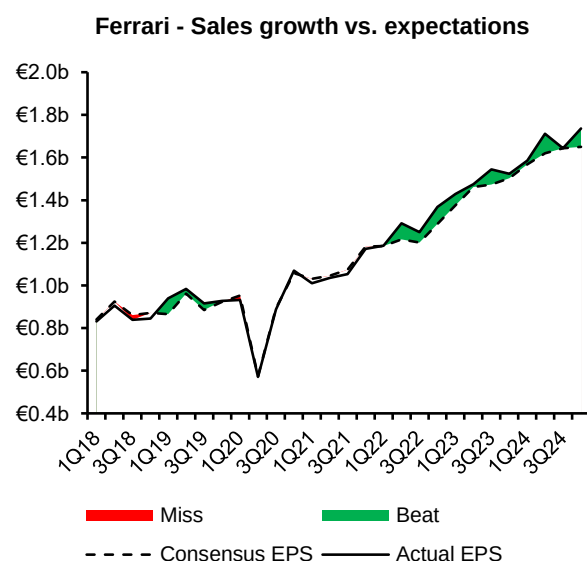


Source: Bloomberg, Bernstein analysis

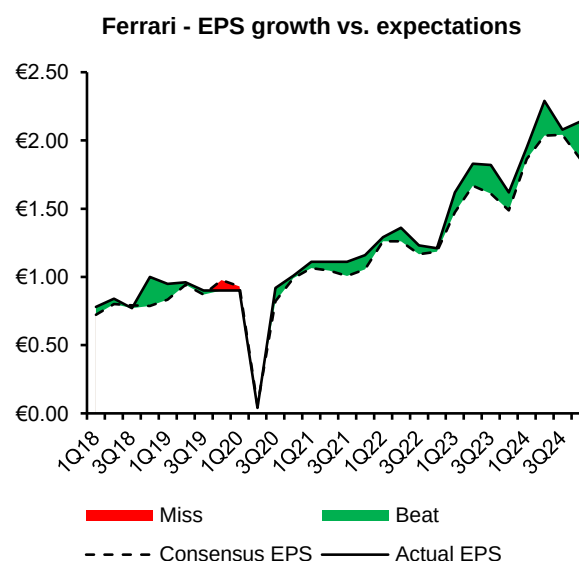
EXHIBIT 24: Hermès has missed EPS expectations four times over the past 15 semi-annual reports



Source: Bloomberg, Bernstein analysis

EXHIBIT 25: Ferrari has limited sales growth expectation misses to less than 3%

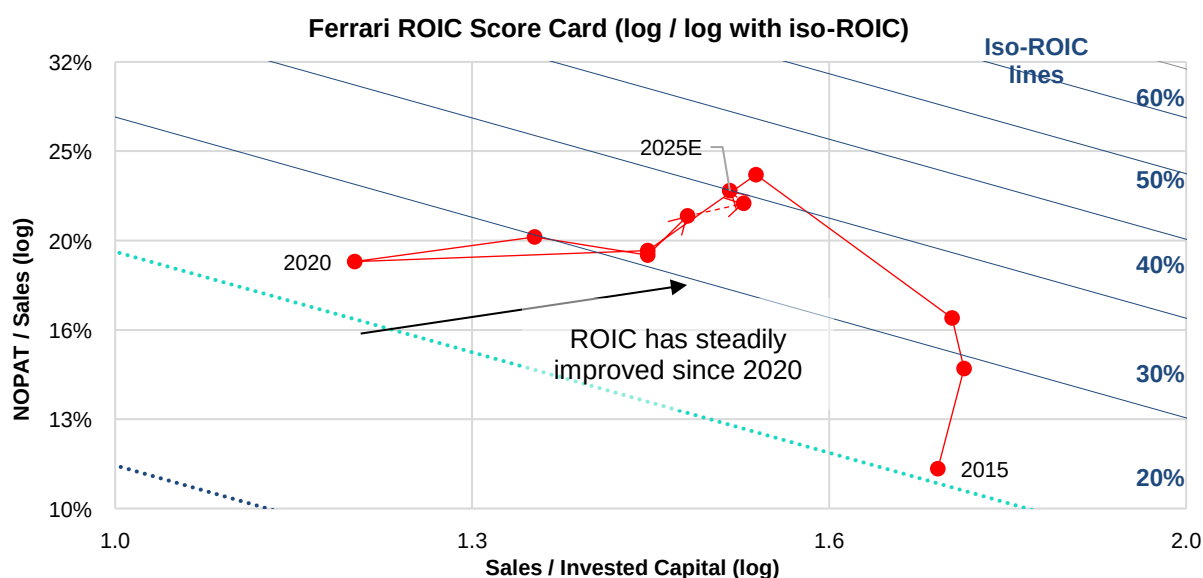
Source: Bloomberg, Bernstein analysis

EXHIBIT 26: Ferrari has only missed EPS expectations four times in the past 25 quarters

Source: Bloomberg, Bernstein analysis

ROIC improvement

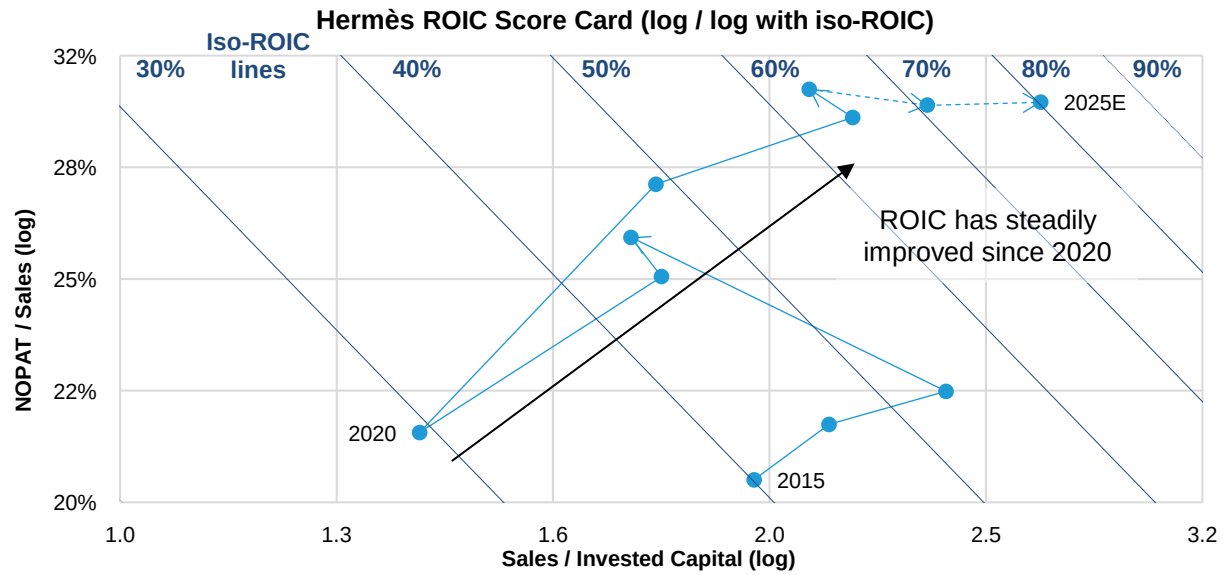
Ferrari and Hermès have both delivered steady improvements in ROIC ([Exhibit 27](#) and [Exhibit 28](#)). We had our initial qualms about the different levels of ROIC that each delivers: Ferrari achieved an estimated 31% in FY23, well below Hermès at an estimated 64%. However, what matters is improvement in ROIC — and both have delivered on this front.

EXHIBIT 27: Ferrari and Hermès have both delivered steady improvements in ROIC (1/2)

Note: Does not include FS receivables or debt

Source: Company reports, Bernstein analysis and estimates

EXHIBIT 28: **Ferrari and Hermès have both delivered steady improvements in ROIC (2/2)**



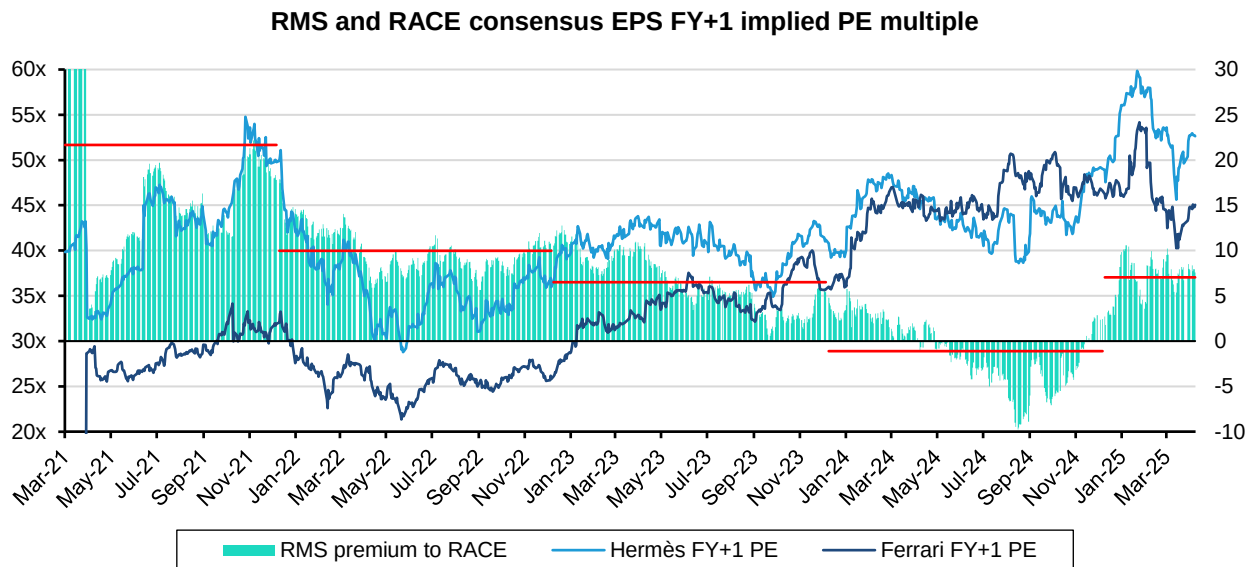
Source: Company reports, Bernstein analysis and estimates

High valuation

Unsurprisingly, both Ferrari and Hermès enjoy very high valuation multiples. We have demonstrated that beta, negative/positive earnings surprises, and forecast dispersions inversely correlate with valuation multiples ([Exhibit 30](#) to [Exhibit 32](#)). Continuing strong performance has brought Ferrari and Hermès to trade in lockstep at high PEs ([Exhibit 29](#)).

EXHIBIT 29: **Continuing strong performance has brought Ferrari and Hermès to trade in lockstep at high PEs**

Hermès and Ferrari consensus EPS FY+1 implied PE multiple



Source: Bloomberg, Bernstein analysis and estimates (PE multiple)

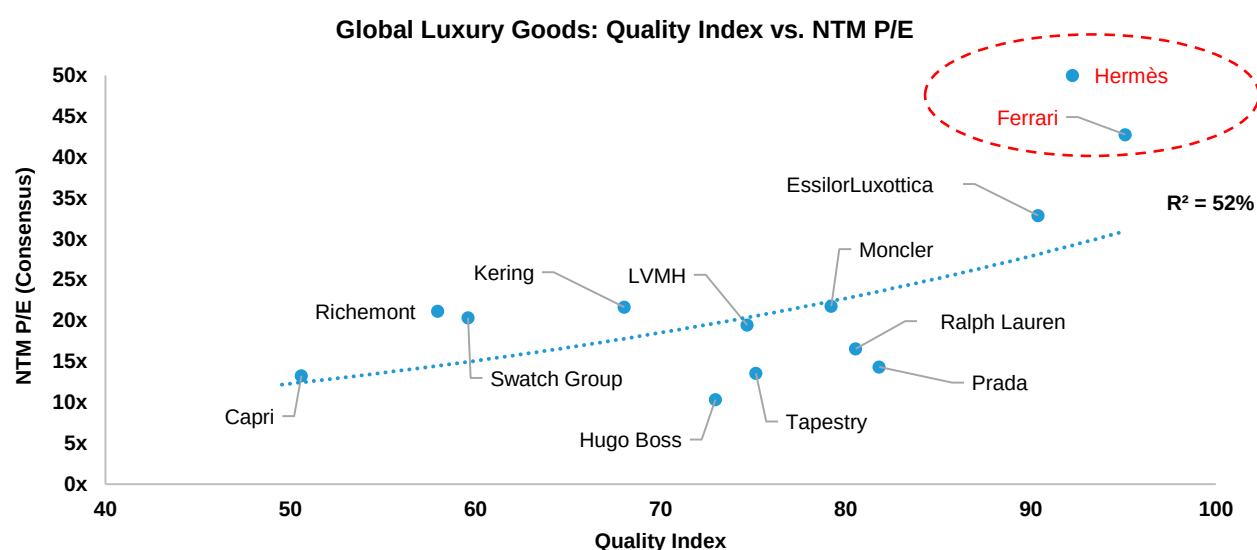
EXHIBIT 30: Ferrari and Hermès provide neutral beta, minimal negative/positive earnings surprises, and low forecast dispersion, resulting in high-quality earnings

Quality Index	Estimate dispersion	Beta	Beats / Misses	EBIT% normalization	Quality Index
Ferrari	100	88	100	92	95
Hermès	100	100	77	87	92
EssilorLuxottica	100	88	96	68	90
Brunello Cucinelli	100	96	73	86	90
Prada	99	89	41	100	82
Ralph Lauren	99	54	90	81	81
Moncler	100	74	66	72	79
Tapestry	100	27	100	81	75
LVMH	97	56	71	73	75
Hugo Boss	97	54	71	65	73
Kering	87	49	85	40	68
Swatch Group	80	77	27	39	60
Richemont	98	52	0	86	58
Capri	92	0	92	0	51
Burberry	0	63	86	60	50
Salvatore Ferragamo	62	49	26	14	42

Note: Apart from our coverage companies, Ferrari, Tapestry, and Capri are covered; Brunello Cucinelli, Ralph Lauren, Hugo Boss, and Salvatore Ferragamo are not covered.

Source: Bloomberg, Bernstein analysis

EXHIBIT 31: Beta, negative/positive earnings surprises, and forecast dispersions inversely correlate with valuation multiples



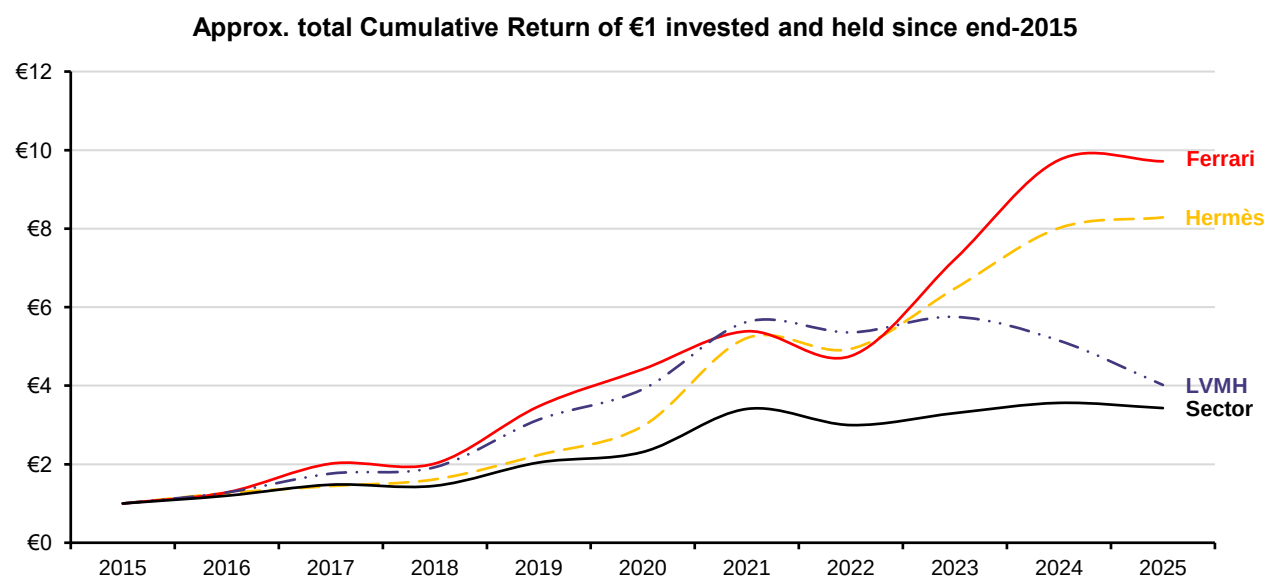
Source: Bloomberg, Bernstein analysis and estimates (quality index)

EXHIBIT 32: **Both Ferrari and Hermès enjoy very high valuation multiples...**

Current Global Luxury Goods Valuation						
	P/E	Relative P/E	EV/Sales	EV/EBITDA	EV/EBIT	Average
Hermès	53.57	3.45	14.81	33.06	36.89	28.36
Ferrari	46.95	3.03	10.70	27.99	36.89	25.11
EssilorLuxottica	33.26	2.14	4.43	17.21	25.85	16.58
Richemont	25.44	1.64	4.23	15.15	19.69	13.23
Kering	24.69	1.59	2.47	10.61	19.48	11.77
Swatch	23.81	1.54	0.89	7.14	14.17	9.51
Moncler	22.86	1.47	4.61	11.78	15.74	11.29
LVMH	20.19	1.30	3.21	10.73	14.53	9.99
Prada	15.84	1.02	2.74	7.40	11.60	7.72
Burberry	n.m.	n.m.	n.m.	15.55	n.m.	15.55
Average	29.62	1.91	5.34	15.66	21.65	14.84

Note: Relative P/E's use the MSCI Europe Index as a baseline. Current valuation multiples are based on 1FY Financials. Data from 1/1/1994 or where data is available, except for Kering, where we chose to include data from July 2013 (when FNAC was demerged and floated as the last of the divestitures in the retail segment)

Source: Bloomberg (as of May 31, 2025), FactSet, Bernstein analysis

EXHIBIT 33: **... resulting in strong TSR over the past five years**

Note: Using STLUXP as a sector index. Ferrari IPOed in January 2016. 2025 represents data until April 2025.

Source: Bloomberg, Bernstein analysis

THE HERMÈS MAGIC FORMULA

Five core attributes that set Hermès apart

THE HERMÈS MAGIC FORMULA

Hermès stands at the very top of the leather goods pecking order. It dominates the top end of the handbags market, with its iconic products — the Birkin and the Kelly — scoring highly in consumer desirability and occupying the highest pricing echelon. We estimate that ~25% of Hermès' revenue is driven by the sale of these two iconic products, with Hermès selling ~150k Birkins and Kellys every year.

Nevertheless, as our auction pricing data shows ([Exhibit 1](#) and [Exhibit 2](#)), demand for Hermès icons continues to significantly exceed demand. We estimate that resale prices for the most common leather types (Togo and Epsom) still reach up to twice the original retail price.

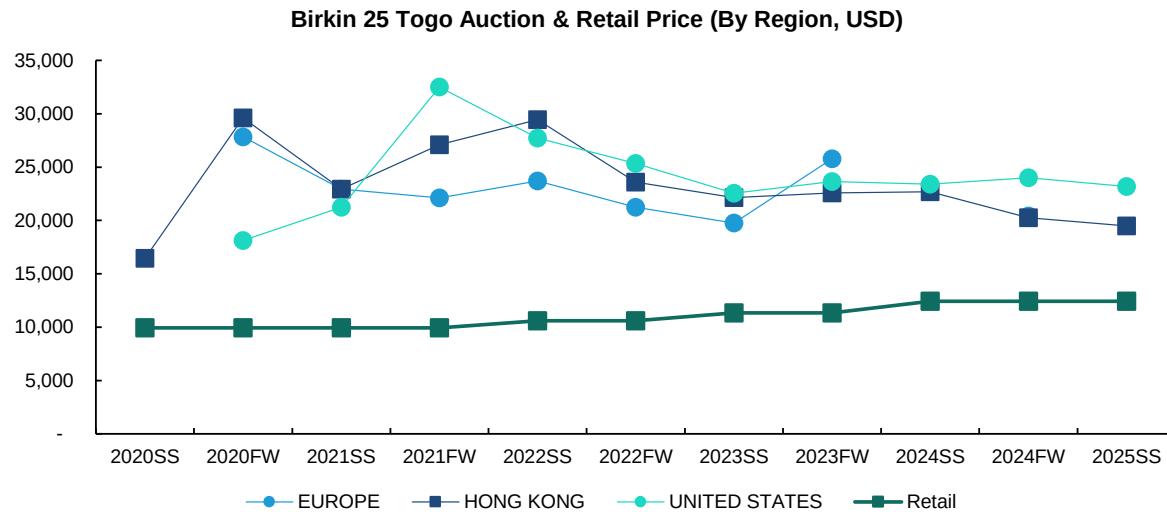
Hermès icons remain highly exclusive and desirable — limited edition or specialty leathers (such as lizard, crocodile, or alligator skins) can command multiples of this premium — reinforcing the brand's position at the very top of the leather goods pecking order.

HERMÈS HAS STAYED TRUE TO ITS MAGIC FORMULA

Consistency is a key component of Hermès' magic formula. We identify five core attributes of the Hermès strategy, which it has largely remained true to over the past two decades. These have helped the company maintain its exclusivity and desirability even as it generated significant growth and TSR.

- Hermès has consistently **limited its leather goods capacity and product availability**, selling less than the market could take.
- Hermès has **widened its consumer audience** by introducing new entry styles at more accessible price points.
- Hermès has **leveraged non-leather goods categories** such as RTW and jewelry to boost growth.
- Hermès has **stuck to uncompromising quality standards** despite its significant growth — enabled by deep vertical integration.
- Hermès has focused on delivering **steady and predictable organic growth**, which has allowed it to deliver industry-leading ROIC.

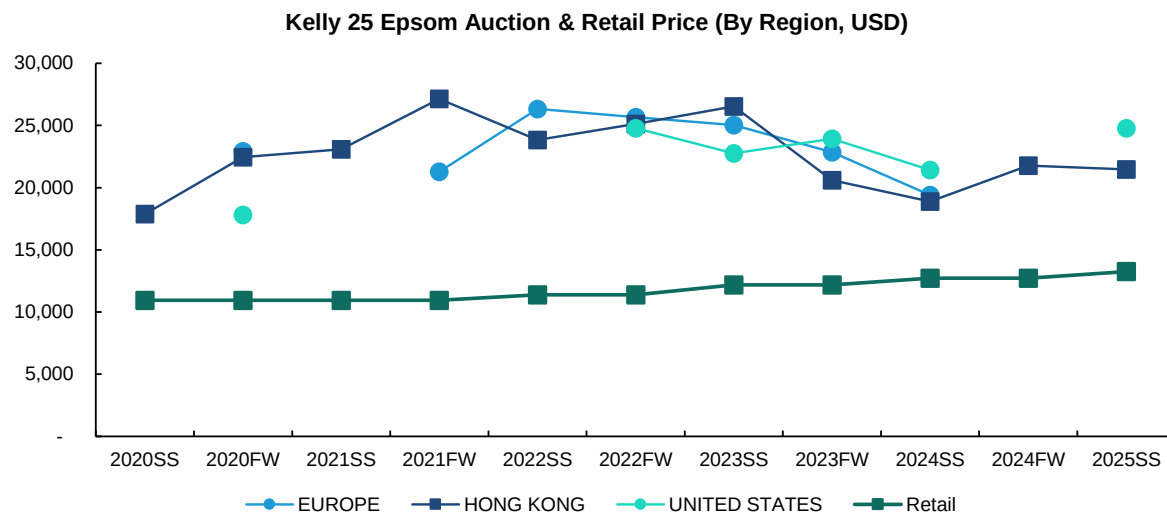
EXHIBIT 1: **Hermès' most iconic handbags regularly appear on auctions at Sotheby's...**



Note: SS — Spring-Summer auctions; FW — Fall-Winter auctions

Source: Sotheby's, Bernstein analysis

EXHIBIT 2: **... and consistently command resale prices far higher than their actual retail price, cementing Hermès' exclusivity and desirability**

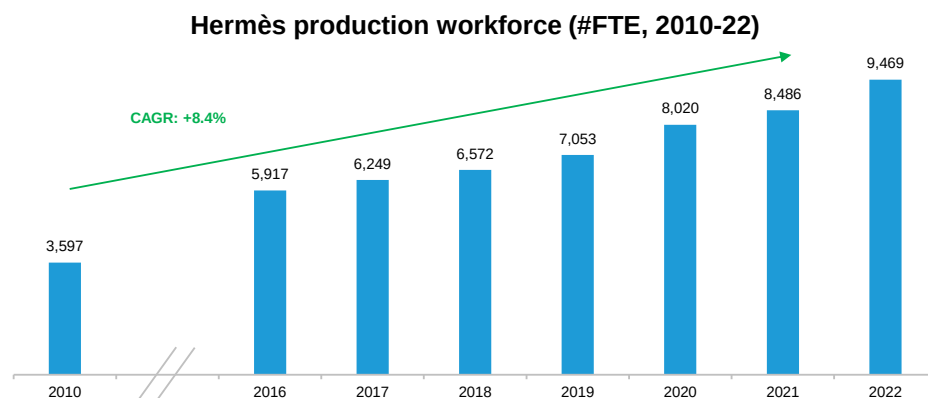


Source: Sotheby's, Bernstein analysis

Limiting leather goods capacity and product availability

Enzo Ferrari famously said that his company should produce one car less than the market would take. Hermès seems to have made this a core strategic tenet ([Exhibit 3](#)). Leather goods capacity at Hermès has continued to grow in the range of 6-8% over the past decades ([Exhibit 4](#)), but remains well short of what the market could take. The significant premium of Hermès Birkin and Kelly bags in the secondary market (relative to the in-store retail price) is a testament to that. The fact that some consumers may be willing to pay twice as much (or more) as they would in the Hermès store for an immediately available Birkin or Kelly bag speaks volumes.

EXHIBIT 3: Limiting leather goods capacity and product availability, with modest workforce growth



Source: Company reports, Bernstein analysis

EXHIBIT 4: Leather goods capacity at Hermès has continued to grow in the range of 6-8% over the past decades, as it gradually expands its number of workshops, but supply remains well short of what the market could take

Hermès leather goods production sites			
Region	Locality	Name	Founding year
Auvergne Rhône Alpes	Fitilieu (EHSF)*		**
Grand Est	Charleville-Mézières (EHSF)*	Maroquinerie de Charleville-Mézières	**
Île de France	Pantin Pyramide	La Pyramide à Pantin	**
Île de France	Paris	Paris Saint Antoine	**
Normandy	Louviers (EHSF)*		**
Nouvelle-Aquitaine	Montbron (EHSF)*	Marthon	**
Île de France	Paris	Faubourg Saint Honoré	1880
Auvergne Rhône Alpes	Bons-en-Chablais	Maroquinerie Thierry	1978
Auvergne Rhône Alpes	Pierre Benite	Maroquinerie Hermès Pierre-Bénite	1989
Île de France	Pantin CIA	Maroquinerie CIA	1992
Nouvelle-Aquitaine	Nontron	La Maroquinerie Nontronnaise	1995
Bourgogne-Franche-Comté	Seloncourt	Manufacture de Seloncourt	1996
Auvergne Rhône Alpes	Aix-les-Bains	Manufacture de Haute Maroquinerie	1998
Auvergne Rhône Alpes	Belley	Maroquinerie De Belley	2002
Grand Est	Bogny-sur-Meuse	Maroquinerie des Ardennes	2004
Auvergne Rhône Alpes	Sayat	Maroquinerie de Sayat	2005
Auvergne Rhône Alpes	Les Abrets	Maroquinerie Iseroise	2015
Nouvelle-Aquitaine	Montbron	Maroquinerie de Montbron	2015
Bourgogne-Franche-Comté	Hericourt	Haute-Saône	2016
Normandy	Val-de-Reuil	Maroquinerie De Normandie Val de Reuil	2017
Bourgogne-Franche-Comté	Allenjoie	La Manufacture de l'Allan	2018
Île de France	Montereau	Maroquinerie de Montereau	2021
Nouvelle-Aquitaine	Saint-Vincent-de-Paul	Maroquinerie de Guyenne	2021
Grand Est	Tournes-Cliron	La Sormonne	2023
Normandy	Louviers	Maroquinerie de Louviers	2023
Nouvelle-Aquitaine	Saint-Junien	Ganterie-Marroquinerie de Saint Junien	2023
Auvergne Rhône Alpes	Riom	Maroquinerie de Riom	2024
Nouvelle-Aquitaine	L'Isle d'Espagnac		2025E
Nouvelle-Aquitaine	Loupes		2026E
Grand Est	Charleville-Mézières		2027E
Total sites: 27		Total #FTE: c.3,310 (2023, BERNe)	

Note: Grayed cells where information is not disclosed. *EHSF — École Hermès des Savoir-Faire is a place for learning the excellence of the House's métiers, as well as a place for transmission (company description). **Unless another figure reported, ~250 FTEs assumed per factory.

Source: Company reports, Bernstein analysis and estimates

Embracing a wider consumer audience

Hermès has contradicted one of the 10 imperatives intended for luxury brands to grow while maintaining high perceived exclusivity = category segregation successfully ([Exhibit 5](#)).¹ The introduction of new entry styles such as Evelyn, Picotin, Herbag, Halzan, In-the-loop, Arcon, and Plume — or even lower-priced Kelly (with Kelly Elan and Kelly Slim) — seems not to have damaged the Birkin and Kelly appeal in the high end. In a way, this has worked similarly to what Mercedes (the A Klasse), Porsche (the Cayman), or Rolex (Day Date) have been doing. Hermès has secured commercial success and access to a younger consumer audience with this approach ([Exhibit 6](#)).

EXHIBIT 5: Hermès has expanded its handbag range with cheaper styles to embrace a wider consumer audience...

This has contradicted one of the ten imperatives intended for luxury brands to grow while maintaining high perceived exclusivity = category segregation.

Name	Introduced in	Size	Leather	Price in 2023 (EUR)
Arçon	2023			N.A.
Plume	1960s			N.A.
Evelyne	1978	16		€1,570
Herbag*	2009	31		€2,170
Picotin	2002	18		€2,320
Garden Party	1964	36		€3,050
In the Loop	2022	18		€3,450
Halzan	2014	25		€4,050
Geta	2021			€4,550
Kelly	1935	Pochette	Swift	€4,900
Bolide	1923	25		€5,250
Lindy	2007	Mini		€5,450
Jypsiere	2008	Mini		€5,600
Kelly	1935	20	Epsom	€6,700
Constance	1959	18	Epsom	€6,700
Roulis	2011	23		€6,750
Verrou	1938	21		€6,900
24/24	2018	29		€7,350
Constance	1959	24		€7,600
Birkin	1984	25	Togo	€8,050
Kelly	1935	25	Epsom	€8,650
Birkin	1984	30	Togo	€8,900
Kelly	1935	28	Epsom	€9,100
Kelly	1935	32	Epsom	€9,850
Birkin	1984	35	Togo	€9,850
Non Birkin, Kelly, Constance				
Birkin, Kelly, Constance				

*Reintroduced

Source: RED, company websites, Bernstein analysis

¹ www.bernsteinresearch.com/brweb/viewresearch.aspx?cid=8U2Q3c8YxyYB3sMf4unzwH%2b16WfciUdoiH97B0EzyeenjvYxCaYOlAPZIGkud2hD

EXHIBIT 6: ... securing commercial success and access to a younger consumer audience with this approach

Google Search Trends			
Name	Pre Covid-19	Post Covid-19	Delta
	2016-19 CAGR	2020-23 CAGR	
Hermès Herbag	2%	24%	22%
Prada Galleria	-2%	18%	19%
Hermès Evelyne	5%	23%	18%
Hermès Bolide	-1%	17%	18%
Hermès Garden Party	-6%	11%	17%
Hermès Picotin	16%	33%	17%
Hermès Birkin	-4%	10%	14%
Hermès Halzan	-1%	13%	13%
Hermès Lindy	-1%	12%	13%
Hermès Kelly	4%	15%	12%
Chanel Classic Flap	1%	9%	8%
Hermès Constance	15%	18%	3%
Louis Vuitton Capucine	0%	-2%	-2%
Louis Vuitton Speedy	-1%	-4%	-3%
Burberry Check	0%	-5%	-5%
Gucci Marmont	124%	-13%	-137%

Source: Google Trends, Bernstein analysis

Leveraging non-leather categories to boost growth

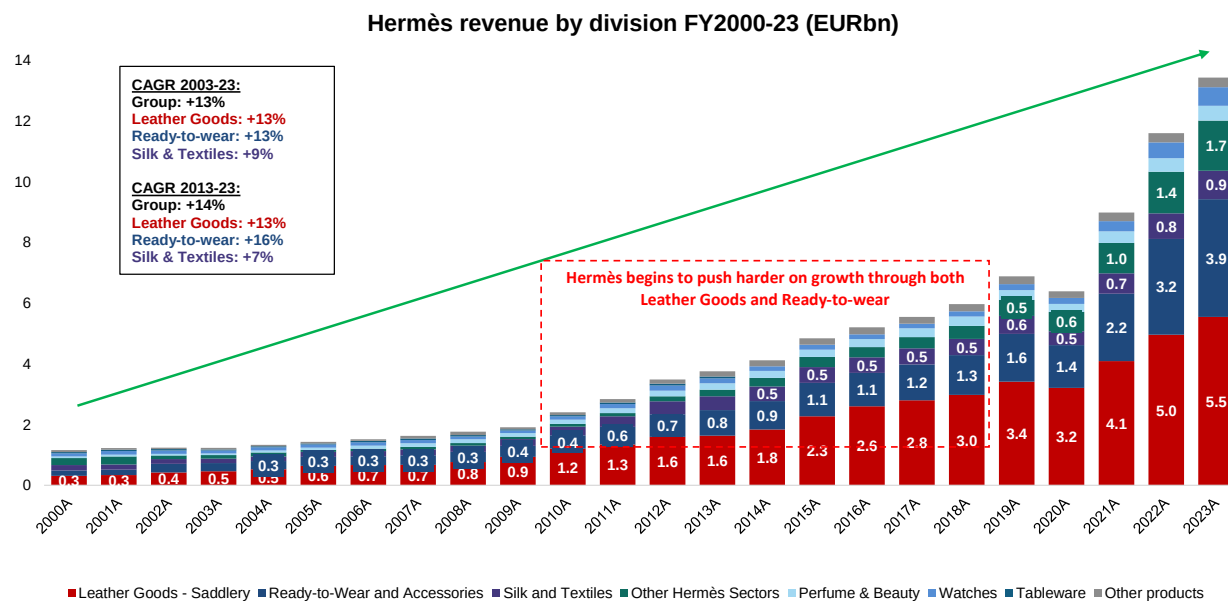
Hermès RTW has grown at >16% over the past 10 years, as compared with leather goods in the low-teens ([Exhibit 8](#)). Hermès doubled its revenue between 1H19 and 1H23 as a group, but its watches and RTW sales tripled in the same timeframe ([Exhibit 7](#)). Middle class consumers flock to Hermès to buy a “piece of the dream” and boost low absolute price point product families: yesterday it was mostly ties and scarves, today we find costume jewelry and beauty ([Exhibit 9](#)). Childrenswear — as the quintessential gifting product — is also strong. Mystery shopping visits and Birkin traders confirm that many sales associates “encourage” spending on other products to be given a green light to buy a bag.

EXHIBIT 7: Hermès doubled its revenue between 1H19 and 1H23 as a group, but its watches and RTW sales tripled in the same timeframe

Hermès Sales Evolution (EURm)	1H19A	1H23A	Growth	Share 1H19	Share 1H23	Share change (bps)
Leather Goods & Saddlery	1,652	2,780	+68%	50%	42%	-881
Ready-to-wear & Accessories	755	1,922	+155%	23%	29%	+572
Silk & Textiles	267	444	+67%	8%	7%	-149
Other Hermès Sectors	248	836	+238%	8%	12%	+494
Hermès Distribution Network	2,921	5,982	+105%	89%	89%	+36
Perfume & Beauty	159	249	+57%	5%	4%	-111
Watches	91	317	+250%	3%	5%	+198
Specialised Distribution Networks	249	566	+127%	8%	8%	+86
Other products	114	150	+32%	3%	2%	-123
Total	3,284	6,698	+104%			

Source: Company reports, Bernstein analysis

EXHIBIT 8: **Hermès RTW has grown at >16% over the past 10 years, while leather goods has grown at low-teens**



Source: Company reports, Bernstein analysis

EXHIBIT 9: Middle class consumers flock to Hermès to buy a “piece of the dream” and boost low absolute price point product families: yesterday it was mostly ties and scarves, today we find costume jewelry and beauty



Source: brand.com, Bernstein analysis

Sticking to uncompromising quality standards

Hermès quality is universally recognized as top-notch ([Exhibit 10](#) and [Exhibit 11](#)). It has chosen to produce most of its products in-house (except RTW), a notable example in an industry that extols craftsmanship but then piggybacks on subcontractors (and often squeezes them leveraging its overwhelming bargaining power) ([Exhibit 12](#) and [Exhibit 13](#)). Hermès is also famous for standing ready to repair its products and give them new life — this too is a not so common feature in the industry ([Exhibit 14](#)). The number of repair jobs has continued to increase in recent years ([Exhibit 15](#)), reaching over 202k in FY23 (see the chapter titled “Luxury Is That Which You Can Repair” of this *Blackbook*).

EXHIBIT 10: Hermès quality is universally recognized as top-notch, even if Dior is climbing up the ranks in the eyes of Chinese consumers...

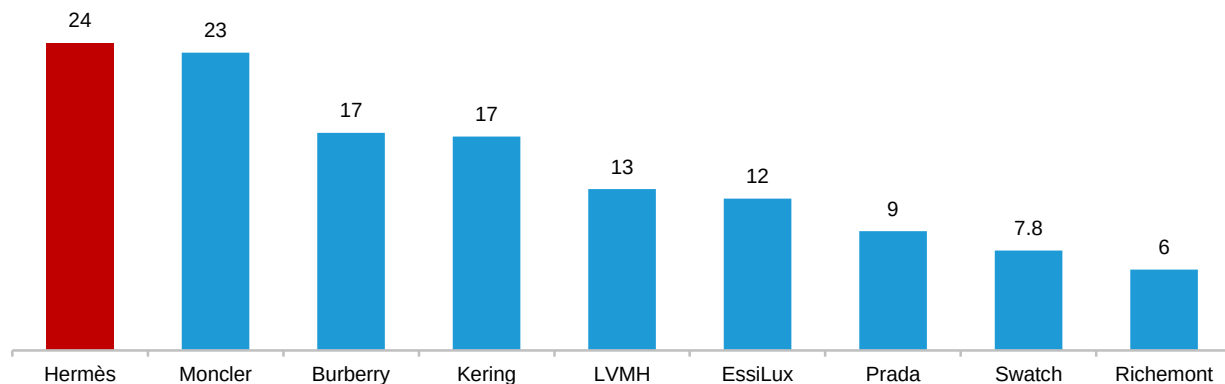
Savoir-Faire Analysis												
<i>In the West, Hermès ranks highest when it comes to its link to savoir-faire, with Chanel lowest. Meanwhile, the ranks are almost reversed for Mandarin speaking consumers who see Dior as by far the best performer in the category with Hermès at the bottom</i>												
Google search		+luxury		+ tradition		+ artisan		+ craftsmanship		+ sustainable		Average
Results in English	million		vs. og		vs. lux		vs. lux		vs. lux		vs. lux	vs. lux
Hermès	273	36	13%	23	64%	13	36%	5	14%	13	35%	37%
Dior	296	43	14%	27	63%	11	26%	4	11%	19	45%	36%
Chanel	698	94	14%	40	42%	10	11%	5	5%	23	25%	21%
Average			14%		57%		24%		10%		35%	31%
Results in Mandarin	million		vs. og		vs. lux		vs. lux		vs. lux		vs. lux	vs. lux
Dior	15	3	19%	4	137%	1	33%	2	61%	1	43%	69%
Hermès	11	3	31%	4	104%	0	5%	2	50%	2	55%	54%
Chanel	13	3	24%	3	86%	0	14%	1	44%	1	38%	46%
Average			25%		121%		19%		56%		49%	61%

Note: We used search engines in Mandarin and in English to measure: (1) the number of brand webpages and (2) the number of brand webpages in association with "beautiful"/"elegant," and then we measured the ratio of the latter to the former.

Source: Google Trends, Bernstein analysis

EXHIBIT 11: ... with the brand continuing to invest in its employees to maintain this quality

**Luxury Brands - Hours of Training / Global Average Headcount
(hours per person)**



Source: Company reports, Bernstein analysis

EXHIBIT 12: **Hermès has chosen to produce most of its products in-house (except RTW)...**

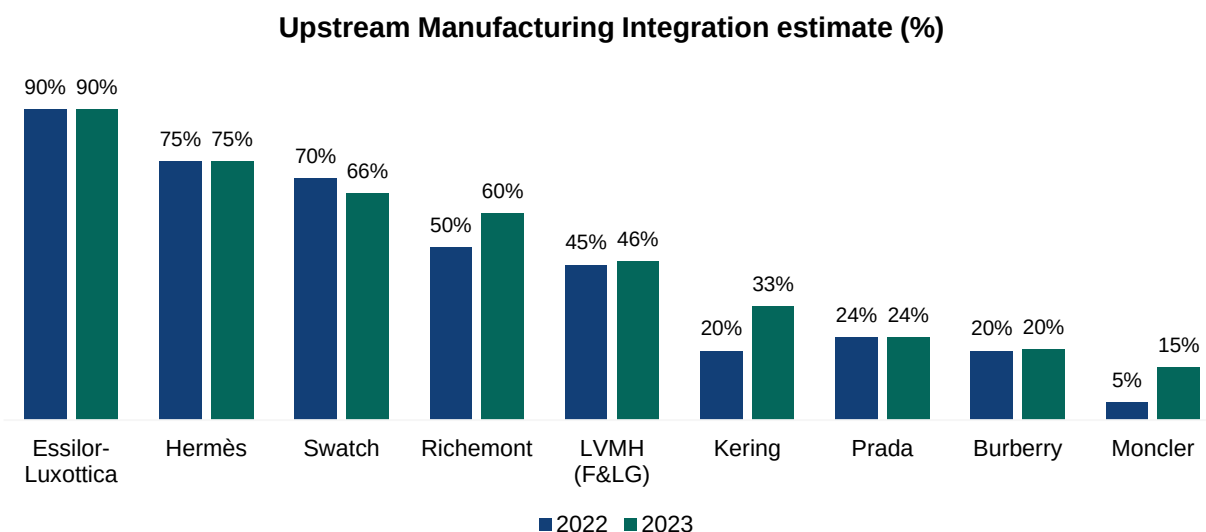
Hermès Workshop Organisation



- + Each artisan handcrafts a bag from start to finish - the artisan signs their bag with his/her mark
- + Each artisan has a wide ranging expertise - more than 40 bag models
- + After joining, the artisan training lasts for 18 months - usually around a Kelly bag. It takes nearly 5 years to gain full leather and saddlery expertise.
- + At the end of the training, the artisan receives certain tools (right photo), which they will use exclusively throughout their career at Hermès
- + Manuela Bosle (left photo) is the director of the Paris ateliers, who has received the 'Ordre national du Mérite' of France in 2021 for her 29 year career

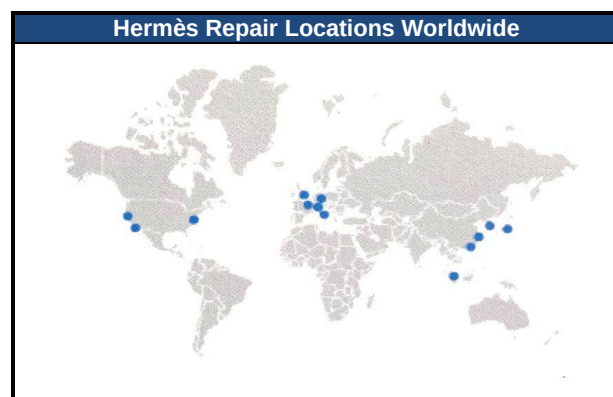
Source: Company reports, Bernstein analysis

EXHIBIT 13: **... a notable example in an industry that extols craftsmanship but then piggybacks on subcontractors (and often squeezes them leveraging its overwhelming bargaining power)**



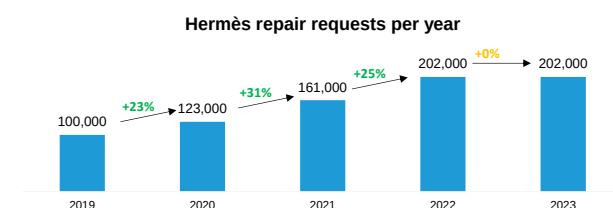
Source: Bernstein analysis and estimates (all data)

EXHIBIT 14: Hermès is also famous for standing ready to repair its products and give them new life – this too is an uncommon feature in the industry



Source: Company reports, Bernstein analysis

EXHIBIT 15: Number of repair jobs has continued to increase in recent years, reaching over 202k in FY23



Source: Company reports, Bernstein analysis

Staying steady and predictable, while focusing on organic growth

There is logic in the Hermès valuation. First, Hermès is the company in the luxury sector that has increased ROIC the most in the past 10 years ([Exhibit 17](#) and [Exhibit 18](#)) — ROIC and valuation multiple expansion go hand-in-hand ([Exhibit 19](#) and [Exhibit 20](#)). While M&A can provide a more dominant position in the industry, it is often ROIC-dilutive — at least in the short term — as the invested capital base is saddled with goodwill: this has been the predicament of LVMH. Second, Hermès is the company with the lowest earnings surprises, the lowest beta, and a relatively narrow dispersion of forecasts ([Exhibit 16](#)). Steady and predictable performance explains much of the variance in PE levels within the sector.

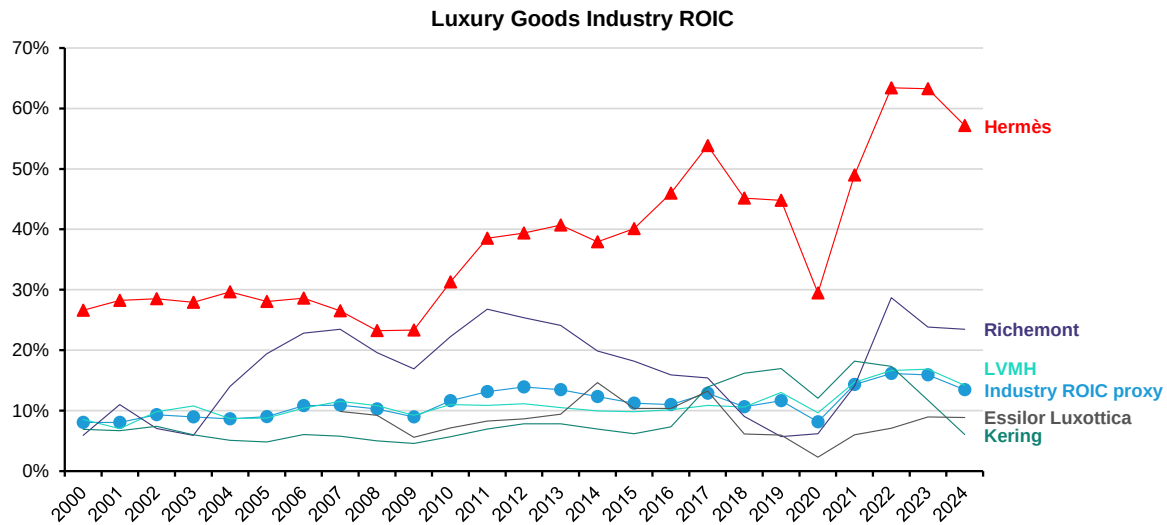
EXHIBIT 16: Hermès is staying steady and predictable, while focusing on organic growth

	Luxury Goods ROIC Scorecard									Average scores
	5 years	Stability 10 years	20 years	5 years	Altitude 10 years	20 years	5 years	Improvement 10 years	20 years	
Hermès	84	100	72	100	100	100	100	100	100	95
Moncler	100	83	76	42	56	58	7	32	89	60
LVMH	94	98	100	21	15	10	36	56	46	53
Prada	85	67	29	26	19	33	53	68	82	51
Burberry	82	86	84	43	48	60	0	0	28	48
Richemont	62	23	67	37	27	36	65	61	44	47
Essilux	64	48	64	4	5	0	42	35	54	35
Kering	77	51	8	24	19	5	6	49	42	31
Swatch	0	0	0	0	0	12	30	8	0	6

Note: (1) On a financial year basis. (2) Moncler since 2013, Richemont since 2007, Prada since 2011. We use Luxottica values from 2007 to 2017 and Essilor-Luxottica from 2018 onward.

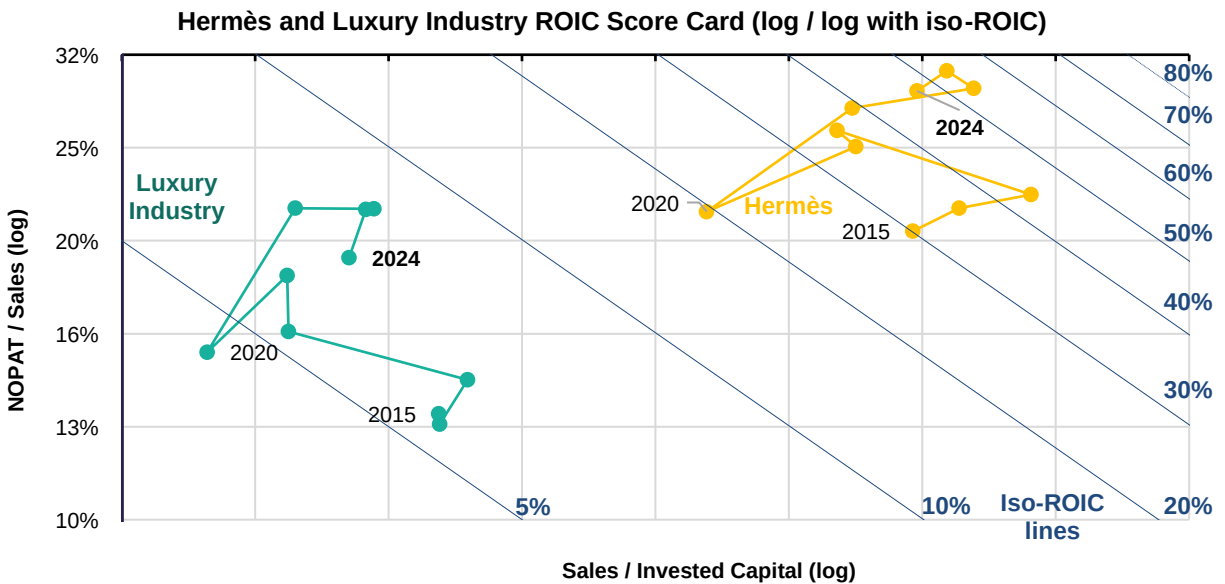
Source: Company reports, Bernstein analysis

EXHIBIT 17: Hermès has delivered the greatest ROIC expansion in the industry over the past two decades: earnings growth has come organically and has not been saddled by M&A



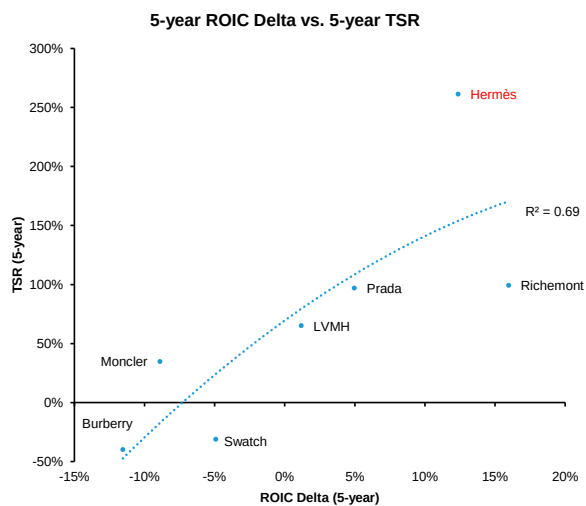
Source: Company reports, Bernstein analysis

EXHIBIT 18: Hermès's superior ROIC has been driven by a combination of higher and more stable margins, and cleaner invested capital, unburdened by significant goodwill M&A



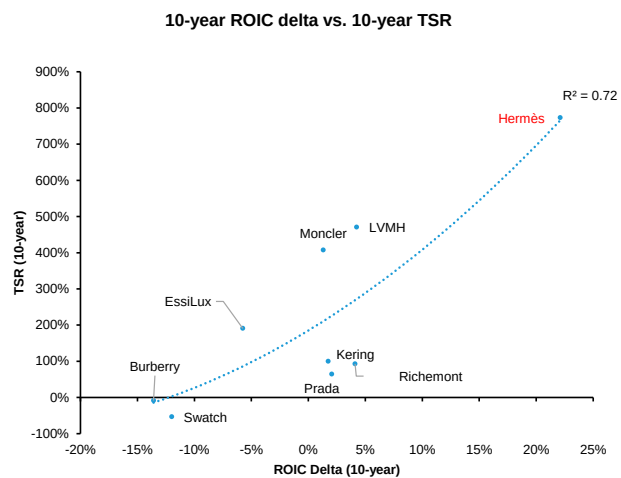
Source: Company reports, Bernstein analysis and estimates (ROIC)

EXHIBIT 19: **ROIC and TSR go hand-in-hand (1/2)**



Source: Bloomberg, company reports, Bernstein analysis and estimates (ROIC)

EXHIBIT 20: **ROIC and TSR go hand-in-hand (2/2)**



Source: Bloomberg, company reports, Bernstein analysis and estimates (ROIC)

LUXURY IS THAT WHICH YOU CAN REPAIR

Taking the artisan model to another level

ONE MAN, ONE BAG

Luxury goods brands define themselves through the savoir-faire and craftsmanship of their products ([Exhibit 2](#)). However, Hermès takes the artisan model to another level ([Exhibit 3](#)). One man, one bag means that each artisan creates a handbag from start to finish, thus preserving the one-of-a-kind nature of the bag ([Exhibit 1](#)).

The transfer of savoir-faire takes place at Hermès via 90 trainers and 200 tutors ([Exhibit 5](#)). Artisans have an 18-month mandatory training once they join the company. However, it takes nearly five years to gain full leather and saddlery expertise. With 200-250 craftsmen hired per year, scarcity is created through a stable +8% p.a. volume growth.

All bags are signed, which celebrates the individual as an artist (82% of employees said Hermès is a feel good company in an internal survey), but also hedges the company against counterfeits. Sales assistants in store, Hermès in the Making pop-up events ([Exhibit 4](#)), and detailed videos posted online then educate the customer regarding the sourcing of the raw material, the savoir-faire needed to finish the bag ([Exhibit 6](#) and [Exhibit 7](#)), and how it will age. The lack of official celebrity endorsements also underlines its timelessness and focus on product quality. This creates loyalty with consumers.

EXHIBIT 1: One man, one bag means that each artisan creates a handbag from start to finish, thus preserving the one-of-a-kind nature of the bag

Hermès Workshop Organisation	
	Hermès, construire des parcours cousus main 
+ Each artisan handcrafts a bag from start to finish - the artisan signs their bag with his/her mark + Each artisan has a wide ranging expertise - more than 40 bag models + After joining, the artisan training lasts for 18 months - usually around a Kelly bag. It takes nearly 5 years to gain full leather and saddlery expertise. + At the end of the training, the artisan receives certain tools (right photo), which they will use exclusively throughout their career at Hermès + Manuela Bosle (left photo) is the director of the Paris ateliers, who has received the 'Ordre national du Mérite' of France in 2021 for her 29 year career	

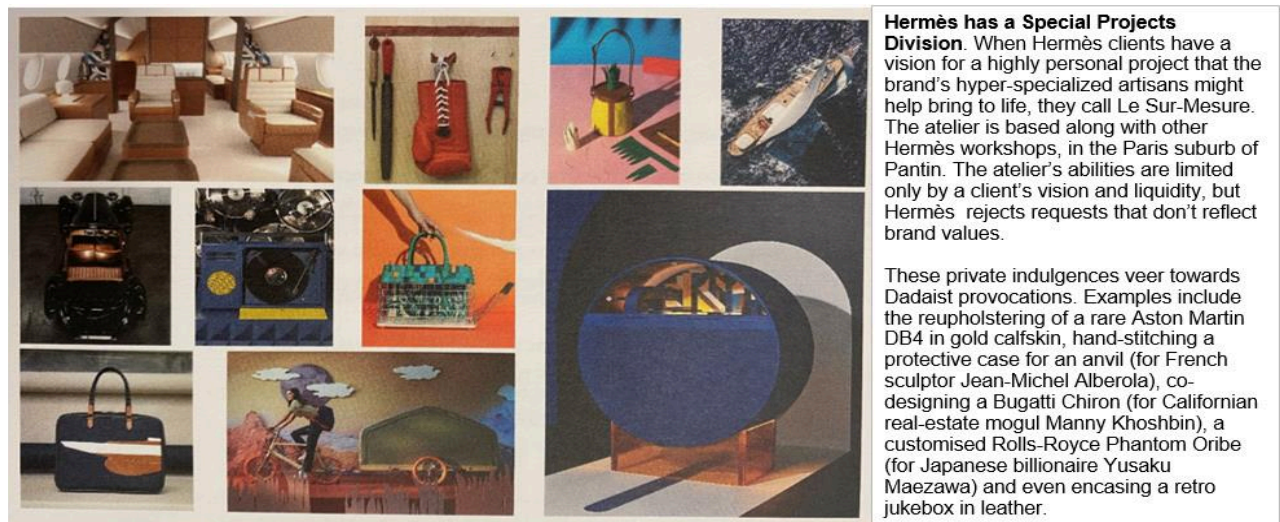
Source: Company reports, Bernstein analysis

EXHIBIT 2: Meanwhile, competitors organize their workshops through assembly lines or production teams, with several craftsmen working on different components of the same bag



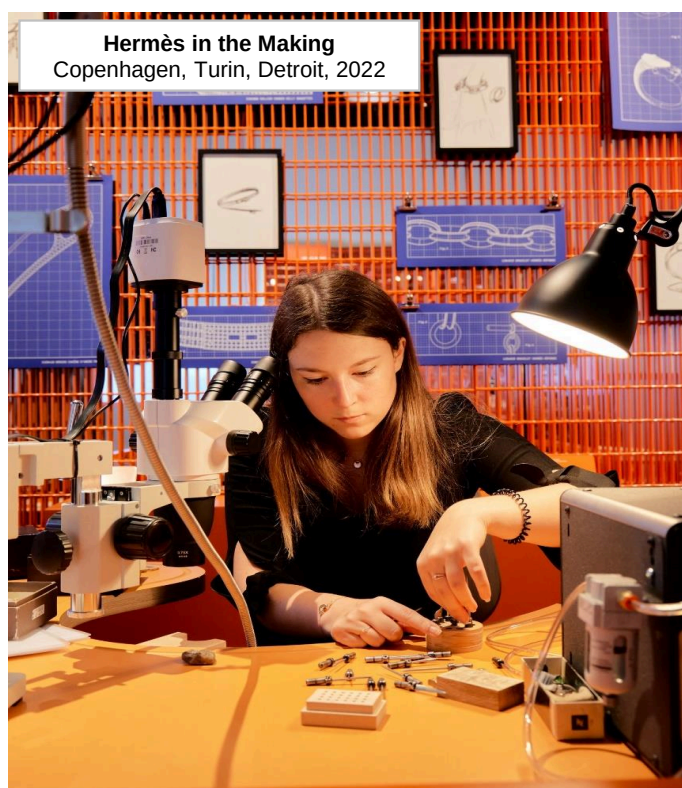
Source: Company reports, Bernstein analysis

EXHIBIT 3: Hermès' artisans take craftsmanship to new limits through special projects



Source: Company reports, Bernstein analysis

EXHIBIT 4: Customers have numerous opportunities to meet the artisans behind Hermès' sustainable craftsmanship and see them in action during traveling pop-ups or events



Source: Company website, Bernstein analysis

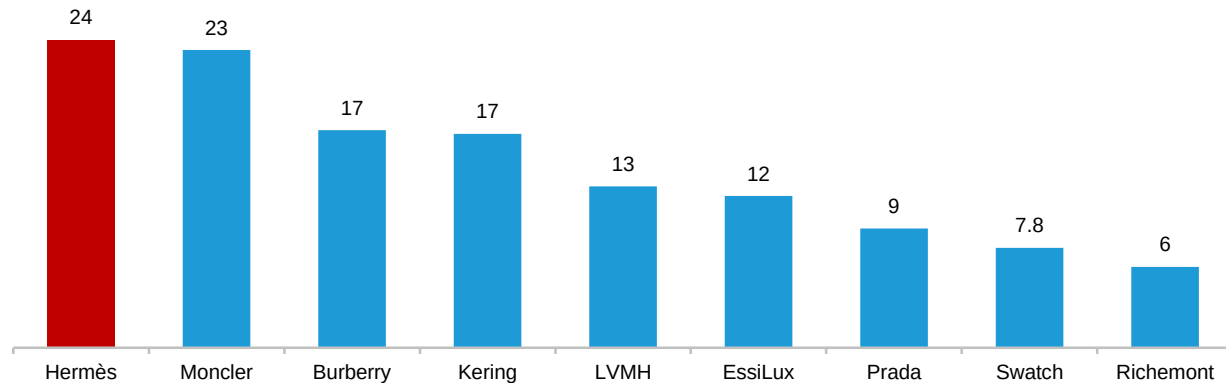
EXHIBIT 5: Transfer of savoir-faire at Hermès takes place via 90 trainers and 200 tutors in leather goods

Schools and workshops	Details
École du Cuir	>90 in-house trainers, along with partner schools and further education establishments
École Hermès des Savoir-Faire	in liaison with the French Education Department awarding a nationally recognised qualification (CFA) launch of dedicated website as part of apprenticeship training
12 École du Cuir programmes in 2021	740 employees trained (a total of nearly 6,855 since 2011) 277 diplomas or certifications obtained
In-house training schools	engineering incubator within the École des Tanneurs and the École du Textile
The Cristalleries Saint-Louis	internal training actions on hot-part métier savoir-faire for 36 craftspeople
Campus Hermès Group Training	cross-functional training courses - sustainability, communication, first aid etc.
École des Artisans de la vente (2022)	multimodal development programme for sales associates and managers

Source: Company reports, Bernstein analysis

EXHIBIT 6: **Hermès is the most invested in its employees' development, offering the highest hours of training compared with peers**

**Luxury Brands - Hours of Training / Global Average Headcount
(hours per person)**



Source: Company reports, Bernstein analysis

EXHIBIT 7: **In the West, Hermès ranks the highest when it comes to savoir-faire, with Chanel the lowest; the ranks are almost reversed for Mandarin speaking consumers who see Dior as by far the best performer in the category, with Hermès a close second**

Savoir-Faire Analysis												
<i>In the West, Hermès ranks highest when it comes to its link to savoir-faire, with Chanel lowest. Meanwhile, the ranks are almost reversed for Mandarin speaking consumers who see Dior as by far the best performer in the category with Hermès at the bottom</i>												
Google search		+luxury		+ tradition		+ artisan		+ craftsmanship		+ sustainable		Average
Results in English	million		vs. og		vs. lux		vs. lux		vs. lux		vs. lux	vs. lux
Hermès	273	36	13%	23	64%	13	36%	5	14%	13	35%	37%
Dior	296	43	14%	27	63%	11	26%	4	11%	19	45%	36%
Chanel	698	94	14%	40	42%	10	11%	5	5%	23	25%	21%
Average			14%		57%		24%		10%		35%	31%
Results in Mandarin	million		vs. og		vs. lux		vs. lux		vs. lux		vs. lux	vs. lux
Dior	15	3	19%	4	137%	1	33%	2	61%	1	43%	69%
Hermès	11	3	31%	4	104%	0	5%	2	50%	2	55%	54%
Chanel	13	3	24%	3	86%	0	14%	1	44%	1	38%	46%
Average			25%		121%		19%		56%		49%	61%

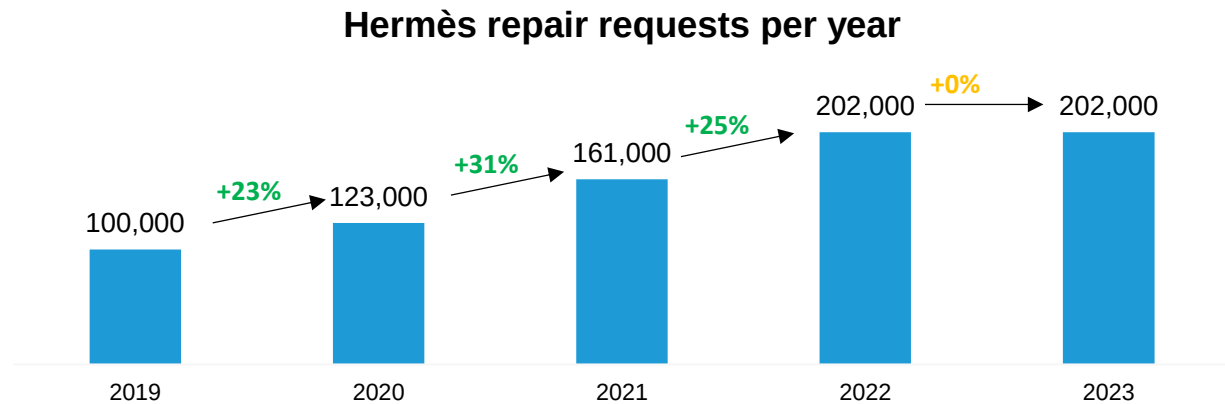
Source: Google, Bernstein analysis

“LUXURY IS THAT WHICH YOU CAN REPAIR” – AXEL DUMAS’ GRANDFATHER

Durability and timelessness are key for the Hermès customer. While it may be more subtle than Patek Philippe’s tagline — “You never actually own a Patek Philippe. You merely look after it for the next generation.” — the company is translating its commitment to sustainability into action (note: Patek Philippe is private). Hermès repairs more than 200k objects every year, and demand for this service is growing ([Exhibit 8](#) and [Exhibit 9](#)).

To underline this trend, it even had a traveling pop-up called **Hermèsmatic** between 2016 and 2018 ([Exhibit 12](#)), where visitors could bring aged silk scarves that were then re-dyed and brought back to life ([Exhibit 13](#)). In P&L terms, this is a cost rather than a profit ([Exhibit 10](#)).

But the repair service acts like a recruiting tool as it brings customers back in store — at Hermès you can repair anything, even a heritage item that is out of production. This has two important implications: (1) every new material used by Hermès is guaranteed to be of the highest quality and stress-tested for its durability, e.g., the Sylvania mycelium leather, and (2) durability improves success in the secondary market ([Exhibit 11](#)).

EXHIBIT 8: **Repair requests are accelerating YoY**

Source: Company reports, Bernstein analysis

EXHIBIT 9: **The company has 88 craftspeople dedicated to repairs (54 in France, 34 internationally)**

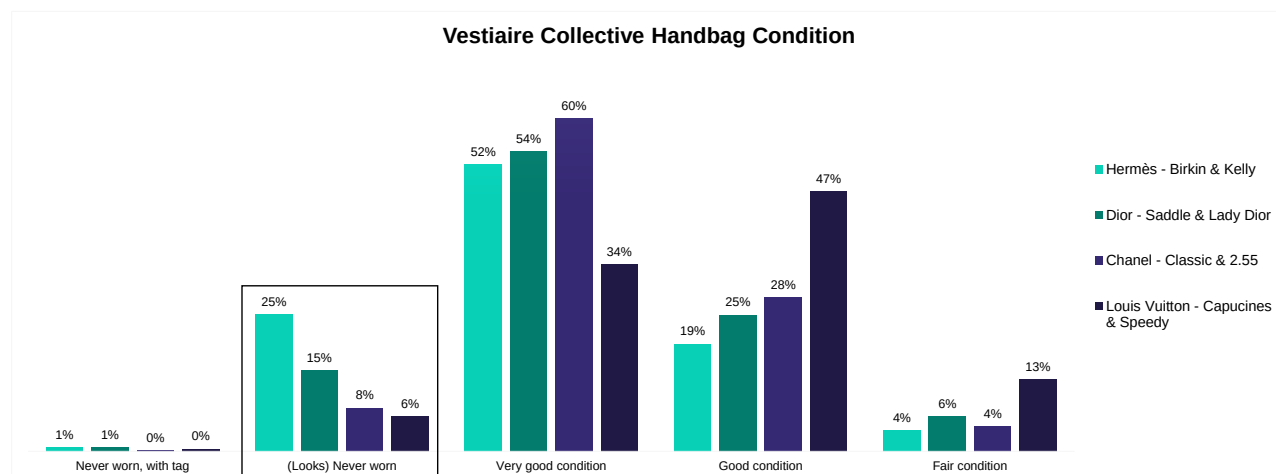
Source: Company reports

EXHIBIT 10: **Repairs are not currently profitable, rather they are considered an after-sales service**

Pricing rationale = retail price of item x raw material x repair time

Source: Bernstein analysis

EXHIBIT 11: The quality and durability of Hermès' leather goods products guarantee their success in the secondary market as the pieces look virtually new after multiple wears and, thus, sell at higher prices on the likes of Vestiaire Collective, The RealReal, etc.



Note: Chanel not covered

Source: Vestiaire Collective, Bernstein analysis

EXHIBIT 12: Hermèsmatic was a traveling pop-up that underlined the brand's commitment to sustainability



To celebrate the 80th anniversary of the launch of the famous silk 'Carré', Hermès launched a travelling pop-up between 2016 to 2018.

The pop up offered a **complimentary service** of upcycling vintage silk scarves to give them a new look and feel via customised washing machines and dip-dyeing. The process lasted 48 hours.

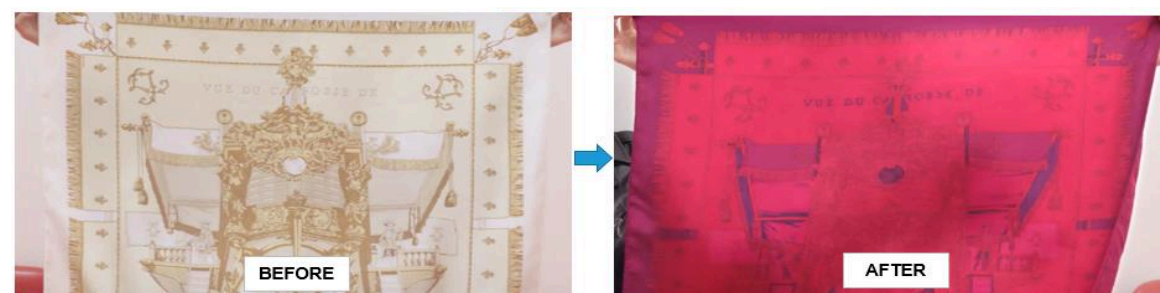
Cities where Hermèsmatic travelled to:

Paris	Bruxelles	Kyoto	Los Angeles
Bordeaux	Turin	Dubai	New York
Lyon	Palermo	Istanbul	Washington
Strasbourg	Geneva	Manchester	Austin
Amsterdam	Munich	Nashville	Texas



Source: Company website, Bernstein analysis

EXHIBIT 13: The complementary dip-dyeing service allowed customers to revamp heirlooms and attract a younger generation in store



Source: Company website, Bernstein analysis

HERMÈS RATIOMS BY WAITING LISTS RATHER THAN PRICE HIKES

The secondary market has raised Hermès handbags to investment-grade assets ([Exhibit 16](#)). Besides the quality and durability of the handbags it sells, Hermès has exercised remarkable volume restraint across markets ([Exhibit 14](#)).

Production is tightly controlled in a highly upstream integrated company with 80% of the items being manufactured in France ([Exhibit 17](#)). The lean supply chain leads to low net working capital (NWC) numbers, with a bag for instance lasting no more than three months in the inventory accounts from creation to sales ([Exhibit 18](#)). Even when it comes to RTW, it only produces two collections per year. This offers flexibility and the power to quickly adapt to new demand trends, reject overconsumption, and comply with the French law banning the destruction of unsold inventory.

Product scarcity creates long waiting lists ([Exhibit 15](#)), which can even out top-line growth in turbulent times and accelerate it in positive times as demand overflows into adjacent products. At the same time, the company has chosen to increase prices much less than it could (2-3% CAGR over the past 10 years) by applying moderate price adjustments based on COGS variations ([Exhibit 19](#)), a strategy it plans to follow going forward. As a result, its items retain almost all their value in the second-hand market ([Exhibit 20](#)), protecting brand equity and an “Untapped Price Increase Reservoir.”

EXHIBIT 14: We estimate that the most popular handbag models – Kelly and Birkin bags – account for 75% of handbag sales, but only 49% of handbag production

Hermès (€)	2021	Average price assumptions	
Leather Goods	4,091	Price (€):	
% Handbags	75%	Togo Leather	8,955
Handbags	3,068	% Increase	3%
Kelly, Birkin % sales	75%	Exotic/Premium skins	44,777
Kelly/Birkin	2,301	% Increase	3%
Avg Price	17,911	Mix:	
#Kelly/Birkin sold	128,481	Togo Leather	75%
#Kelly/Birkin per store	424	Exotic/Premium skins	25%
Leather workers	4,300	Kelly, Birkin % of Total Production	
#Handbags produced*	261,225	49%	

*Assumptions — one bag takes 20 hours to be manufactured and the leather workers produce bags 75% of their time.

Source: Company reports and website, Bernstein analysis and estimates

EXHIBIT 15: Hermès has a two-Birkins-per-year limit for its customers and strictly limits those who have access to the most coveted items

The Hermès Birkin waitlists

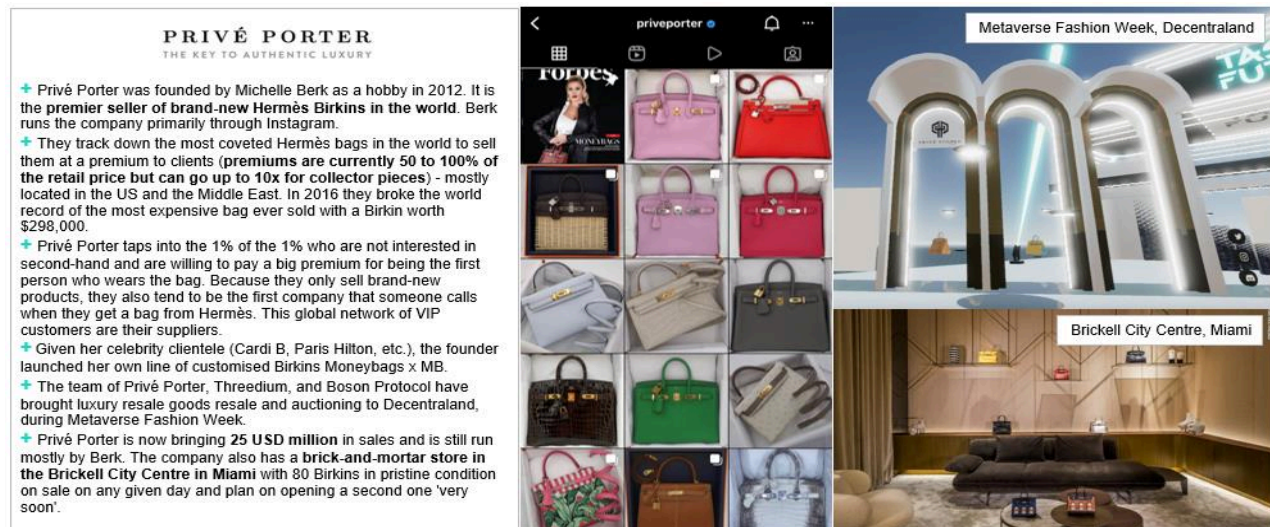
- Clients usually have a two-Birkin-per-year limit imposed on them
- Clients need to buy other items in order to even be considered for a waitlist. We estimate that Birkin sales account for more than 10% of Hermès' sales, while this amount doubles when considering what clients buy to get on the waitlists.
- For the average customer it is impossible to even get on a waitlist. Hermès, Fabourg Saint Honoré, Paris dialogue:

“Good morning, we would like to buy a Birkin”
 “I am sorry, we have no Birkin for you today”
 “Could we get on the waiting list?”
 “I am sorry, the waiting list for this year is closed”
 “Could we get on next year's waiting list?”
 “I am sorry, next year's waiting list is yet to open”



Source: Company website, Bernstein analysis

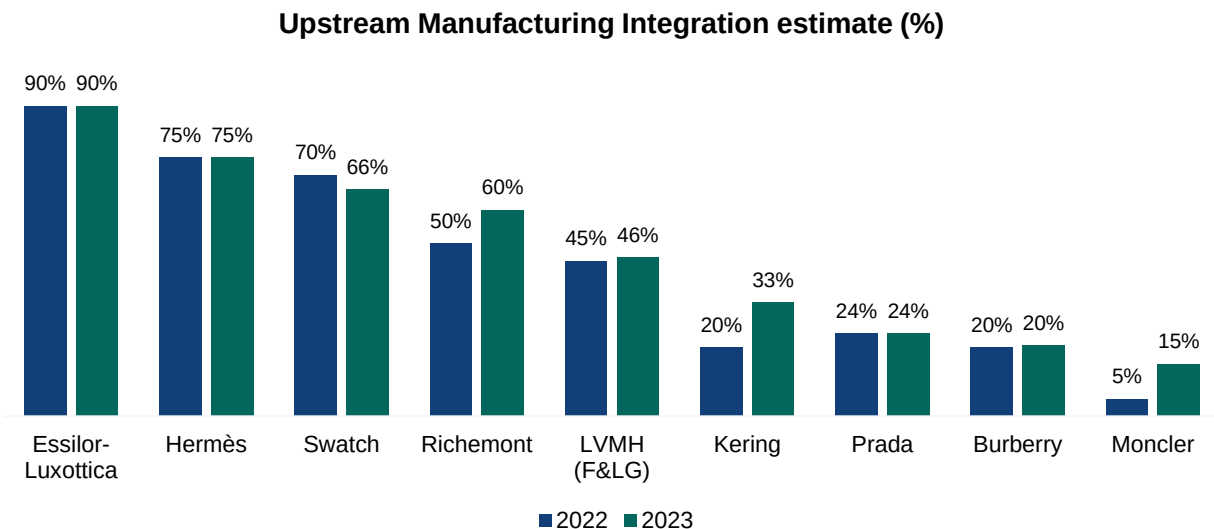
EXHIBIT 16: **Even this system is not infallible: some inner-circle customers are abusing it and trading their bags online**



Note: Prive Porter and Threedium are private.

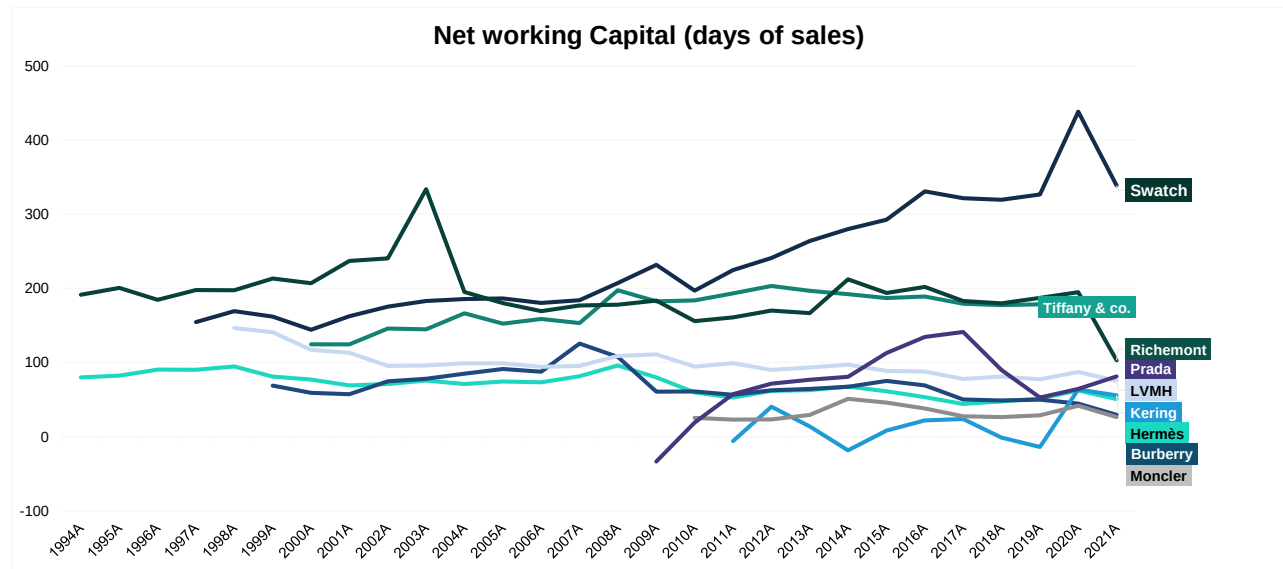
Source: Company website, Bernstein analysis

EXHIBIT 17: **At Hermès, production is tightly controlled in a highly upstream integrated environment, with 75% of the items being manufactured in France**



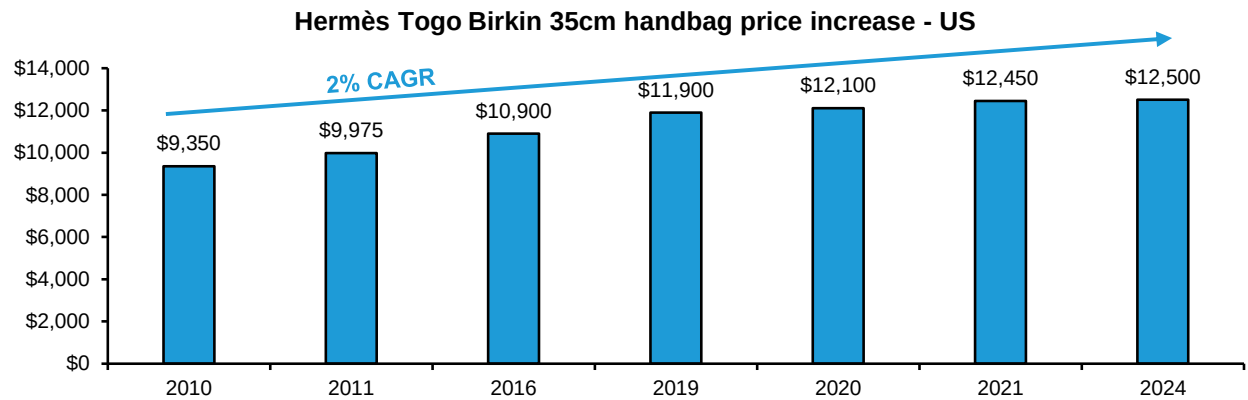
Source: Bernstein analysis and estimates (all data)

EXHIBIT 18: **The lean supply chain leads high desirability levels to low NWC numbers, with a bag for instance lasting no more than three months in the inventory accounts from creation to sale for Hermès**



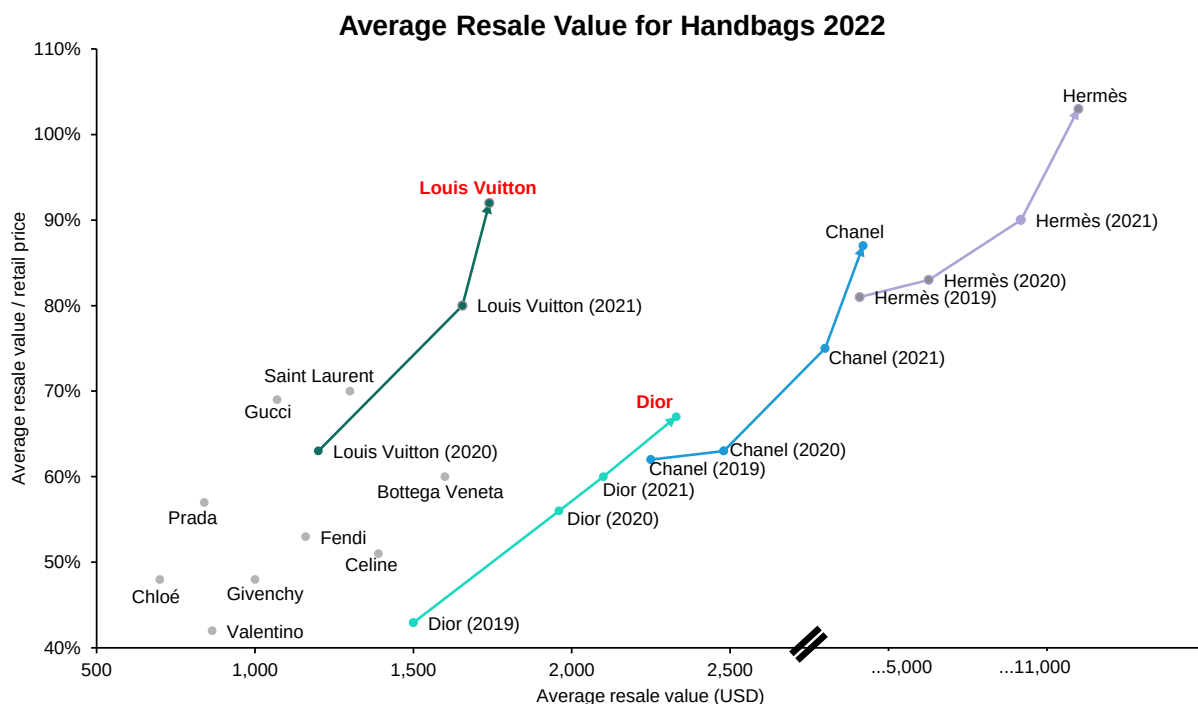
Source: Company reports, Bernstein analysis

EXHIBIT 19: **Hermès has chosen to increase prices much less than it could (~2% CAGR over the past 10 years) by applying moderate price adjustments based on COGS variations**



Source: Company website, Bernstein analysis

EXHIBIT 20: **As a consequence, the value of second-hand products of Louis Vuitton, Dior, Chanel, and Hermès continues to grow**



Source: Rebag, Bernstein analysis

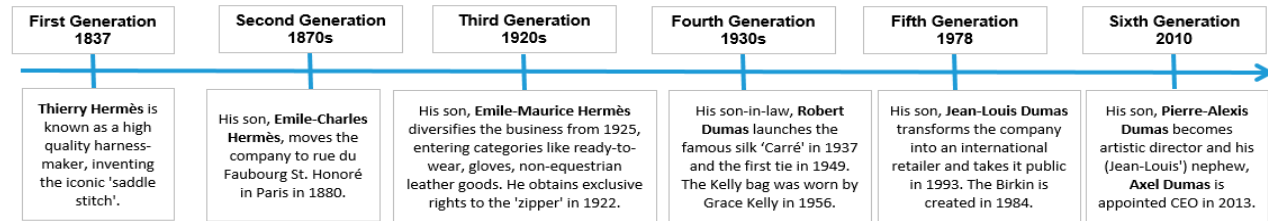
LONGEVITY TRANSCENDS
HERMÈS' PRODUCTS

Hermès is structured as a “democratic monarchy” (i.e., a limited partnership) with two executive chairmen: Axel Dumas strictly on the operational side and Henri-Louis Bauer on the long-term strategy side ([Exhibit 22](#)), ensuring business continuity.

The family owns 67% of the company, and this has remained stable throughout the years ([Exhibit 23](#)). Family heritage is also preserved by the Supervisory Board, composed mainly of family members across the three lines (Dumas, Puech, and Guerrand). To maintain family ownership and avoid a hostile takeover (as attempted by LVMH in 2011), a 75% voting majority is required to change the CEO or the company statutes. Hermès was founded in 1837, so Axel Dumas is part of the sixth generation of the family ([Exhibit 21](#)), with the seventh generation already on the Supervisory Board.

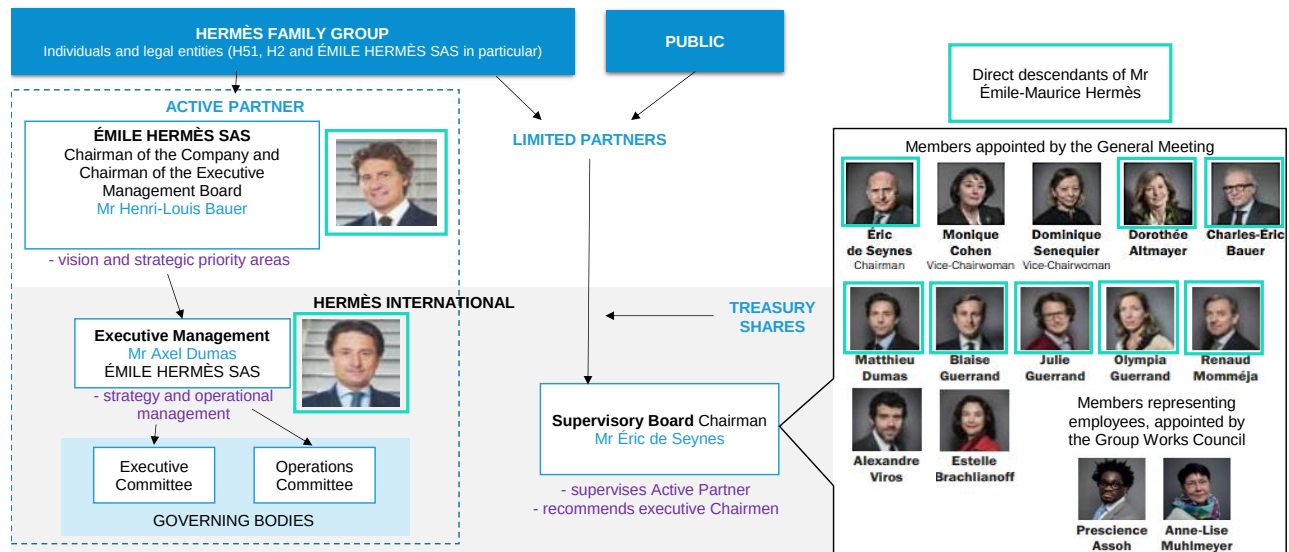
To preserve family heritage, members of the young generation are educated in company traditions through regular tours of the brand's facilities and suppliers, as well as pedagogic meetings with management. This loyalty commitment is also extended to employees: the company coaches its artisans in the **L'École Hermès des savoir-faire** and its sales assistants in the **École des Artisans de la Vente** (opened in 2021), offering them profit-sharing opportunities and office “godparents” as mentors ([Exhibit 24](#)). Hermès did not lay off any employee during the pandemic. As a result, its 1.4% turnover rate is the lowest in the industry ([Exhibit 25](#)), with an average artisan service length of nine years.

EXHIBIT 21: The sixth and seventh generation of Hermès heirs are now leading the company



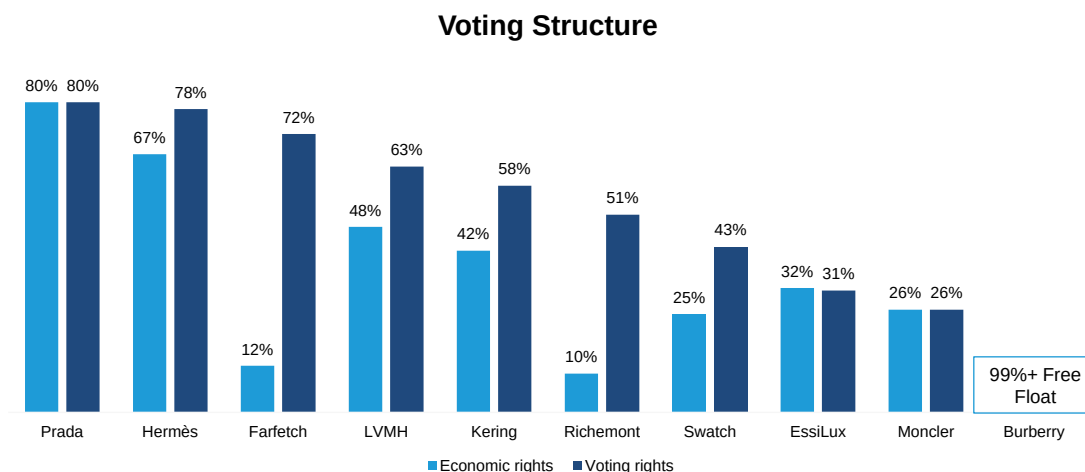
Source: Company website, Bernstein analysis

EXHIBIT 22: Hermès is structured as a “democratic monarchy” with two executive chairmen: Axel Dumas strictly on the operational side and Henri-Louis Bauer on the long-term strategy side



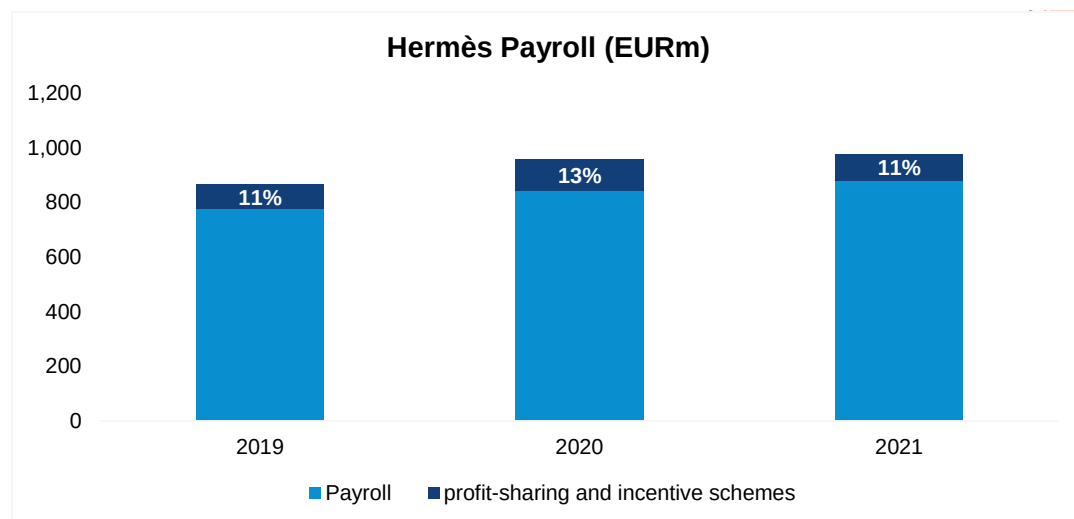
Source: Company website, Bernstein analysis

EXHIBIT 23: Swatch is among the companies where the family has almost double the amount of voting rights compared with their economic rights



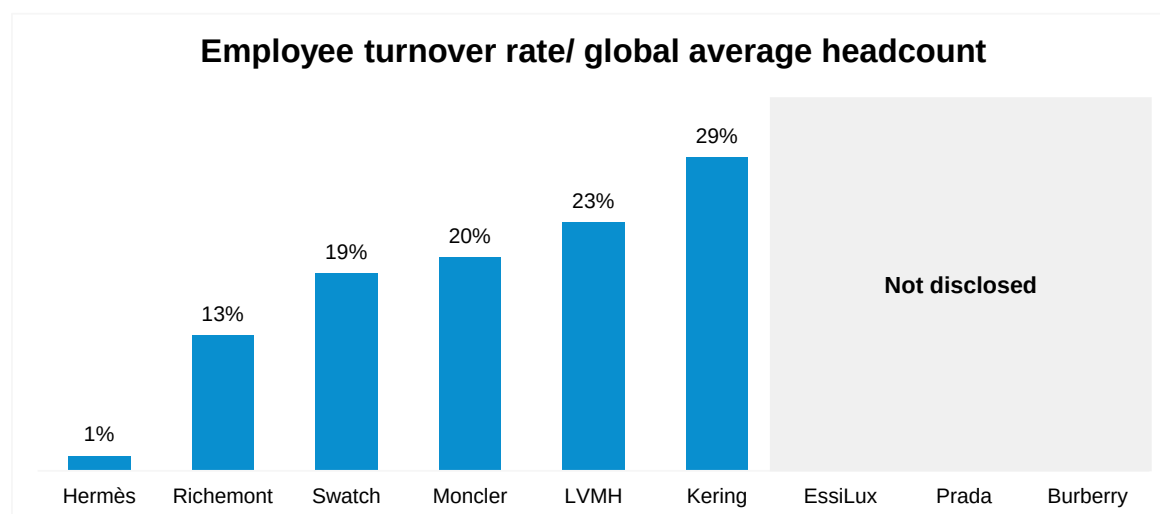
Source: Company reports, Bernstein analysis

EXHIBIT 24: **The family loyalty commitment is also extended to employees through profit-sharing and incentive schemes; this strategy was amplified during the pandemic in 2020**



Source: Company reports, Bernstein analysis

EXHIBIT 25: **As a result, Hermès' turnover rate is by far the lowest in the industry**



Note: Numbers in this exhibit have been rounded off.

Source: Company reports, Bernstein analysis

AN UNDERAPPRECIATED ESG LEADER IN PUBLIC RANKINGS' EYES

An ESG leader that has talked little but done a lot

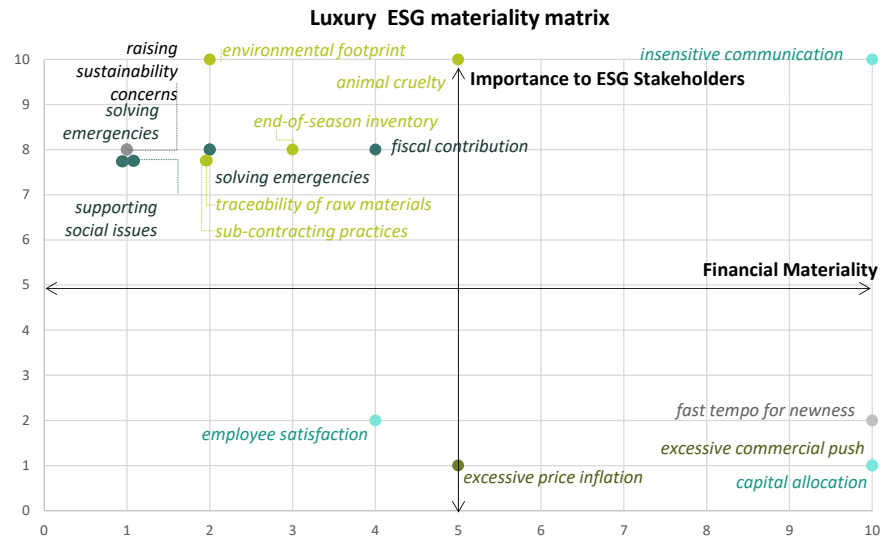
WE BELIEVE HERMÈS IS AT THE TOP OF THE ESG LEAGUE IN FASHION AND LUXURY GOODS

We have developed an ESG materiality matrix (see our report: [Global Luxury Goods: The ESG Materiality Matrix](#)) to sort out the wheat from the chaff on what is important or irrelevant in ESG for our coverage sector in our view. **We provide ESG performance and transparency scores according to our internally developed proprietary methodology.** We have progressed along two directions ([Exhibit 1](#) and [Exhibit 2](#)).

- On the one hand, we have reviewed and cataloged all ESG reporting and disclosures luxury goods companies produce; and
- On the other hand, we have defined a set of metrics to appropriately quantify the key items we had identified in our materiality matrix.

Hermès leads the companies under our coverage in both ESG performance and ESG transparency ([Exhibit 3](#) and [Exhibit 4](#)) — this combines with a top-ranking position in our previously published structural appeal assessment (see our report: [Management Compass - Analysing ROIC performance in luxury goods](#)) ([Exhibit 5](#) and [Exhibit 6](#)). Hermès hasn't talked much about its ESG qualifications, but by contrast it seems to have done a lot. Part of the reason for this is a high level of upstream integration, giving it effective control of its supply chain. Best-in-class ROIC performance and a high tax rate, as well as a more limited and less accident-prone communication mode, all play an important role in our assessment.

EXHIBIT 1: Global Luxury Goods: Bernstein ESG Materiality Matrix



Shortcomings from idiosyncratic management styles
Shortcomings from widely shared industry standards
Shortcomings from short-termism in corporate stewardship
Engagement in the local and global society
Shortcomings in matching changing consumer tastes and values

Source: Bernstein analysis

EXHIBIT 2: We have defined a set of metrics to appropriately quantify the key items we had identified in our materiality matrix

Shortcomings from idiosyncratic management style <u>Inefficient capital allocation</u> - 20-year ROIC standard deviation/ 20-year ROIC average - 20-year ROIC average (where available) - ROIC average of the last 3 years/ 20-year ROIC average <u>Insensitive communication, product development & merchandising</u> - Number of social media scandals - Executive Committee diversity - Skew favouring the controlling shareholders - voting/ ownership rights - Freefloat <u>Management compensation</u> - CEO fixed compensation % - CEO total compensation/ Net Profit - 10-year correlation of total CEO comp YoY change to total company net profit YoY change - CEO ESG bonus incentive score Employee morale, talent diversity, promotion practices - Gender pay gap - Employee cost/ FTE - Employee cost/ Revenue - Employees above 50 years old % - Employees with disabilities % - Severity rate/ Accident rate % - Glassdoor CEO approval - Parental leave policy - Employee turnover - Hours of training/ Employee - Training and upskilling initiatives score	Shortcomings from short-termism in corporate stewardship <u>Pricing & margin reset from excessive price inflation</u> - 10-year standard deviation of EBIT% (where available) - Average price increases since 2016 <u>Brand equity trivialisation from excessive commercial push</u> - Full-price/ Outlets store ratio (main brand) Shortcomings in matching changing consumer tastes and values <u>Constant demand for newness</u> - Number of collaborations - Relative consumer interest for key brands - PDI trend, last 3 months vs. max months average - PDI average max <u>Data security</u> - Measures against cyber attacks score <u>Rising sustainability concerns</u> - Sustainability and Environment word count in recent annual report - Sustainability and Environment instagram posts <u>Sin categories</u> - Number of sin categories sold Engagement in the local and global society <u>Fiscal contribution</u> - 20-year average tax rate (where available) - 20-year cumulated tax payments <u>Emergency response</u> - Donations score <u>Supporting social issues</u> - Charitable giving as % PBT <u>Promoting the arts</u> - Foundations/ Exhibitions/ Events score	Shortcomings from widely shared industry standards <u>animal cruelty</u> - Leather traceability % - Fur and precious skins banned <u>Inappropriate practices in sub-contracting</u> - Upstream integration <u>Inappropriate sourcing of non-animal raw materials</u> - Diamond sourced through certified providers % <u>Destruction of end of season inventory/ product packaging</u> - Achieved gross margin % <u>Environmental footprint</u> - Renewable energy/ Total energy use - Renewable energy/ Total electricity use - Carbon intensity <u>Water & waste water management</u> - Total waste generation/ Upstream integration % - Waste use/ Upstream integration %
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Source: Bernstein analysis

EXHIBIT 3: Our proprietary ESG score shows Hermès in the lead within our coverage companies

MATERIALITY MATRIX ITEMS (ranked by financial materiality)	Hermès	LVMH	EssiLux	Kering	Moncler	Richemont	Burberry	Swatch	Prada
Shortcomings from idiosyncratic management styles	74	52	55	53	52	45	49	50	38
Shortcomings from short-termism in corporate stewardship	70	71	47	41	27	37	61	32	24
Shortcomings in matching changing consumer tastes and values	80	47	63	57	52	40	58	45	49
Engagement in the local and global society	59	85	39	34	32	40	23	27	52
Shortcomings from widely shared industry standards	67	57	67	48	35	57	59	58	52
Overall Score	100	93	87	73	71	71	69	69	68

Note: If a company does not disclose certain metrics, we assign an ESG score of 50.

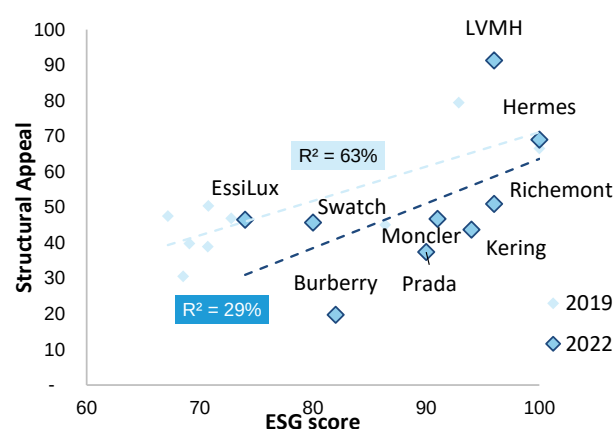
Source: Company reports, Bernstein analysis

EXHIBIT 4: In terms of transparency, Hermès ranks fourth with “shortcomings from widely shared industry standards” slightly lagging

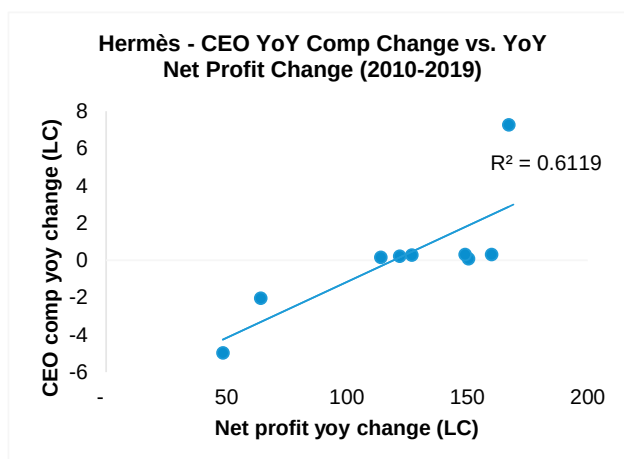
MATERIALITY MATRIX ITEMS (ranked by financial materiality)	Burberry	Moncler	EssiLux	Hermès	LVMH	Kering	Richemont	Prada	Swatch
Shortcomings from idiosyncratic management styles	67	92	67	92	92	50	63	71	42
Shortcomings from short-termism in corporate stewardship	100	100	100	100	75	75	88	100	75
Shortcomings in matching changing consumer tastes and values	100	100	100	100	75	75	88	100	75
Engagement in the local and global society	100	100	100	100	80	100	100	80	80
Shortcomings from widely shared industry standards	67	67	56	56	67	56	44	33	33
Overall Score	100	87	83	79	78	75	75	66	63

Note: We assign a transparency score of 100 to companies which disclose a metric, 0 to those that don't.

Source: Company reports, Bernstein analysis

EXHIBIT 5: ESG performance and long-term structural appeal thus correlate to a certain extent

Source: Bloomberg, company reports, Bernstein analysis

EXHIBIT 6: Hermès' CEO comp is the most correlated with results in our coverage between 2010 and 2019

Source: Company reports, Bernstein analysis

YET, WE SEE PUBLIC ESG RANKINGS ARE MIXED FOR HERMÈS

We feel ESG reporting today is a bit like financial reporting prior to 1929 and the introduction of increasingly stringent and commonly enforced accounting standards. It is not surprising, therefore, that publicly available ESG rankings reflect both fundamental performance and corporate marketing efforts aimed at being perceived on the right side of the ESG divide — or simply (lack of) disclosure.

We have carried out an in-depth exercise to compare how Hermès (at the top of our ESG pecking order) comes across in eight publicly available rankings ([Exhibit 7](#)). Confusion reigns supreme, as each of the many ESG initiatives and institutes seems to have a different “order of priority” in the sector. We are afraid there is no easy solution to this, as investors will need to get into the details of ESG performance measurement methodologies — at least until commonly agreed standards are agreed upon.

EXHIBIT 7: Hermès is ranked differently in different publicly available rankings; confusion reigns supreme, as each one of the many ESG initiatives and institutes seems to have a different “order of priority” in the sector

Company	RobecoSAM Total Sustainability Rank	Sustainalytics ESG Rank	ISS QualityScore	CDP Performance Score	BBG ESG Disclosure Score	BoF Sustainability Index	MSCI Rating
Swatch	77	74	10	-	N/A	N/A	BBB
EssilorLuxottica	95	70	5	-	52	N/A	AAA
Hermès	94	73	7	6	42	32	A+
LVMH	97	96	9	6	N/A	30	A
Burberry	95	92	1	8	44	N/A	N/A
Kering	99	93	9	7	64	49	AAA
Richemont	87	89	5	7	48	14	AA
Moncler	100	89	2	-	N/A	N/A	AAA
Prada	71	96	N/A	-	41	N/A	N/A

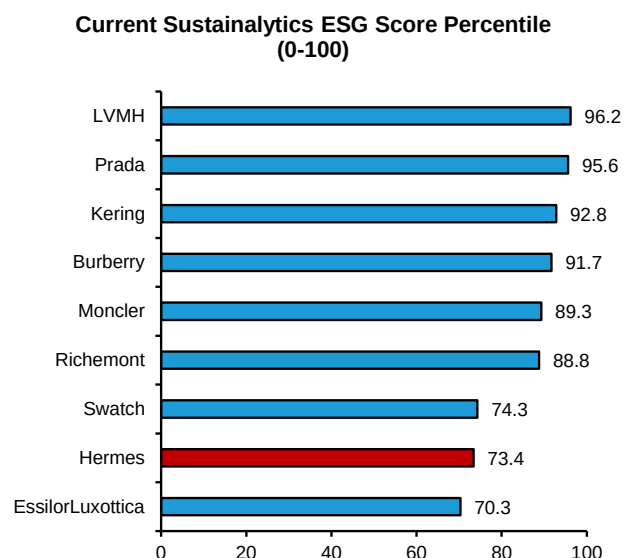
Rank	RobecoSAM Total Sustainability Rank	Sustainalytics ESG Rank	ISS QualityScore	CDP Performance Score	BBG ESG Disclosure Score	BoF Sustainability Index	MSCI Rating
1	Moncler	LVMH	Swatch	Burberry	Kering	Kering	EssilorLuxottica
2	Kering	Prada	LVMH	Kering	EssilorLuxottica	Hermès	Kering
3	LVMH	Kering	Kering	Richemont	Richemont	LVMH	Moncler
4	EssilorLuxottica	Burberry	Hermès	Hermès	Burberry	Richemont	Hermès
5	Burberry	Moncler	EssilorLuxottica	LVMH	Hermès	Swatch - N/A	Richemont
6	Hermès	Richemont	Richemont	Swatch	Prada	EssilorLuxottica - N/A	LVMH
7	Richemont	Swatch	Moncler	EssilorLuxottica	Swatch - N/A	Burberry - N/A	Swatch
8	Swatch	Hermès	Burberry	Moncler	LVMH - N/A	Moncler - N/A	Burberry - N/A
9	Prada	EssilorLuxottica	Prada - N/A	Prada	Moncler - N/A	Prada - N/A	Prada - N/A

Source: Bloomberg, ranking websites, Bernstein analysis

We looked in detail into three public ratings: Sustainalytics ESG rank, RobecoSAM's total suitability rank, and MSCI ratings. We found that:

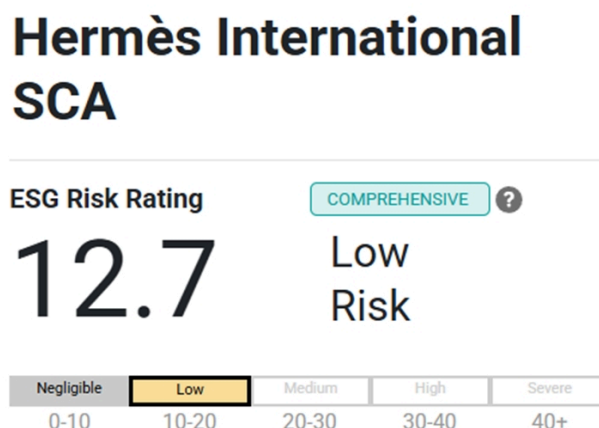
- Sustainalytics places Hermès close to the bottom of the industry among our coverage, even though Hermès is marked as “low ESG risks” overall ([Exhibit 8](#) and [Exhibit 9](#)).
- Hermès rankings by MSCI (fifth out of seven) and RobecoSAM (sixth out of nine) are both below peers, but this is largely due to high industry standards as absolute performance is strong (rated AA on CCC-AAA scale and 94 on 0-100 scale by MSCI and RobecoSAM, respectively) ([Exhibit 10](#) and [Exhibit 11](#)).

EXHIBIT 8: Sustainalytics places Hermès close to the bottom of the industry



Source: Sustainalytics, Bloomberg, Bernstein analysis

EXHIBIT 9: Sustainalytics ESG rating criteria measure industry-specific risks; Hermès is marked as low risk



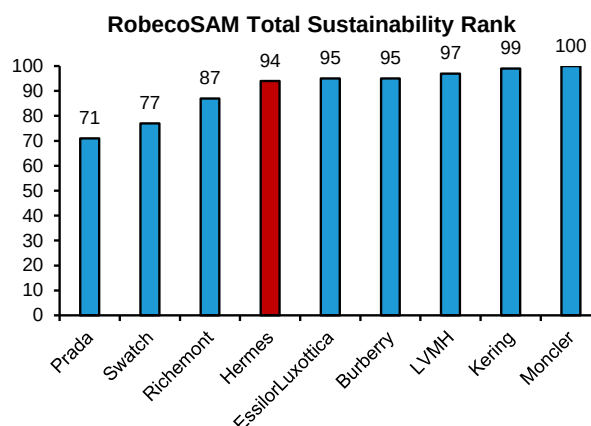
Source: Sustainalytics

EXHIBIT 10: **MSCI rates Hermès "AA" on a scale of CCC to AAA, placing it fifth among the seven under our coverage**

Company	MSCI Rating (CCC to AAA)
Kering	AAA
EssilorLuxottica	AAA
Moncler	AAA
Richemont	AA
Hermes	AA
LVMH	A
Swatch	BBB
Burberry	N/A
Prada	N/A

Source: MSCI, Bloomberg, Bernstein analysis

EXHIBIT 11: **RobecoSAM ranks Hermès 94 on a scale of 0-100, placing it at the sixth rank under our coverage, as the overall focus on sustainability is very high within the luxury space**



Source: Bloomberg, Bernstein analysis

WE THINK HERMÈS' LOW PUBLIC ESG SCORES ARE DUE TO LACK OF DISCLOSURE, WHICH IS BEING ADDRESSED

We think Hermès' low public ESG scores are due to lack of disclosure, which is being addressed. The problem with ESG disclosures is that there is yet no sense of what is important and what is not, what is appearance and what is substance, and how one could go about measuring all this according to agreed standards. Companies seem to be disclosing the metrics that make them look best, the disclosure scope varies from including only what goes on within the company to all that is carried out in the supply chain serving the company; also, the same variables are measured using different methods and criteria.

To track Hermès' disclosure improvements over the past 20 years, we also count the number of ESG-relevant mentions in a company's annual reference documents or the social responsibility reports (if they are published separately). In reference to the number of mentions for "environment," "sustainable," and "social," we see Hermès catching up and playing the same game with other industry leaders such as Kering, LVMH, and EssiLux ([Exhibit 12](#)).

EXHIBIT 12: **Hermès is now catching up and playing the same game**

	# of mentions in the reference document / universal registration document / social responsibility reports					
	"environment"					
	2000	2005	2010	2015	2020	2024
Hermès		61	67	283	418	358
Kering	20	146	224	300	444	371
EssiLux		70	99	150	200	357
LVMH	32	104	140	153	310	603
Moncler				16	158	294
Richemont	3	5	80	129	164	48
Burberry		23	31	47	117	177
Prada			4	39	77	19
Swatch	0	18	36	50	30	22

	"sustainable" / (in French: "durable")					
	2000	2005	2010	2015	2020	2024
Hermès		3	12	46	329	491
Kering	27	19	83	77	155	604
EssiLux		10	54	74	178	577
LVMH	4	3	10	15	70	451
Moncler				83	182	391
Richemont	0	1	25	30	146	107
Burberry		1	9	25	104	256
Prada			0	34	77	74
Swatch	0	1	7	12	18	58

	"social"					
	2000	2005	2010	2015	2020	2024
Hermès		97	13	69	498	476
Kering	27	118	261	140	324	258
EssiLux		21	35	112	126	188
LVMH	85	133	55	76	115	206
Moncler				18	114	150
Richemont	1	13	43	125	89	40
Burberry		15	9	22	68	114
Prada			2	28	62	17
Swatch	10	4	19	41	20	22

Note: For Kering, 1999 was used instead of 2000; for EssilorLuxottica, 2006 was used instead of 2005.

Source: Bloomberg, company reports, Bernstein analysis

Corporate governance

In terms of corporate governance, we found the following improvements addressed by Hermès in its 2020 universal registration document.

- Improved its disclosure around supervisory board composition, functioning, and evaluation ([Exhibit 13](#)).
- Ranked among the top 20 companies on the Grand Prix de la Transparence award 2020 as a new entrant. This award is based on disclosure transparency, specifically in accessibility, accuracy, comparability, and availability of criteria ([Exhibit 14](#)).
- Continued to promote gender equality both in terms of managerial/senior executive roles and gender pay gap ([Exhibit 15](#)).
- Introduced a new annual “Talent Review” process, which was rolled out throughout the group in 2020 and also covered succession plans for senior executives ([Exhibit 16](#)).

EXHIBIT 13: Hermès improved its disclosure around supervisory board composition, functioning, and evaluation

Supervisory Board & Executive Committee disclosure update in 2020	
	Changes in 2020
Executive Committee	Additional role: The management of the Covid-19 crisis required a significant increase in this frequency in 2020, particularly during the first lockdown in France, with a daily meeting.
Supervisory Board	“Implementation procedures and results obtained” session added for the Diversity Policy applied to the members of the supervisory board Additional disclosure: future change within the supervisory board over the next three years The Supervisory Board rules of procedure were updated on 29 May 2020 Major annual theme: 1. attended a presentation on the measures implemented to protect employees and customers of the Group’s stores in the context of Covid-19; 2. attended a presentation of investment projects; 3. attended a presentation on cybersecurity within the Group. Site visites: 1. Hermès Horizons in Pantin 2. Conservatoire des Créations Hermès in Pantin

Source: Company reports, Bernstein analysis

EXHIBIT 14: Hermès ranked among the top 20 companies on the Grand Prix de la Transparence award 2020 as a new entrant; this award is based on disclosure transparency, specifically in accessibility, accuracy, comparability, and availability criteria

Corporate governance award

Since 2009, the *Grand Prix de la transparence* has rewarded the quality of regulated information of French SBF 120 companies. The objective of these awards is to enable issuers to measure their performance each year in terms of transparency and to identify market best practices. Each year, standards rise.

Hermès International was the **2020 Winner of the Grand Prix de la transparence in the category “Notice of Meeting”**. This award is based on accessibility, accuracy, comparability and availability criteria.

This first prize is recognition of the substantive work carried out over several years to change our governance practices, and the efforts made this year to redesign the presentation and focus on providing information.

The members of the jury praised:

- ♦ the digital accessibility of the brochure, the content of which is made accessible to the visually impaired and is facilitated for people with motor disabilities;
- ♦ the summary and very informative presentation of the procedures for participating in the General Meeting and the integration of specific measures related to Covid-19 and the holding of the meeting in closed session.

Source: Grand Prix de la Transparence, company reports, Bernstein analysis

EXHIBIT 15: **Hermès continues to improve gender equality**

GENDER BALANCE POLICY IN GOVERNING BODIES	AT 31 DECEMBER	2024	2019
The Executive Management presented the following Company gender balance objectives to the Supervisory Board on 25 February 2020: Overall gender balance target for governing bodies: the proportion of members of each gender should not be less than 40%. The scope of the governing bodies selected includes the committees established by the Executive Management several years ago to regularly assist it in exercising its general duties, namely: - the Executive Committee - the Operations Committee Time horizon: the proportion set having already been reached on 31/12/2019, the Executive Management has set the target of maintaining the current balance (over both the medium and long term). Action plan: for several years now, the Company has been encouraging female representation among Senior Executives,	Overall female representation		
	Senior Executives	48.0% (*)	44.0% (**)
	Gender equality index (100)	99	99
	Gender pay equality index (100)	92	94
	Gender breakdown by category		
	Women % in governing bodies	59.0%	54.2%
	Women % overall	68.0%	68.0%

(*) This category comprises the 100 positions with the highest levels of responsibility according to the classification used by the Group in 2024.

(**) This category comprises the 83 positions with the highest levels of responsibility according to the classification used by the Group in 2019.

Source: Company reports, Bernstein analysis

EXHIBIT 16: **Hermès introduced a new “Talent Review” process, now annual; it was rolled out throughout the group in 2020 and also covers succession plans for senior executives**

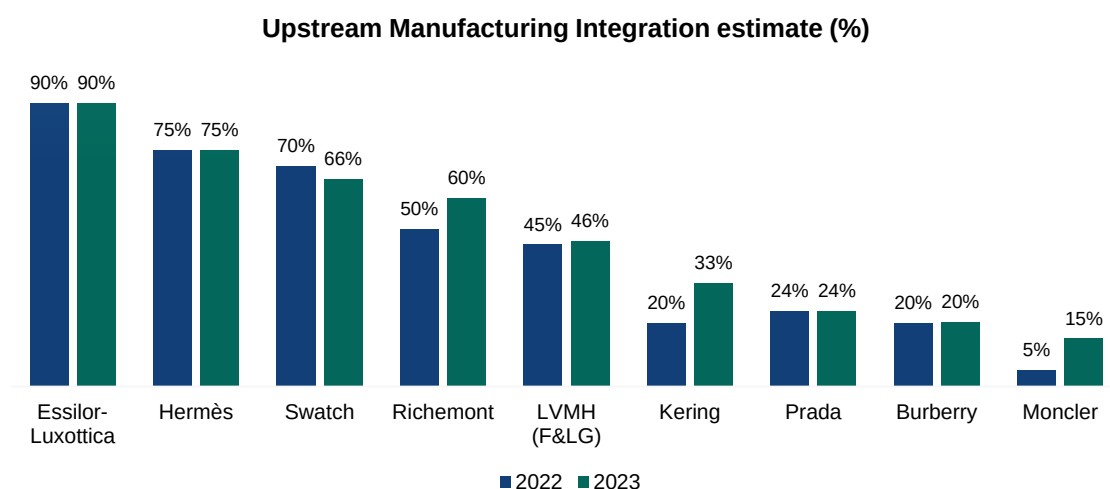
“Talent Review” process across group level	
2020 and beyond	2019
An annual Talent Review process was rolled out throughout the Group in 2020, with the following objectives: - take stock of our leadership talents to ensure succession within Hermès; - improve anticipation of succession plans; - engage a stronger dynamic in the development of talents. This Talent Review covers the succession of the members of the Executive Committee and of the members of the Operations Committee. The Talent Review and succession plans for the Executive Management and the Chairman of the Supervisory Board are presented to the CAG-CSR Committee every year.	Every two years, a 360° Human Resources review known as the “Talent Review” is performed in each subsidiary to: - identify, according to demanding and selective criteria, talent capable of holding the highest responsibilities within the House; - support the development of talent through targeted and ambitious initiatives to create conditions fostering their performance, motivation and loyalty; - anticipate and manage potential staff moves (between/within subsidiaries) and succession plans, to ensure the continuity of the organisation and take Hermès into the future.

Source: Company reports, Bernstein analysis

Social and environmental impact

Hermès ranks second out of 10 in upstream integration in our coverage, which allows it to closely review almost every step of its supply chain ([Exhibit 17](#)). As a result, the company was able to introduce a systematic approach to analyzing its supply chains in 2020, which holds suppliers accountable to a strict CSR policy ([Exhibit 18](#)). Hermès also built its first positive-energy leather goods production site in Louviers, which was inaugurated in 2022 ([Exhibit 19](#)). It started reporting more of its commitments along the supply chain, which aim for positive environmental benefits, e.g., its silk production in Brazil ([Exhibit 20](#)). As of 2019, Hermès fully aligned its carbon reporting with the data detailed in the Carbon Disclosure Project (CDP) and decided to report on all scope 3 categories since 2020, even if this requires estimating certain items ([Exhibit 21](#) and [Exhibit 22](#)).

EXHIBIT 17: **Hermès ranks second out of 10 in upstream integration in our coverage, which allows it to closely review almost every step of its supply chain**



Source: Bernstein analysis and estimates (all data)

EXHIBIT 18: **Hermès introduced a systematic approach to analyzing its supply chains in 2020**

Main Commitments for better control of sectors and suppliers	
ANIMAL SECTORS	
Cashmere	Responsible Wool Standard (RWS) certification
Feather/Down	Responsible Down Standard (RDS) certification/PFC (Parent Farm Certified)
Leather	Working Group (LWG) certification of tanneries
Precious leather	IFCA certification for crocodile farms
	LPPS certification for lizard farms
PLANT SECTORS	
Cotton	GOTS certification
Linen	Master of Linen certification
Cellulosic fibres	FSC fibre sources (list of prohibited suppliers)
Wood	FSC and/or PEFC certification
MINERAL SECTORS	
Stones	RJC and/or IRMA certification
Gold/Silver	RJC certification and use of recycled materials
Hermès introduced a systematic approach to analysing its supply chains in 2020. 24 main supply chains were reviewed. These sector analyses have led to the creation of a “supply chain brief”, a document that explains their strategy, objectives and the means of achieving them (based on transparency, high standards and goodwill). The average length of relationships with suppliers is 20 years. Of these 50 suppliers, 93% of purchases are made in Europe, with 56% in France in 2020. 85% of direct suppliers are now committed to a CSR policy (vs. 76% in 2019)	

Source: Company reports, Bernstein analysis

EXHIBIT 19: **Hermès started building its first positive energy leather goods production site in Louviers in September 2020**



Positive energy Leather Goods workshop

Hermès built the first positive energy Leather Goods workshop in Louviers, Normandy. The workshop will not use fossil energy for its operation and will generate at least as much electricity as it consumes (with the surplus being fed back into the grid). This project helps Hermès strengthen its upstream supply chain together with its sustainability mission. The Maroquinerie de Louviers is aiming for the E4C2 label (energy performance and greenhouse gas reduction).

Moreover, to preserve the bio-diversity of the site, most trees will be replanted in the gardens.

The Louviers plant was inaugurated in 2022 and will have 250 people working at the site. All the employees will be trained by the company in-house.

Since 2010, Hermès has opened thirteen leather goods workshops and recruited more than 2,500 artisans, bringing the number of saddler-leatherworkers to more than 3,800.

Source: Company reports and website, Bernstein analysis

EXHIBIT 20: **Hermès showed more improvements in textile supply and production processes in 2020**

The carbon footprint of Brazilian silk (used by Hermès) is

-30%

lower than that of Chinese silk. In 2020, Hermès began working with the Institute for Sustainability Leadership (CISL) at Cambridge University and they confirmed that the: **"Hermès silk production in Brazil can be celebrated for its positive environmental benefits"**



glue consumption decreased by

-10%

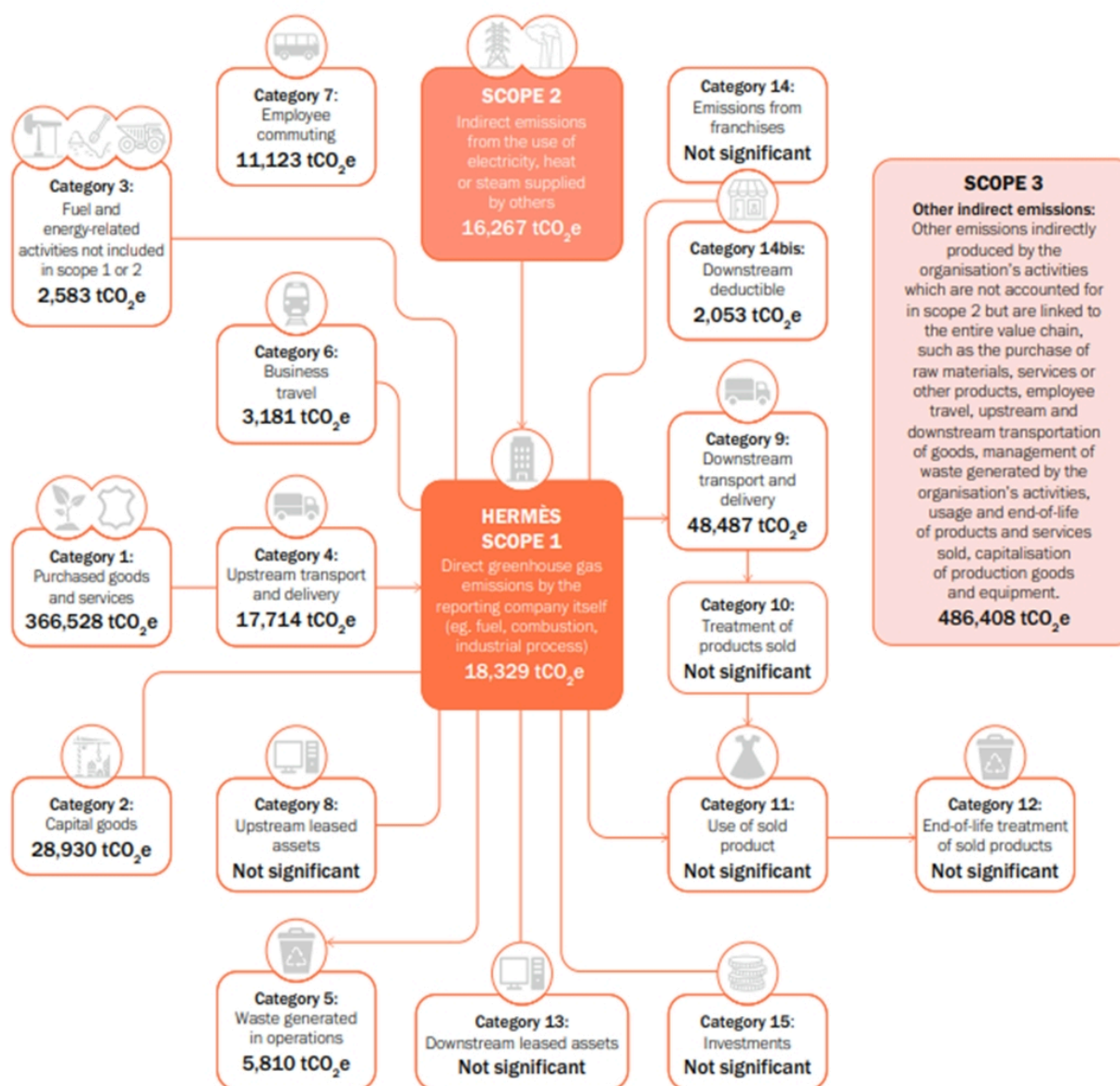
in textile production vs. 2019

Hermès launched a diagnostic of their use of plastics in 2021. The estimated attainable saving for 2021 was around

1 tonne
of plastic.

Source: Company reports, Bernstein analysis

EXHIBIT 21: **As of 2020, Hermès has fully aligned its carbon reporting with the data detailed in the CDP**



Source: Company reports

EXHIBIT 22: Hermès has also decided to report on all scope 3 categories since 2020, even if this requires estimating certain items

Scope 3 greenhouse gas emissions (k tonnes CO2EQ)		2018	2019	2020	2024
Upstream	1. Purchased goods and services	424.5	387.2	366.5	530.1
	2. Capital goods	26.7	10.7	28.9	62.0
	3. Fuel- and energy (not incl. in scope 1 or 2)	2.8	2.7	2.6	2.7
	4. Upstream transportation and distribution	20.7	14.2	17.7	7.7
	5. Waste generated in operations	8.8	9.3	5.8	8.5
	6. Business travel	27.0	15.9	3.2	10.0
	7. Employee commuting	16.2	9.6	11.1	29.1
	8. Upstream leased assets			Not significant	-
Downstream	9. Downstream transportation and distribution	70.0	51.7	48.5	77.6
	10. Processing of sold products			Not significant	-
	11. Use of sold products			Not significant	-
	12. End-of-life treatment of sold products			Not significant	1.4
	13. Downstream leased assets			Not significant	-
	14. Franchises	-	-	2.1	2.7
	15. Investments			Not significant	-
Total		596.7	501.5	486.4	784.2

Hermès joined the Science-Based Targets (SBTi) initiative in 2020 to validate its definition of targets for the reduction of its greenhouse gas emissions. The company is currently developing these emission reduction targets, which are as follows:

✚ a reduction in absolute value of 50% for scope 1 and 2 emissions over the period 2018 to 2030;

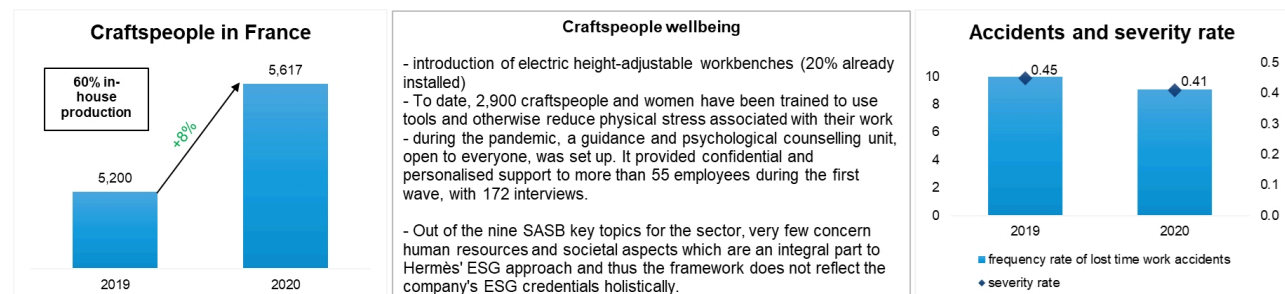
✚ a reduction in relative value of 50% for scope 3 emissions over the period 2018 to 2030; this objective means involving the supply chain as well as suppliers and partners in the process

Source: Company reports, Bernstein analysis

WE EXPECT HERMÈS
WILL BENEFIT THE MOST
FROM ESG PERFORMANCE
IMPROVEMENT GOING
FORWARD

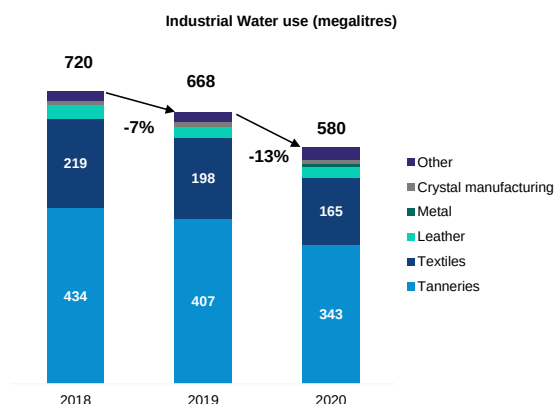
The company hasn't talked much about its ESG qualifications, but by contrast it seems to have done a lot. From a social perspective, craftspeople well-being commands an impressive chunk of the ESG reporting section. This factor is less recognized in public ESG assessments such as the Sustainability Accounting Standards Board (SASB), but is a very important pillar of Hermès' ESG approach ([Exhibit 23](#)).

From an environmental perspective, the company's pollution metrics are declining across the board. These were mainly because of the decline in activity caused by the temporary closure of sites as a result of the Covid-19 pandemic ([Exhibit 24](#) to [Exhibit 27](#)). But numerous initiatives highlight Hermès' long-term commitment to the planet ([Exhibit 28](#)). The circular concepts of recycling and repairs are becoming an integral part of its identity, in line with its perception of luxury products as "something to be repaired" ([Exhibit 29](#) and [Exhibit 30](#)). Recycling is also done at a higher level, with 43.2% of all industrial waste recycled in 2020. The new in-house chemical analysis laboratory should address the lagging MSCI score in this area ([Exhibit 31](#)).

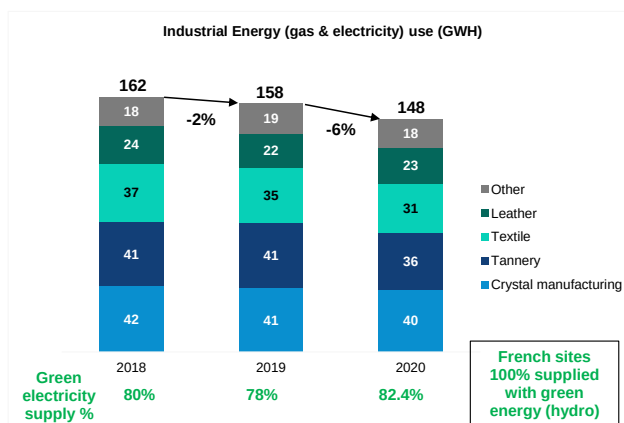
EXHIBIT 23: Craftspeople well-being is a less recognized but very important pillar of Hermès' ESG approach

Note: The calculation of accidents and their severity rate is based on the total number of actual hours worked.

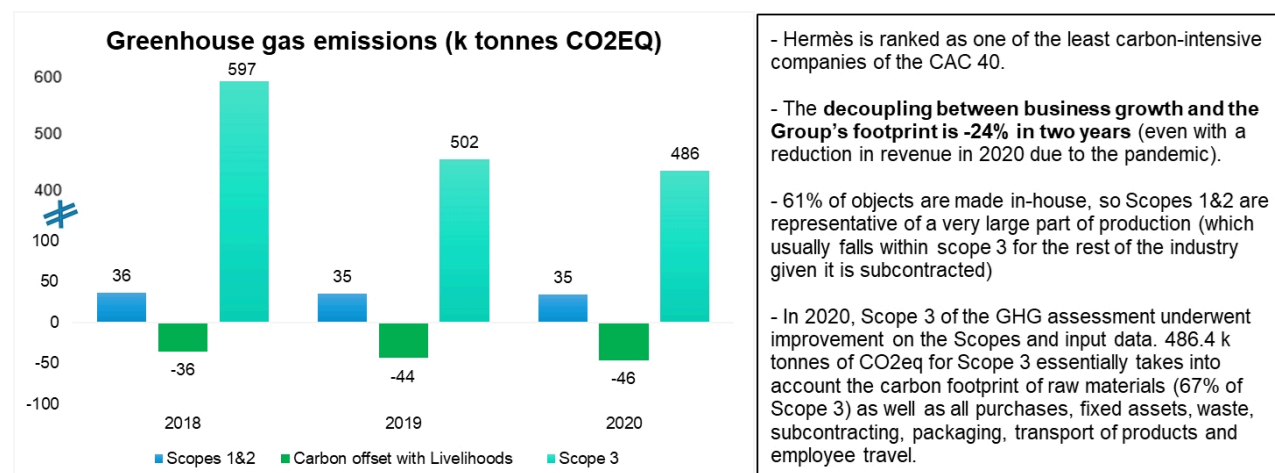
Source: Company reports, Bernstein analysis

EXHIBIT 24: Hermès continued cutting its industrial water use in 2020

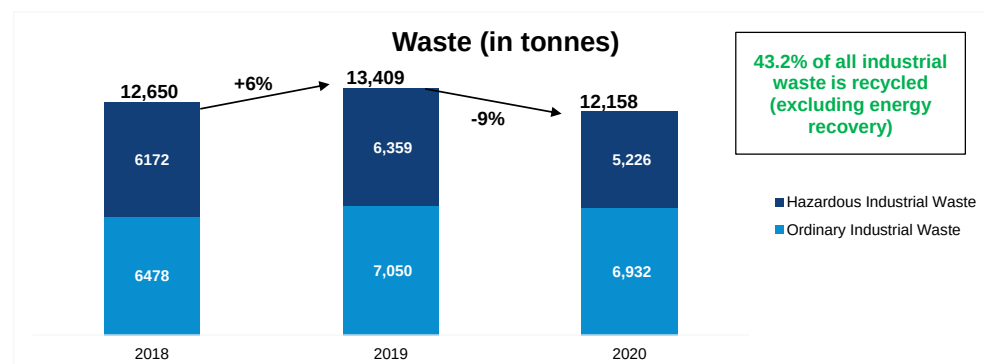
Source: Company reports, Bernstein analysis

EXHIBIT 25: Hermès has slowly reduced its industrial energy use and increased its green electricity supply

Source: Company reports, Bernstein analysis

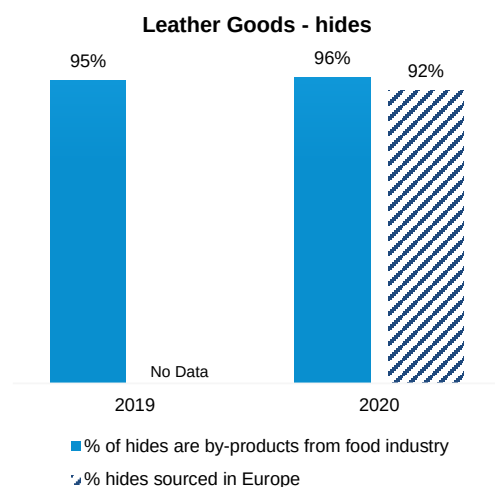
EXHIBIT 26: Hermès has reduced its greenhouse gas emissions, while 134% of Scope 1&2 emissions have been offset

Source: Company reports, Bernstein analysis

EXHIBIT 27: Hermès reduced hazardous waste by 18% in 2020, and reported for the first time that 43.2% of all industrial waste was recycled

Source: Company reports, Bernstein analysis

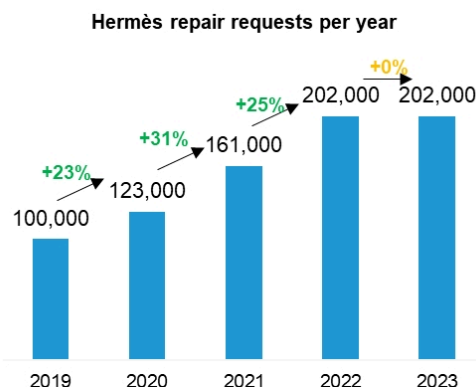
EXHIBIT 28: Hermès is sourcing almost all non-exotic skin from the food industry, with 92% from Europe



Hermès is working on maximising the utilisation rate of skins by improving pattern cutting techniques and re-using cut-outs for small leather goods and charms

Source: Company reports, Bernstein analysis

EXHIBIT 29: Hermès's repair requests are also growing, in line with the company's perception of luxury products



'A luxury product is one that can be repaired', said Robert Dumas.

When Hermes makes a bag today, they include a reparation matrix with a timeline on when the bag would need a check.

Source: Company reports, Bernstein analysis

EXHIBIT 30: Recycling is becoming an integral part of Hermès packaging and production processes



The emblematic orange packaging is fully recycled and recyclable. The box is 80% green (made from vegetable origins) and all the textiles that accompany the packaging are certified Ecotex. Everything is made in France.

Hermès jewellery is made from **100% recycled gold and silver** processed in the workshops. Other jewelry components, like **wood**, are also increasingly recycled.



Source: Company reports and website, Bernstein analysis

EXHIBIT 31: The new in-house chemical analysis laboratory should address the MSCI lagging score



The in-house chemical analysis laboratory became operational in 2020

In order to control the safety of finished hides from the division's tanneries, the in-house chemical analysis laboratory created in 2019 became operational in 2020. This laboratory is responsible for testing, in addition to independent external laboratories, the chemical compliance of the finished hides with the most stringent regulations in force around the world or with customer specifications.

All tanneries also continued to work on optimising the management of chemical products, replacing certain substances and measuring employee exposure to certain chemical agents.

Performance criteria for occupational health and safety at work are included in the tanneries' incentive scheme agreements in order to underline their importance and to support team motivation.

Source: Company reports, Bernstein analysis

IN PARALLEL, HERMÈS HAS EMBARKED ON MANY ESG INITIATIVES

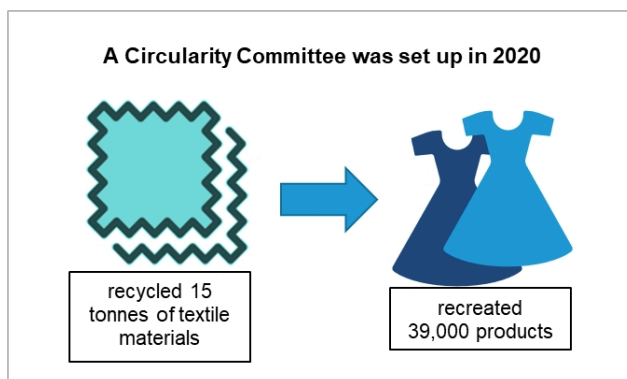
Besides numerous environmental and social commitments ([Exhibit 32](#)), Hermès' new customer-centered initiatives are another sign of the company changing. A new Circularity Committee was set up in 2020 and will respond to the increasing consumer demand for upcycling ([Exhibit 33](#)). Meanwhile, the new Victoria bag made from mushroom leather is the first vegan option from the brand. This was launched as a part of the FW21 collection ([Exhibit 34](#)). Hermès launched its first beauty line, which is likewise environmentally-friendly: it contains no plastic, and the products are all refillable ([Exhibit 35](#)).

EXHIBIT 32: Hermès supports the Sciences Po European Chair for Sustainable Development and Climate Transition



Source: Sciences Po website

EXHIBIT 33: The new Circularity Committee will respond to the consumer demand for upcycling



Source: Company reports, Bernstein analysis

EXHIBIT 34: Hermès launched a vegan leather version of its classic Victoria Bag, which was launched as a part of the FW21 collection



Source: MycoWorks, BoF, Bernstein analysis

EXHIBIT 35: Hermès's first beauty product is its refillable and plastic-free lipstick – Rouge Hermès – launched in February 2020



Source: Company website, Bernstein analysis

THE UBIQUITY CALCULATION

Comparing Hermès, Louis Vuitton, Gucci, and Prada

BALANCING UBIQUITY AND EXCLUSIVITY

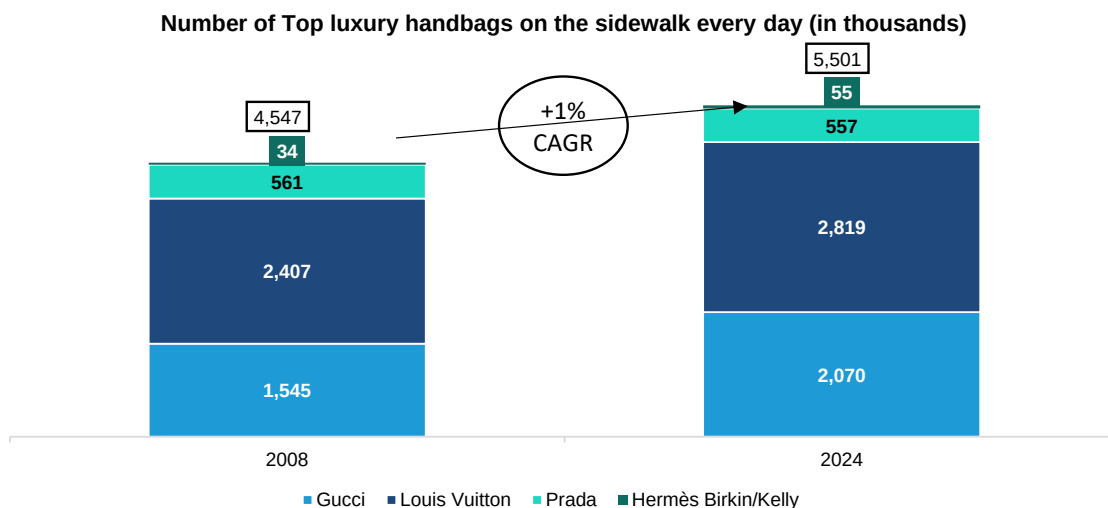
Some investors are worrying about the risk of mega-brands getting overexposed, especially after the very significant revenue growth top players have experienced after the pandemic. Ubiquity, when consumers become overwhelmed seeing a brand's blockbuster styles too often on the streets, is a very relevant concern, as the modern luxury goods industry needs to produce a delicate balancing act, [selling exclusivity by the million](#). More so, once one considers that most luxury brands have their revenues skewed toward a handful of must-have leather goods "icons". For instance, we estimate that ~25% of Hermès annual revenue is derived from sales of the Birkin and the Kelly.

In this chapter, we show that calculating ubiquity is a little trickier than it could appear at first sight — one has to consider the factors that drive volume in use at any given time. We break this calculation down into four key factors: (1) wear and tear, (2) price and mix, (3) brand pieces per user, and (4) category pieces per user. With this framework, we show that ubiquity has hardly changed over the past 20 years, even for Hermès where leather goods revenue has increased by more than 12x.

THE BERNSTEIN UBIQUITY TOY MODEL

We explore the evolution of the number of Hermès, Louis Vuitton, Gucci, and Prada handbags on the street between 2002 and 2024 for Hermès, Louis Vuitton and Gucci, and between 2008 and 2024 for Hermès, Louis Vuitton, Gucci, and Prada ([Exhibit 1](#)). We detail our methodology and the rough-cut best effort set of assumptions we use below.

EXHIBIT 1: We estimate that the number of luxury handbags seen on the streets, from the four major brands we cover, has increased at a 1% CAGR over the past two decades (including data for Prada from 2008 onward)

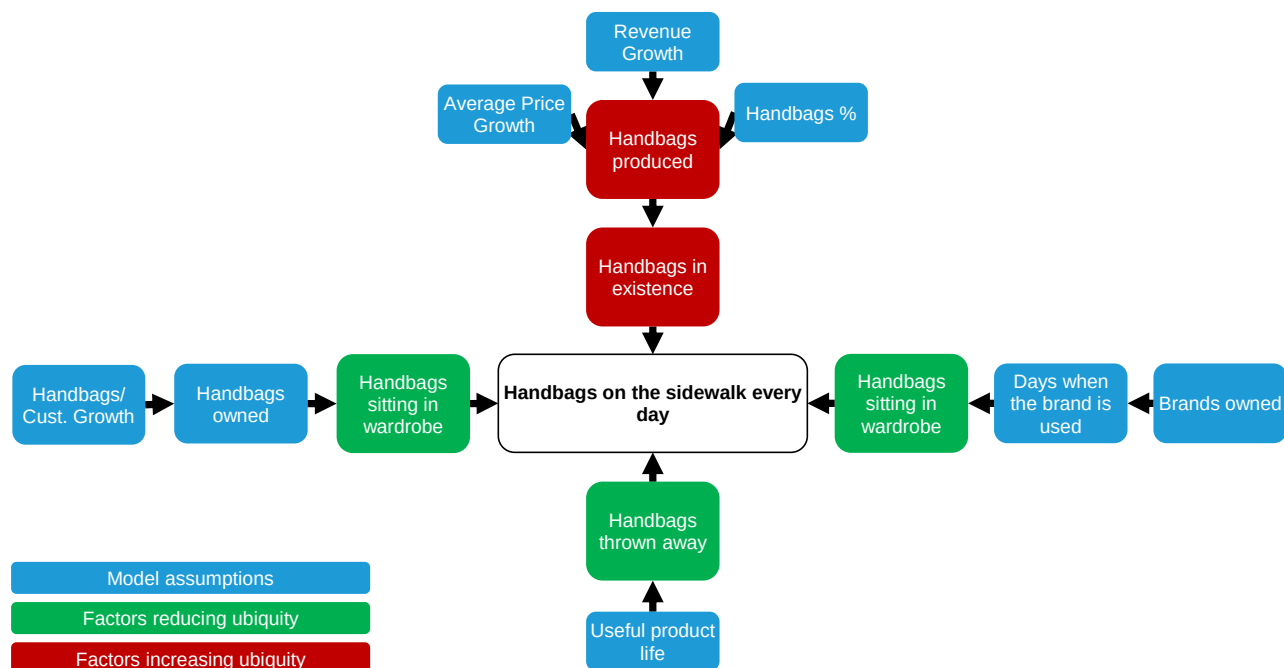


Source: Bernstein analysis and estimates (all data)

A BRAND BECOMES
OVERWHELMING WHEN ITS
BLOCKBUSTER STYLES ARE
SEEN TOO OFTEN

Stated differently, **ubiquity is driven by volume in use at any given time** ([Exhibit 2](#)), not by revenue and not by cumulated volumes produced. The difference is subtle, yet vital. Let's go through the key moving parts driving ubiquity.

EXHIBIT 2: **Bernstein ubiquity model**



Source: Company reports, Bernstein analysis and estimates (volumes, prices, mix, and average life)

Wear & tear

Diamonds may be forever, but handbags are most certainly not, and let alone shoes. Most luxury goods products have a limited useful life, after which they are no longer in good condition and are, therefore, discarded or forgotten at the bottom of a wardrobe. Hence, while we calculate cumulated volumes in existence, we should not forget to constantly deduct from that amount the effect of fair wear & tear on previously produced volumes.

Price and mix

As consumers react to volumes in use, increasing the average price using LFL price increase and mix (i.e., introducing higher average price products in the core category) reduces ubiquity risk. This is intuitive: at any given time, if average price had been 2x what it has been, volume in use would reduce by half. We need to factor into our calculations of volume in use the effect of LFL price increases and mix upgrades over time.

Brand pieces per user

Consumers can only use one product at a time, when looking at most personal luxury goods products (= most people would only wear one pair of shoes, carry one handbag, wear one watch). This means that brands have a marvelous way of hiding their volumes by turning consumers into collectors = selling more pieces to them (say X), knowing that consumers will only wear one, while X-1 pieces remain in their wardrobes.

Category pieces per user

The point on pieces per user can obviously be compounded beyond a single brand. Take handbags. If a consumer owns X handbags, she will use one out of X at a time. The bigger the X — across one brand or multiple brands — the more handbags will stay away from sight on the street. In other words, the percentage of time a consumer will use a handbag is a function of the pieces she owns from that brand **and from all the other brands**.

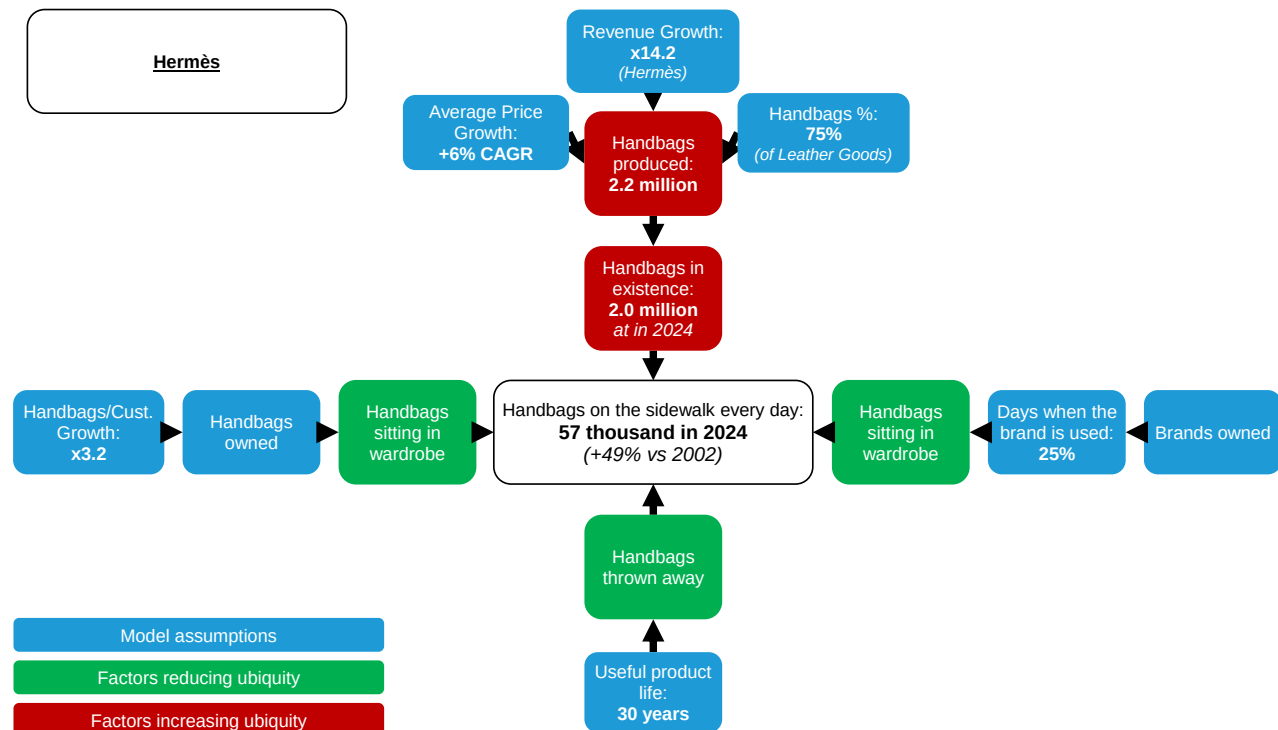
CALCULATING UBIQUITY
THIS WAY LEADS US TO
RATHER COUNTERINTUITIVE
CONCLUSIONS

We estimate that the ubiquity risk for some of the best known mega-brands has barely shifted over the past 20 years.

Hermès

In the case of Hermès, we calculate that one could find 36k Birkin and Kelly handbags on the street daily in 2002, while this figure would be 57k in 2024 (Exhibit 3). This assumes that the Birkin and Kelly handbags owned per user have gone from three in 2002 to nine in 2024, that LFL price increases have boosted sales by 6% for bags both Togo and exotic/premium skins, that handbags have remained constant at 75% of Hermès' leather goods sales, that the Birkin and the Kelly accounted for 80% of handbags sales in 2002 and 75% in 2024, that the average life of a Birkin or a Kelly handbag is 30 years, and that consumers who own a Birkin or a Kelly would be wearing it 25% of the time. Similarly, we assume that the number of Birkins and Kellys in existence in 2002 were 10X the volume produced in 2002.

EXHIBIT 3: **We estimate there are now 57k Birkin/Kelly bags on the sidewalk every day, a +49% increase since 2002**



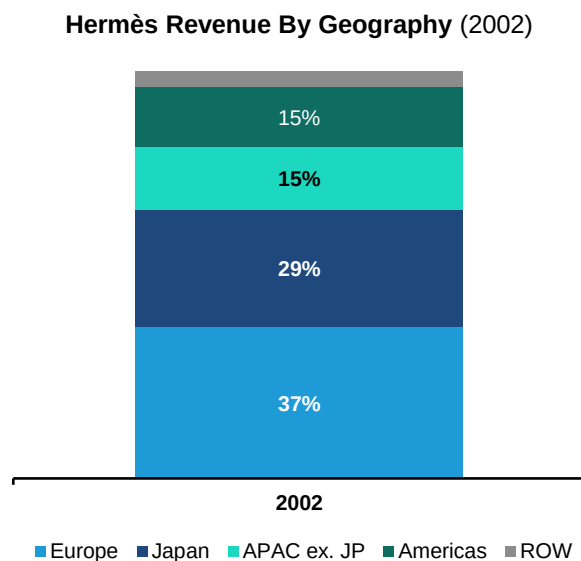
Source: Company reports, Bernstein analysis and estimates (volumes, prices, mix, and average life)

Paradoxically, the Hermès ubiquity risk has gone up by 49%. This is higher than at Louis Vuitton, as we show below, but has by no means increased by one order of magnitude compared with sales and profits, which have increased by 14x over the same period.

Yet Hermès continues to hold an ultra-exclusive brand perception. Critically, in absolute terms, Hermès's ubiquity on the streets (~57k handbags on the sidewalk each day) is less than 10% of Prada's and 2% of Louis Vuitton and Gucci's. Only one in a 100 of the handbags worn on the street in any given day from our four mega-brands (Louis Vuitton, Gucci, Prada, and Hermès) will likely be from Hermès. This number falls even further once we consider contributions from other brands such as Chanel, Saint Laurent, and Bottega Veneta. Despite having increased leather goods top-line by 14x over the same period, the probability of seeing a Birkin or a Kelly on the streets remains exceedingly low compared with that of other luxury brands.

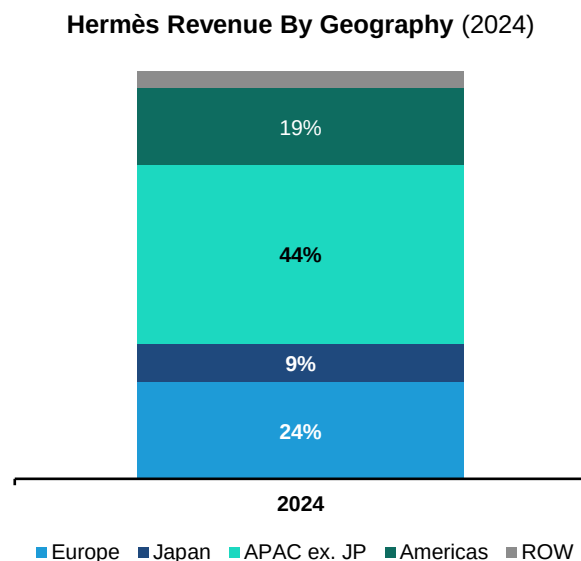
Ubiquity is also reduced by a significant expansion in geographical footprint. In 2002, Hermès had 217 doors and derived 37% of its top-line from Europe, 29% from Japan, and 15% each from APAC excluding Japan and the Americas ([Exhibit 4](#)). By 2024, this had increased to 296 doors (+36%) with APAC excluding Japan representing 44% of revenues ([Exhibit 5](#)). This has significantly expanded the number of "sidewalks" that one can find a Birkin or a Kelly on, helping neutralize the +49% increase in handbags on the sidewalk every day.

EXHIBIT 4: Hermès has grown beyond its core markets of Europe and Japan over the past two decades, led by a significant expansion into APAC excluding Japan (mainly Mainland China)...



Source: Company reports, Bernstein analysis

EXHIBIT 5: ... as such, even if the total number of Birkins and Kellys on the street may have increased over time, Hermès has spread this across a significantly wider number of "sidewalks"

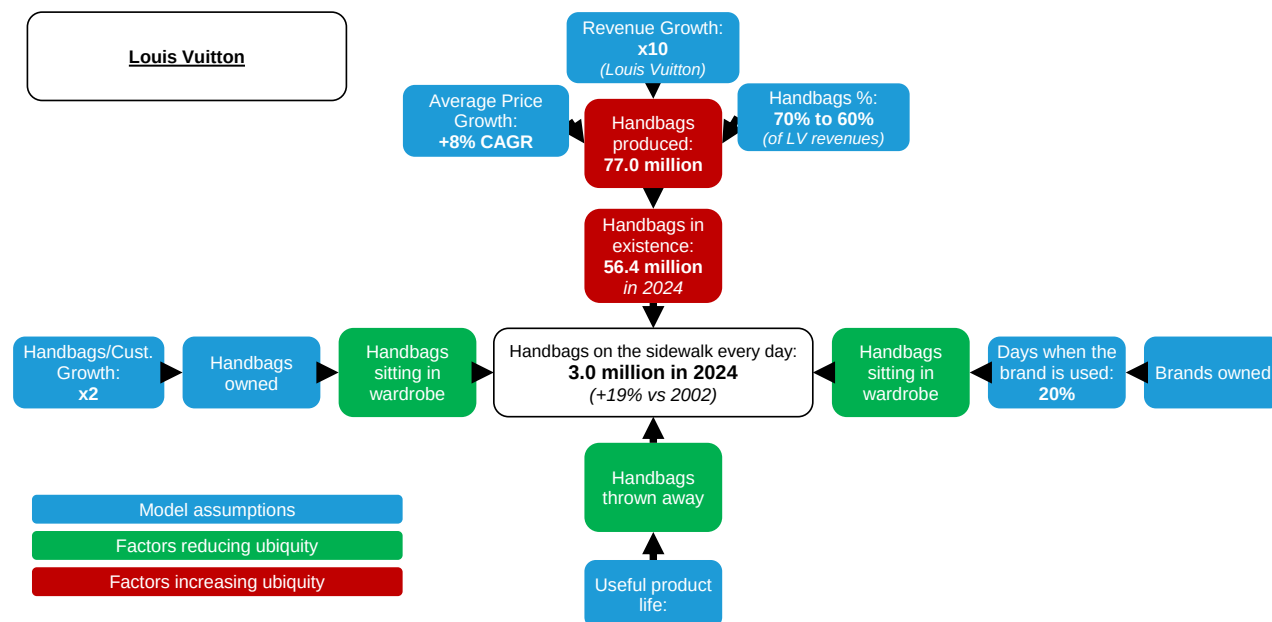


Source: Company reports, Bernstein analysis

Louis Vuitton

In the case of LV, we calculate that one could find 2.4 million handbags on the street daily in 2002, while today this figure would be three million (Exhibit 6). This assumes that the ratio of handbags per user has gone from two in 2002 to four in 2024, that price and mix have boosted sales between 6% and 8% over the last 20 years, that handbags as a percentage of LV sales have reduced by 10 percentage points in the LV mix over 20 years (given the rise of shoes, apparel, beauty, etc.), that the average life of an LV bag has stayed constant at 20 years, and that 2002 saw 10x the handbags produced that year already in existence. And this also assumes that the typical consumer would use an LV handbag 20% of the time.

EXHIBIT 6: **We estimate there are three million LV handbags on the sidewalk every day, up +19% versus 2002**

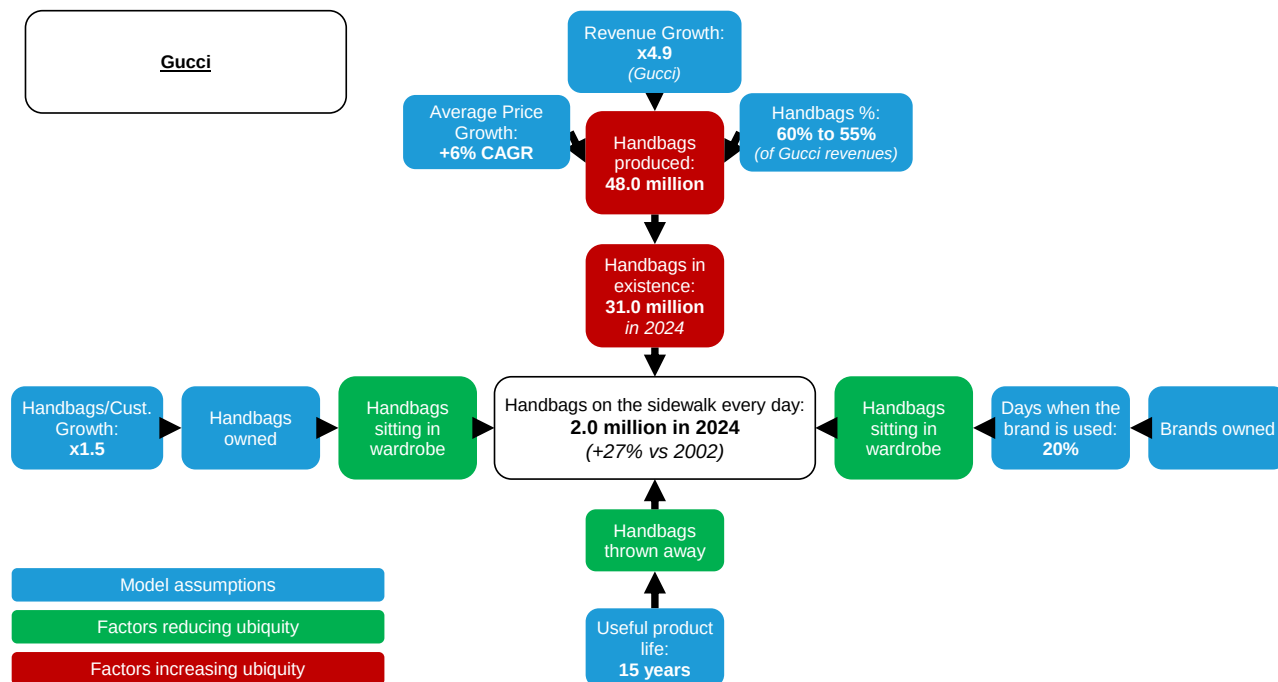


Source: Company reports, Bernstein analysis and estimates (volumes, prices, mix, and average life)

Gucci

In the case of Gucci, we calculate that one could find 1.6 million handbags on the street daily in 2002, while today this figure would be two million (Exhibit 7). This assumes that the ratio of handbags per user has gone from two in 2002 to three in 2024, that price and mix have boosted sales between 6% and 8% over the last 20 years, that handbags as a percentage of Gucci sales have reduced by 5%pts in the Gucci mix over 20 years (given the rise of shoes, apparel, beauty, etc.), that the average life of a Gucci bag has remained constant at 15 years over the last 20 years, and that 2002 saw 10x the handbags produced that year already in existence. And this also assumes that the typical consumer would use a Gucci handbag 20% of the time.

EXHIBIT 7: **We estimate there are two million Gucci handbags on the sidewalk every day, +27% versus 2002**

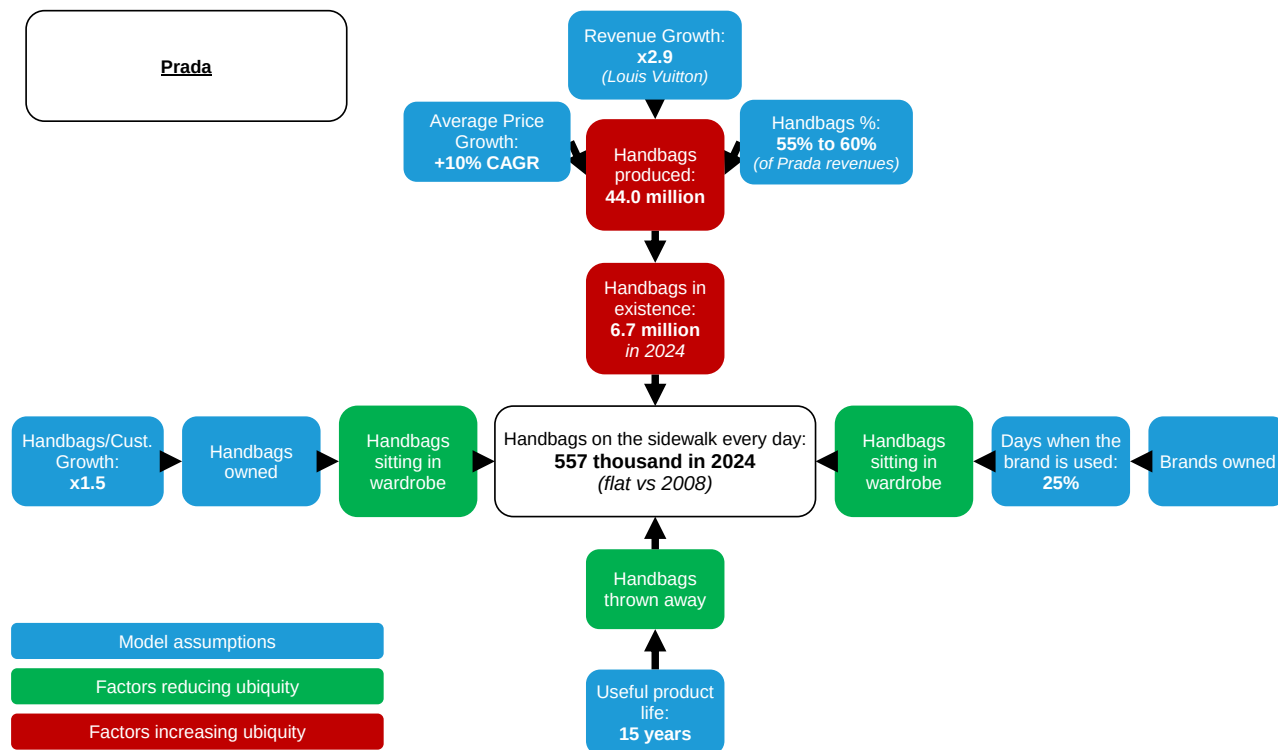


Source: Company reports, Bernstein analysis and estimates (volumes, prices, mix, and average life)

Prada

In the case of Prada, we calculate that one could find 0.56 million Prada bags on the street daily in 2008, and a similar number today (Exhibit 8). This assumes that Prada's proportion of sales coming from leather goods is aligned with the group average, that the proportion of handbags within leather goods remained constant over 13 years at 70%, that the average life of a Prada bag has stayed constant at 15 years, that the ratio of handbags per user has gone from two in 2008 to three in 2024 as clients opt to complement their collection with other models (shoulder bags, clutches etc.), and that 2008 saw 10x the handbags produced that year already in existence. We also assume that the typical consumer would use a Prada handbag 25% of the time.

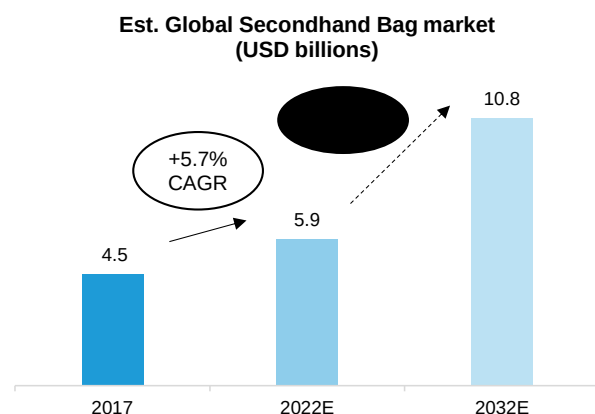
EXHIBIT 8: **We estimate there are 0.56 million Prada bags on the sidewalk every day, largely flat versus 2008**



Source: Company reports, Bernstein analysis and estimates (volumes, prices, mix, and average life)

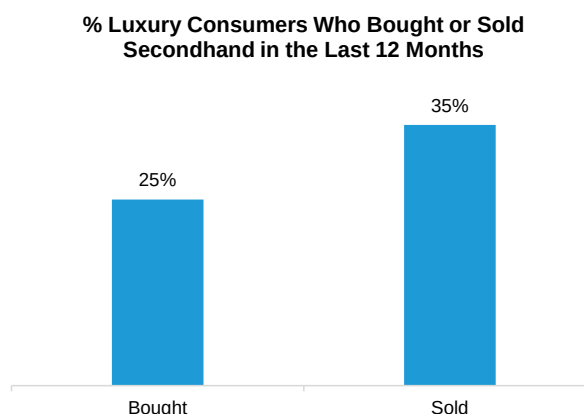
NO WONDER LUXURY GOODS
GIANTS ARE NOT SO KEEN
ABOUT SECOND-HAND

The CEO of LVMH once declared that LVMH is not particularly interested in the second-hand market, and that it prefers to focus on selling new products. There is a profound business logic to that: second-hand threatens to reduce the number of products per user, as consumers may be tempted to monetize the inventory sitting idle in their wardrobes ([Exhibit 9](#) and [Exhibit 10](#)). We know that the second-hand market is even more skewed than the new product market on a handful of mega-brands (see our previous research quantitatively analyzing this: [The Long View: Second-hand Luxury Goods](#)). Hence, mega-brands would suffer an increase in their perceived ubiquity, as **more** consumers would own a **smaller number** of products. Hence, more consumers would be wearing these products on the street at any given time (see the Bernstein 2020 *Greenbook* titled [Climate Change Scenarios: Sector Implications of a Net Zero World](#)).

EXHIBIT 9: The second-hand bag market is estimated to grow at a +6.2% CAGR over the next decade...

Note: BCG estimates market size to be \$30-\$40Bn in its 2020 report and \$100-\$120Bn in its 2022 report.

Source: BCG estimates (What an Accelerating Secondhand Market Means for Fashion Brands and Retailers), Bernstein analysis

EXHIBIT 10: ... and luxury customers are already very active on it

Source: BCG estimates (What an Accelerating Secondhand Market Means for Fashion Brands and Retailers), Bernstein analysis

**APPENDIX – BERNSTEIN
UBIQUITY MODELS**

We show our ubiquity models for Hermès, LV, Gucci, and Prada below ([Exhibit 11](#) to [Exhibit 14](#)).

EXHIBIT 11: Bernstein ubiquity model – Hermès

Revenue		2002	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Leather Goods	EUR million	425	1,597	1,634	1,842	2,274	2,604	2,800	2,976	3,414	3,209	4,091	4,963	5,547	6,457
% Handbags	%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Handbags	EUR million	319	1,197	1,225	1,362	1,706	1,953	2,100	2,232	2,561	2,407	3,068	3,722	4,160	4,843
% Kelly/Birkin	%	80%	80%	80%	80%	80%	79%	78%	77%	77%	76%	75%	75%	75%	75%
Number of Kelly/Birkins	EUR million	255	958	980	1,105	1,365	1,546	1,645	1,730	1,963	1,825	2,301	2,792	3,120	3,632
Average Price	EUR	6,462	10,526	10,996	11,487	12,000	12,473	12,965	13,478	14,012	14,569	15,150	15,907	17,497	18,329
Handbags produced	# K	39	91	89	96	114	124	127	128	140	125	152	176	178	198
Price															
Togo Leather	EUR	4,093	6,667	6,934	7,212	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,269	10,196	10,655
% Increase	%	5%	5%	4%	4%	4%	3%	3%	3%	3%	3%	3%	4%	10%	5%
Exotic/Premium skins	EUR	19,887	32,394	34,014	35,714	37,500	39,375	41,344	43,411	45,581	47,861	50,254	53,520	58,872	61,816
% Increase	%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	7%	10%	5%
Mix															
Togo Leather	%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Exotic/Premium skins	%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Average life of a Birkin / Kelly	years	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Birkin / Kelly exiting the market	% per year	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Birkin / Kelly in circulation @ 2002	# K	395													
Cumulated volume in existence	# K	434	839	900	966	1,048	1,137	1,226	1,313	1,410	1,488	1,590	1,713	1,834	1,971
Birkin / Kelly owned / client	#	3.0	5.6	5.9	6.2	6.4	6.7	6.9	7.2	7.5	7.7	8.0	8.3	8.7	9.0
% of time used	%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Birkin / Kelly handbags on the sidewalk every day ex second hand and fakes	# K	36	37	38	39	41	43	44	46	47	48	50	51	53	55
Second-hand & fakes effect															
Second-hand-only customers	%	5%	3%	3%	3%	3%	3%	3%	2%	2%	2%	2%	2%	2%	2%
Fakes on the sidewalk every day	%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Birkin / Kelly on the sidewalk every day	# K	38	39	40	41	42	44	46	47	49	50	51	53	55	57

Source: Company reports, Bernstein analysis and estimates (volumes, prices, mix, and average life)

EXHIBIT 12: **Bernstein ubiquity model – Louis Vuitton**

Revenue		2002	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fashion & Leather Goods	EUR million	4,194	9,926	9,882	10,828	12,369	12,775	15,472	18,455	22,237	21,207	30,896	38,648	42,169	41,060
Louis Vuitton	EUR million	2,300	7,300	7,000	7,000	7,900	7,900	9,299	10,750	12,000	13,000	18,200	22,750	24,798	25,541
LV as % of F&LG revenues	%	55%	74%	71%	65%	64%	62%	60%	58%	54%	61%	59%	59%	59%	62%
% Handbags	%	70%	70%	70%	70%	70%	69%	67%	66%	64%	63%	61%	60%	60%	60%
Handbags	EUR million	1,610	5,110	4,900	4,900	5,530	5,417	6,244	7,064	7,714	8,171	11,180	13,650	14,879	15,325
Avg Price	EUR	750	1,343	1,424	1,500	1,620	1,750	1,890	2,041	2,204	2,380	2,571	2,776	3,110	3,421
Price / Mix CAGR	%	6%	6%	6%	8%	8%	8%	8%	8%	8%	8%	8%	8%	12%	10%
Handbags produced	# K	2,147	3,805	3,442	3,267	3,414	3,096	3,304	3,462	3,500	3,433	4,349	4,916	4,785	4,480
Average life of a LV handbag	years	20	20	20	20	20	20	20	20	20	20	20	20	20	20
LV handbags exiting the market	% per year	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
LV handbags in circulation @ 2002	# K	21,467													
Cumulated volume in existence	# K	23,613	38,322	39,847	41,122	42,479	43,451	44,583	45,816	47,025	48,107	50,050	52,464	54,626	56,375
LV handbags owned / client	#	2.0	3.0	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	4.0	4.0	4.0
% of time used	%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
LV handbags on the sidewalk every day ex second hand and fakes	# K	2,361	2,555	2,571	2,570	2,574	2,556	2,548	2,545	2,542	2,532	2,567	2,623	2,731	2,819
Second-hand & fakes effect															
Second-hand-only customers	%	5%	8%	8%	8%	8%	9%	9%	9%	9%	10%	10%	10%	10%	10%
Fakes on the sidewalk every day	%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
LV handbags on the sidewalk every day	# K	2,541	2,750	2,767	2,766	2,771	2,751	2,742	2,739	2,736	2,725	2,762	2,823	2,940	3,034

Source: Company reports, Bernstein analysis and estimates (volumes, prices, mix, and average life)

EXHIBIT 13: **Bernstein ubiquity model – Gucci**

Revenue		2002	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Group	EUR million	27,375	9,736	9,748	10,038	11,584	12,385	10,816	13,665	15,884	13,100	17,645	15,067	19,566	17,194
Gucci	EUR million	1,577	3,639	3,561	3,497	3,898	4,378	6,211	8,285	9,628	7,441	9,731	7,754	9,873	7,650
Gucci as % of Kering	%	6%	37%	37%	35%	34%	35%	57%	61%	61%	57%	55%	51%	50%	44%
% Handbags	%	60%	58%	57%	57%	57%	57%	56%	56%	56%	56%	55%	55%	55%	55%
Handbags	EUR million	946	2,092	2,039	1,993	2,212	2,474	3,494	4,640	5,368	4,130	5,376	4,265	5,430	4,208
Avg Price	EUR	650	1,164	1,234	950	1,026	1,108	1,197	1,292	1,396	1,508	1,628	1,758	1,978	2,097
Price / Mix CAGR	%	6%	6%	6%	8%	8%	8%	8%	8%	8%	8%	8%	8%	13%	6%
Handbags produced	# K	1,455	1,797	1,652	2,098	2,156	2,232	2,919	3,590	3,846	2,739	3,302	2,425	2,745	2,007
Wear & tear															
Average life exiting the market	years	15	15	15	15	15	15	15	15	15	15	15	15	15	15
in circulation @ 2002	% per year	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Cumulated volume in existence	# K	14,553													
	# K	16,009	19,314	19,678	20,465	21,256	22,072	23,520	25,541	27,684	28,578	29,975	30,402	31,120	31,052
owned / client	#	2.0	2.5	2.6	2.6	2.7	2.7	2.8	2.8	2.9	2.9	3.0	3.0	3.0	3.0
% of time used	%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Gucci handbags on the sidewalk every day ex second hand and fakes	# K	1,601	1,529	1,526	1,555	1,584	1,613	1,686	1,797	1,913	1,939	1,998	2,027	2,075	2,070
Second-hand & fakes effect															
Second-hand-only customers	%	2%	6%	6%	7%	7%	8%	8%	8%	9%	9%	10%	10%	10%	10%
Fakes on the sidewalk every day	%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
On the sidewalk every day	# K	1,682	1,628	1,626	1,659	1,691	1,724	1,804	1,924	2,050	2,080	2,145	2,178	2,230	2,225

Source: Company reports, Bernstein analysis and estimates (volumes, prices, mix, and average life)

EXHIBIT 14: **Bernstein ubiquity model – Prada**

Revenue		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Group		1,604	1,531	2,017	2,523	3,256	3,548	3,513	3,504	3,139	2,697	3,098	3,183	2,391	3,317	4,125	4,623	5,310
Prada		1,266	1,209	1,587	2,050	2,650	2,944	2,895	2,841	2,528	2,461	2,558	2,643	2,013	2,858	3,648	3,912	3,988
% Prada of Group	%	79%	79%	79%	79%	81%	83%	82%	81%	81%	91%	83%	83%	84%	86%	88%	85%	75%
Leather Goods Group		634	712	1,014	1,427	2,036	2,333	2,218	1,804	1,703	1,756	1,766	1,311	1,698	2,112	2,367	2,719	
Leather Goods Prada	EUR million	500	562	797	1,130	1,657	1,935	1,828	1,556	1,453	1,554	1,450	1,466	1,104	1,463	1,868	2,004	2,042
% Handbags	%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Handbags % of Prada	%	55%	55%	55%	55%	57%	58%	58%	57%	56%	64%	58%	58%	59%	60%	62%	59%	53%
Handbags	EUR million	350	394	558	791	1,160	1,355	1,280	1,090	1,017	1,088	1,015	1,026	772	1,024	1,308	1,402	1,430
Average price (reference)	EUR	858	883	910	995	1,290	1,450	1,800	1,800	1,863	1,927	1,990	2,200	2,550	2,900	3,150	3,500	3,700
% Increase	%	3%	3%	3%	9%	30%	12%	24%	0%	4%	3%	3%	11%	16%	14%	9%	11%	6%
Handbags produced	# K	408	446	613	795	899	934	711	605	546	565	510	467	303	353	415	401	386
Wear & tear																		
Average life exiting the market	years	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
in circulation @ 2008	% per year	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Cumulated volume in existence	# K	4,083																
Brand piece/client	# K	4,491	4,637	4,941	5,407	5,946	6,483	6,762	6,917	7,001	7,099	7,136	7,127	6,955	6,844	6,803	6,750	6,687
owned / client	#	2.0	2.1	2.1	2.2	2.2	2.3	2.3	2.4	2.4	2.5	2.5	2.6	2.6	3.0	3.0	3.0	3.0
% of time used	%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Prada handbags on the sidewalk every day ex second hand and fakes	# K	561	565	587	626	672	716	730	730	723	717	706	691	661	570	567	563	557
Second-hand & fakes effect																		
Second-hand-only customers	%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Fakes on the sidewalk every day	%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
On the sidewalk every day	# K	578	582	604	644	691	736	750	750	742	736	725	709	677	584	580	576	570

Source: Company reports, Bernstein analysis and estimates (volumes, prices, mix, and average life)

THE “ULTIMATE BRAND CHOICE FOR LIFE”

The three brands that people want the most if money were no object

UNVEILING THE MOST DESIRABLE BRANDS

We conducted a consumer survey, canvassing more than 100 respondents, to provide additional insight into the most desirable brands at the moment. We asked each survey respondent to provide three brands they would most want to own if money were no object.

The ultimate brand choice for life survey

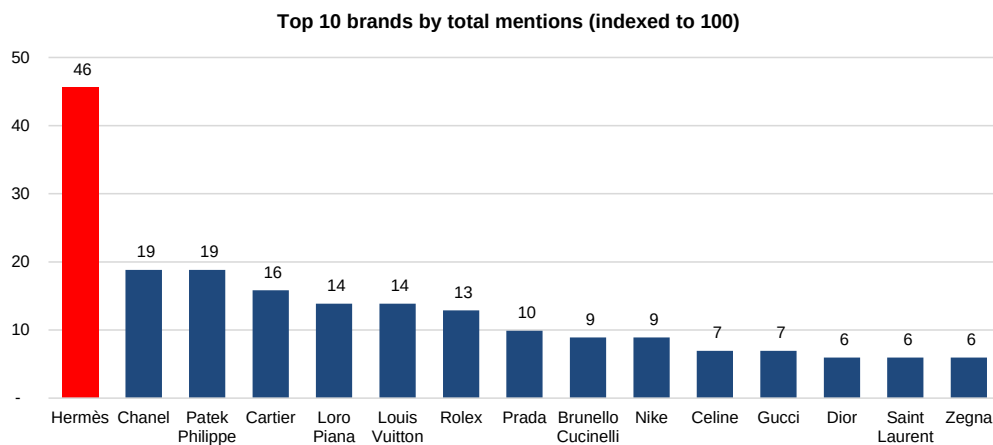
Imagine you are given unlimited latitude to buy from three luxury/premium brands for the rest of your life, free of charge. You can buy as much as you like and pay nothing. But you may not be able to resell anything ever or give anything away as a gift. The brands you can choose cover clothing, shoes, handbags, jewelry, watches, perfumes, and all other personal products. Which three brands would you want to have on your list?

KEY FINDINGS

Hermès stands out as the most popular brand, with a total of 46 mentions ([Exhibit 1](#)) — significantly higher than any other brand. The data reveals Hermès’ strong universal appeal across genders, age groups, and regions, making it a versatile brand with wide-reaching influence.

Patek Philippe and Chanel tied for second, each appearing on 19% of respondents’ lists. Patek Philippe tends to be favored by male respondents, particularly in Europe and the Asia Pacific (APAC). Conversely, Chanel is especially popular among female respondents, with strong preferences in the Americas and APAC regions.

EXHIBIT 1: Hermès stands out as the most popular brand, with a total of 46 mentions

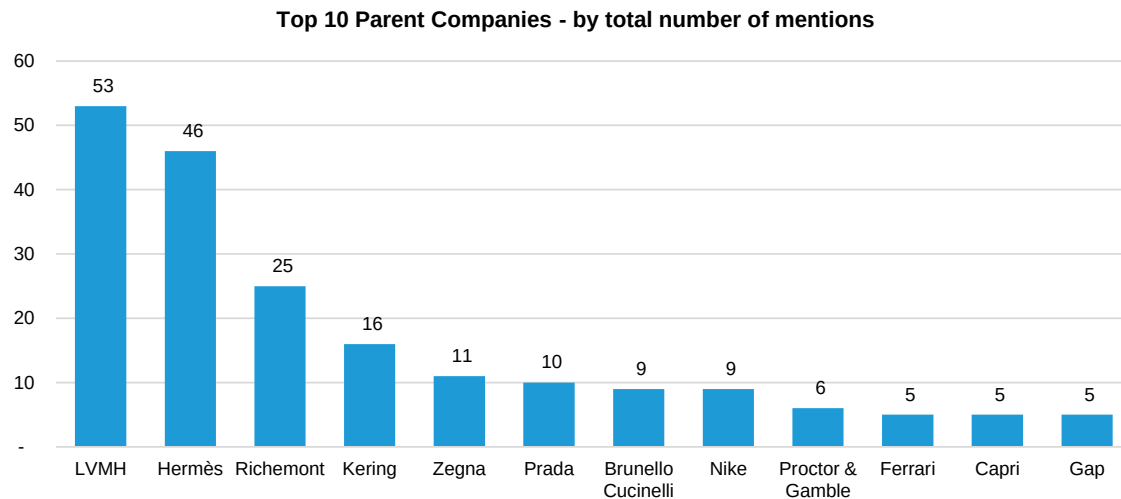


Note: Chanel, Patek Philippe, and Rolex are privately owned. Cartier is owned by Richemont. Loro Piana, Louis Vuitton, Celine, and Dior are owned by LVMH. Gucci and Saint Laurent are owned by Kering. Nike is covered; Brunello Cucinelli and Zegna are not covered.

Source: Bernstein analysis

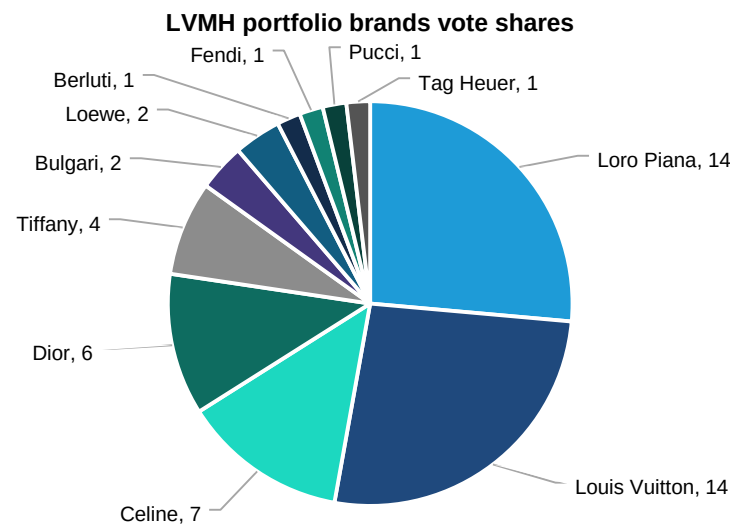
LVMH emerges as a dominant player with multiple top brands under its umbrella, including Loro Piana, Louis Vuitton, Celine, and Dior ([Exhibit 2](#) and [Exhibit 3](#)). Although each of these brands individually ranks slightly lower compared with Hermès, Patek Philippe, and Chanel, the concentration of popular brands under LVMH highlights the group's significant influence in the luxury market, shaping consumer preferences across regions and demographics.

EXHIBIT 2: **LVMH emerges as a dominant player with multiple top brands under its umbrella...**



Source: Bernstein analysis

EXHIBIT 3: **... including Loro Piana, Louis Vuitton, Celine, and Dior**



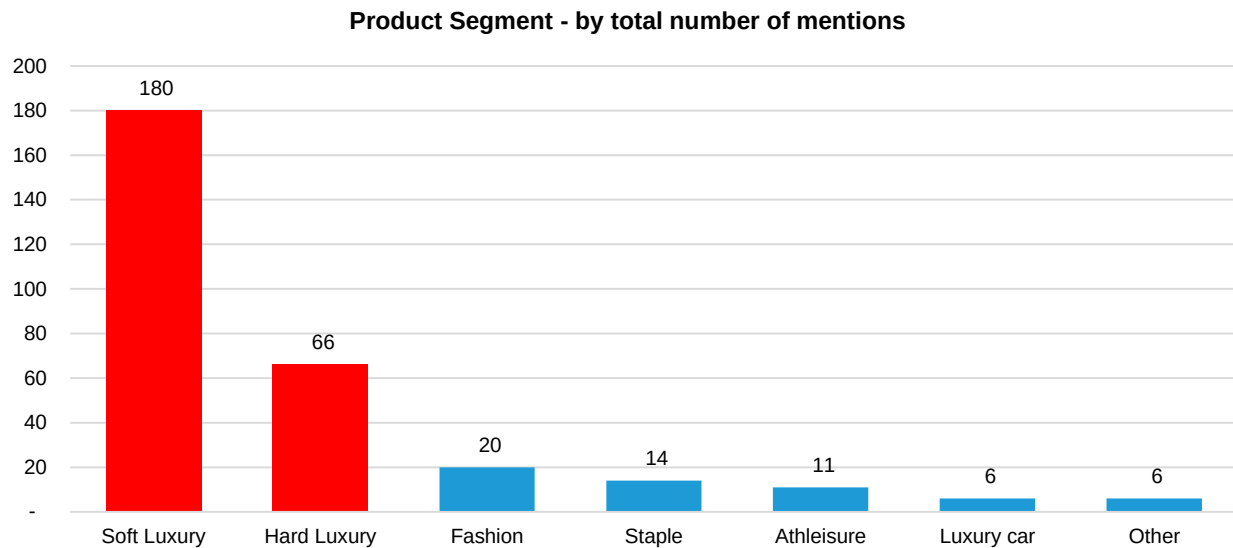
Source: Bernstein analysis

Soft luxury brands are more popular overall, with Hermès, Chanel, and Louis Vuitton leading in mentions ([Exhibit 4](#)). **Hard luxury** brands also make a significant impact, led by Patek Philippe, Cartier, and Rolex. Other brands outside the luxury domain seem less appealing when money is not a concern.

Brunello Cucinelli and Loro Piana receive notable mentions in Europe and the Americas, reflecting a preference for high-end, classic luxury clothing in these regions.

Ferrari is prominently mentioned in Europe, indicating a regional preference for luxury cars.

EXHIBIT 4: **Soft luxury brands are more popular overall, with Hermès, Chanel, and Louis Vuitton leading in mentions**

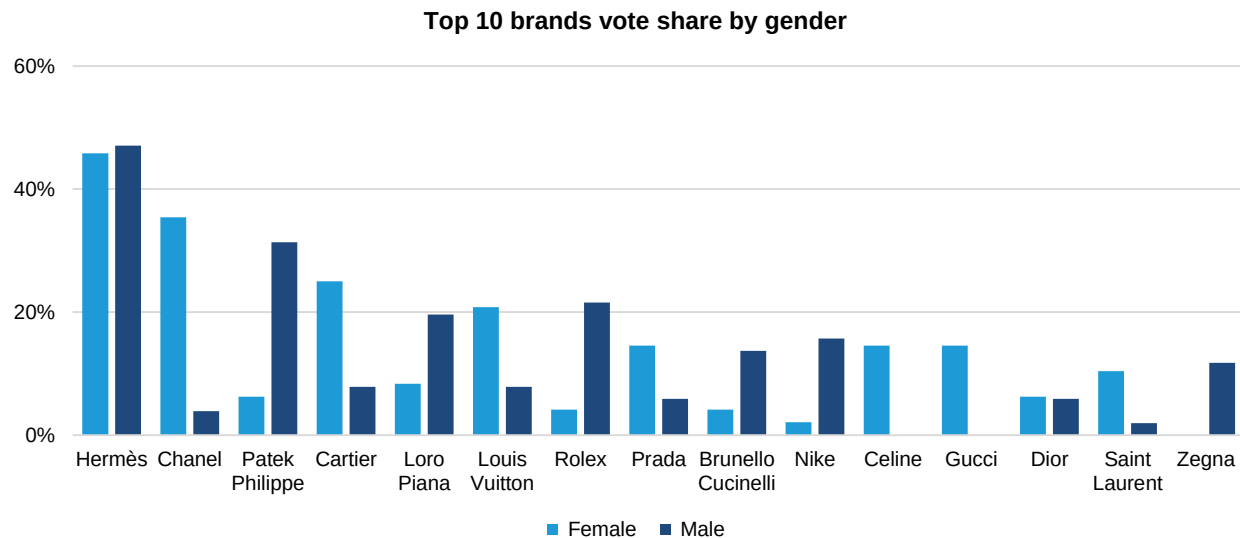


Source: Bernstein analysis

HERMÈS SHOWS UNIVERSAL APPEAL

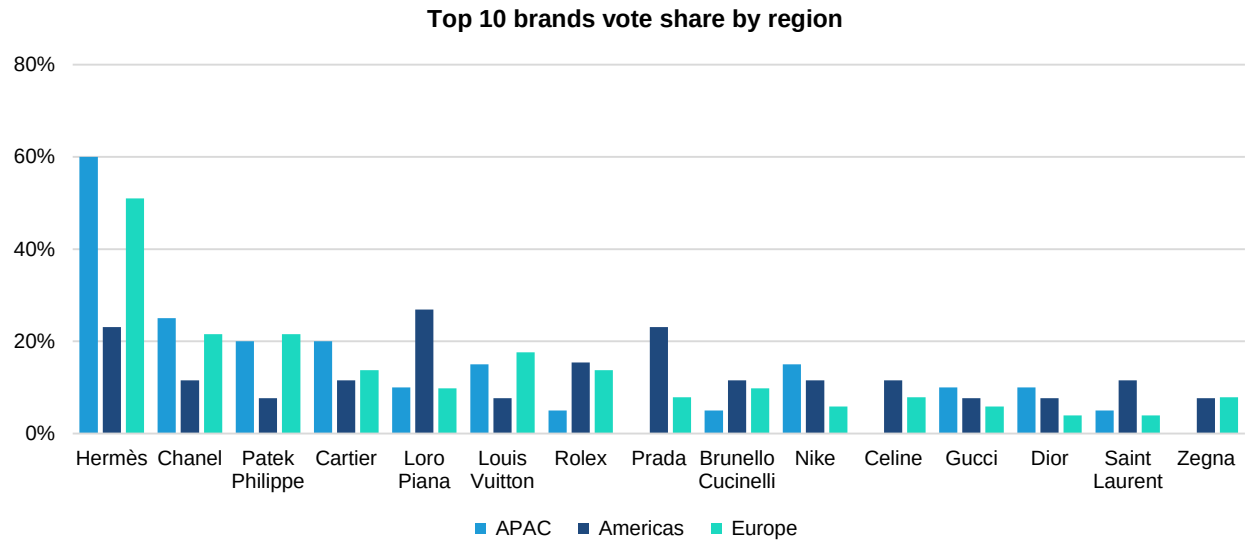
We highlight the universal appeal of Hermès across genders, regions and age groups ([Exhibit 5](#) to [Exhibit 8](#)).

EXHIBIT 5: **Hermès shows strong universal appeal across genders...**



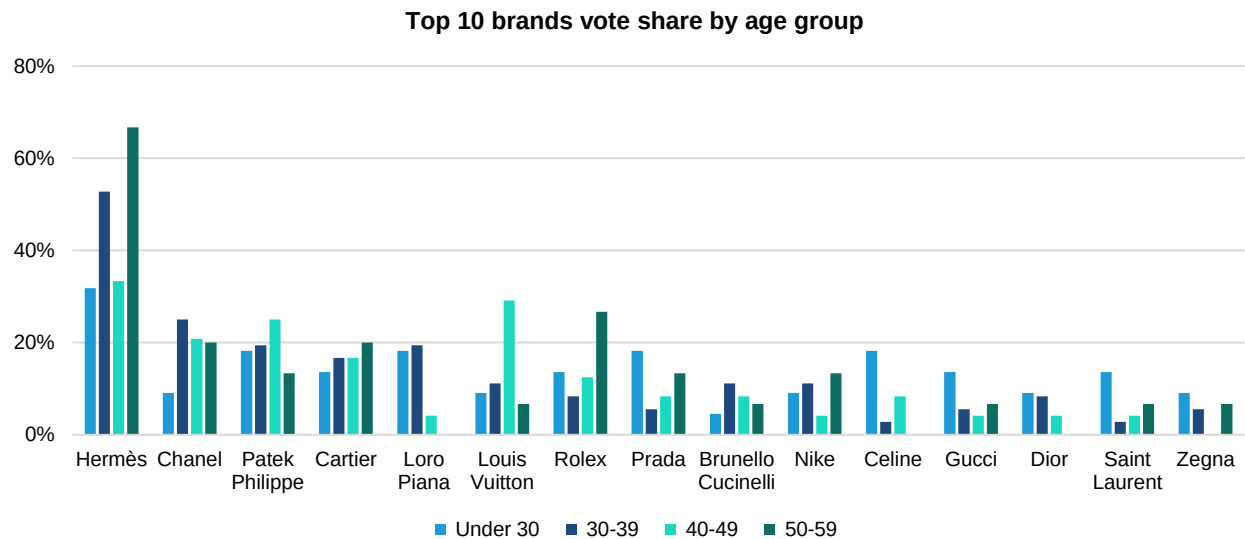
Source: Bernstein analysis

EXHIBIT 6: ... regions...



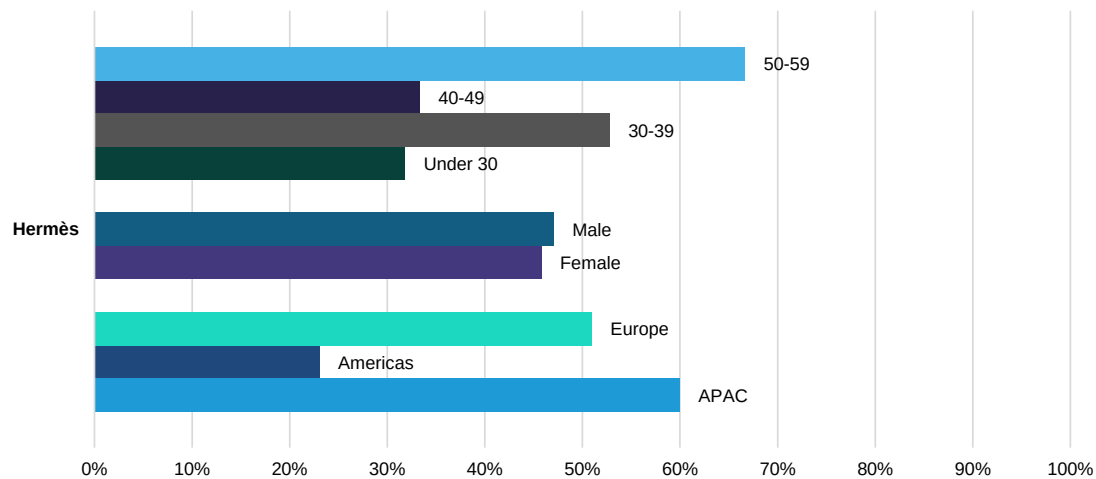
Source: Bernstein analysis

EXHIBIT 7: ... and age groups



Source: Bernstein analysis

EXHIBIT 8: **Hermès' strong universal appeal across genders, age groups, and regions makes it a versatile brand with wide-reaching influence**



Source: Bernstein analysis

OUR FINAL THOUGHTS

Overall findings from our survey align with the overall industry dynamic, whereby when financial constraints are not a concern, affluent customers with well-stocked wardrobes are highly selective in their brand choices. **According to our findings, Hermès remains at the top of consumer desirability.** It dominates the high-end leather goods market, with its iconic products consistently achieving the highest scores in consumer appeal and occupying the top pricing tier ([Exhibit 9](#) to [Exhibit 13](#)).

EXHIBIT 9: **We believe Hermès will lead the steeplechase of uncertain near-term consumer demand**



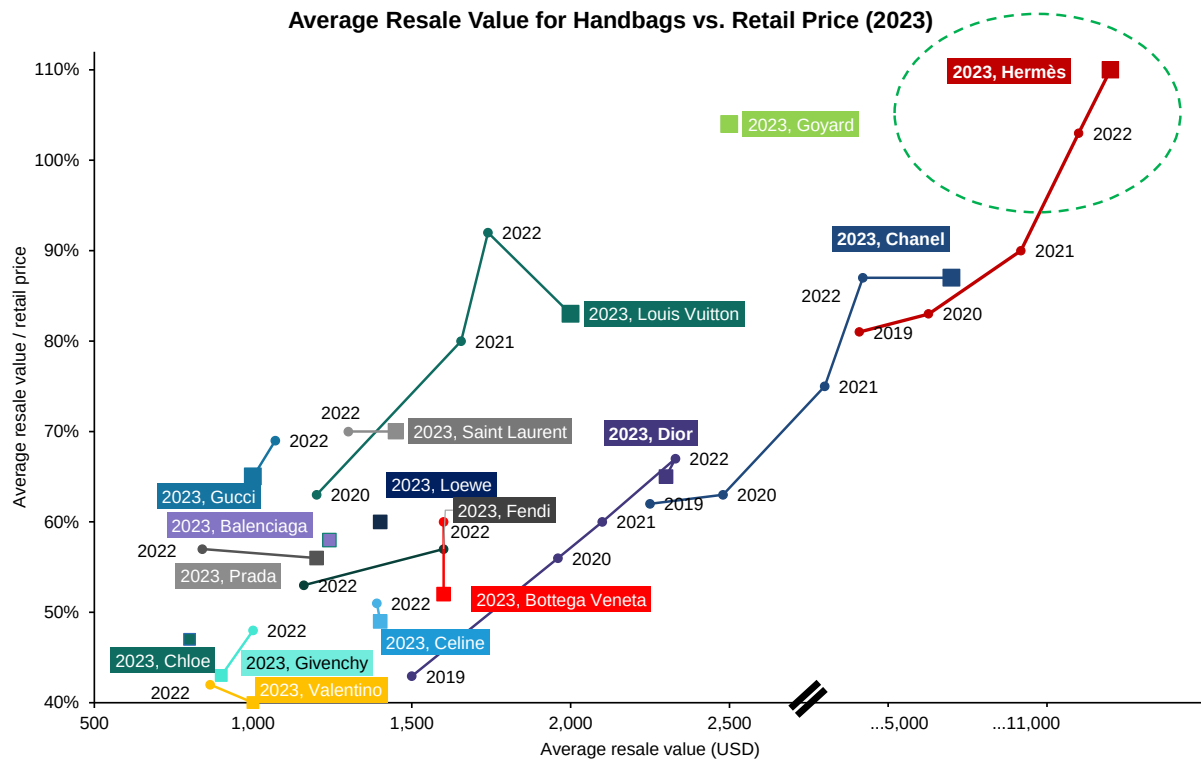
Source: Bernstein analysis

EXHIBIT 10: **Hermès Birkin scores the highest in consumer desirability**

Rank	Top & Bottom 10 Models	Notoriety Index	Desirability Index	Exclusivity Index	Overall Index
#1	Hermès Birkin	70	100	100	100
#2	Chanel Classic Flap	100	79	67	89
#3	Chanel Flap With Adjustable Chain	44	96	80	78
#4	Chanel Boy	56	88	74	77
#5	Louis Vuitton Nano Speedy	90	57	52	68
#6	Hermès Constance	49	82	65	67
#7	Dior Lady D-Joy	90	44	57	65
#8	Louis Vuitton Capucines	42	75	73	64
#9	Louis Vuitton Cannes	42	59	88	63
#10	Dior Lady Dior	56	67	65	63
#92	Loewe Elephant	9	5	70	17
#93	Gucci Aphrodite	7	47	29	16
#94	Loewe Basket	18	53	8	14
#95	Alexander McQueen Skull Clutch	34	0	43	13
#96	Balenciaga Le Cagole	18	20	37	12
#97	Bottega Veneta The Jodie	9	45	20	12
#98	Goyard Bohème Hobo	9	23	35	9
#99	Mcm Stark	7	30	15	2
#100	Goyard St. Louis Gm	14	36	0	1
#101	Jacquemus Le Chiquito	25	13	8	0

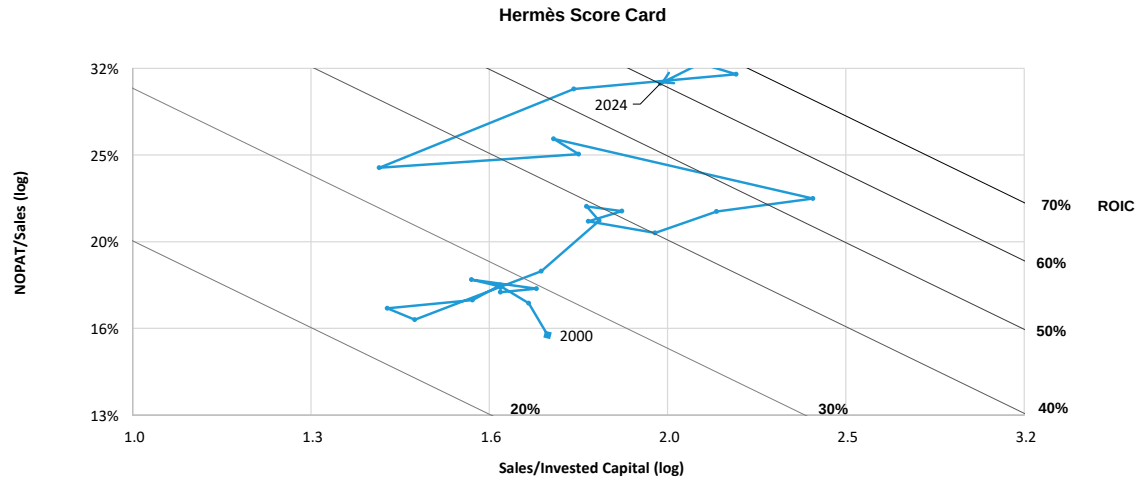
Note: Indices generated as a relative level between the minimum (= 0) and maximum (= 100) values in each category, and then aggregated to form the overall index.

Source: Promise Consulting, Bernstein analysis

EXHIBIT 11: **The value of Hermès second-hand products continued to grow in 2023, while many other luxury brands experienced a decline in resale value**

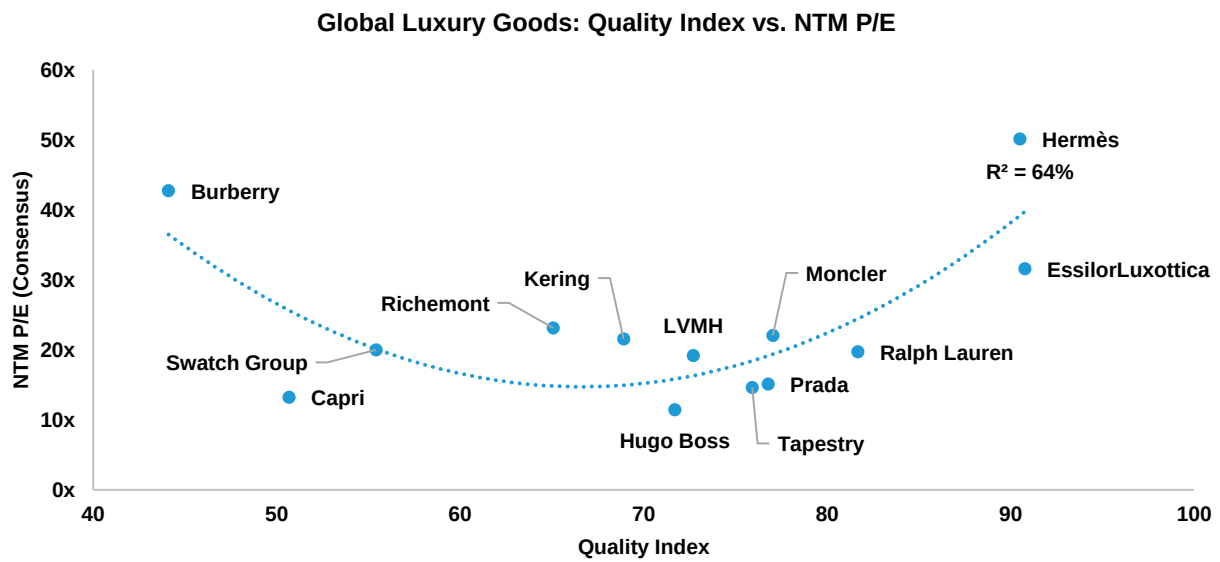
Source: Rebag, Bernstein analysis

EXHIBIT 12: **Hermès continues to deliver dependable and improving returns...**



Source: Company reports, Bernstein analysis

EXHIBIT 13: **... underpinning its high valuations**



Source: Bloomberg, Bernstein analysis and estimates (quality index)

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VALUATION METHODOLOGY**Hermès International**

We value Hermès on a target 4.0x relative P/E multiple to the MSCI Europe, applied to a blended 24M forward EPS forecast, arriving at a target price of EUR2,800.

RISKS**Hermès International**

On the downside:

1. Failure to convincingly innovate could push Hermès in a "classic corner", a possible risk if the aesthetics pendulum swings away from "quiet luxury";
2. Significant reliance on previous skins could at one point come again in focus, as consumers become more interested in animal welfare –
a move away from crocodile with higher volumes in less expensive raw materials could puncture rarity effect of most iconic products.
3. Legal challenges to Hermès commercial policies seem a long shot (see the case in California) – if successful, though, they could force Hermès to increase handbag prices. This could translate in lower growth for other product categories, benefiting today from iconic products pull.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION**Bernstein brand**

The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index (EDM) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JP) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

- Outperform: Stock will outpace the market index by more than 15 pp

- Market-Perform: Stock will perform in line with the market index to within +/- 15 pp
- Underperform: Stock will trail the performance of the market index by more than 15 pp

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Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Not Covered (NC) denotes companies that are not under coverage.

Autonomous brand

The Autonomous brand rates stocks as indicated below. As our benchmarks we use the Bloomberg Europe 500 Banks And Financial Services Index (BEBANKS) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 500 Insurance Index (BEINSUR) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, and the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments. Ratings are stated relative to the sector (not the market).

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Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas. Not Covered (NC) denotes companies that are not under coverage.

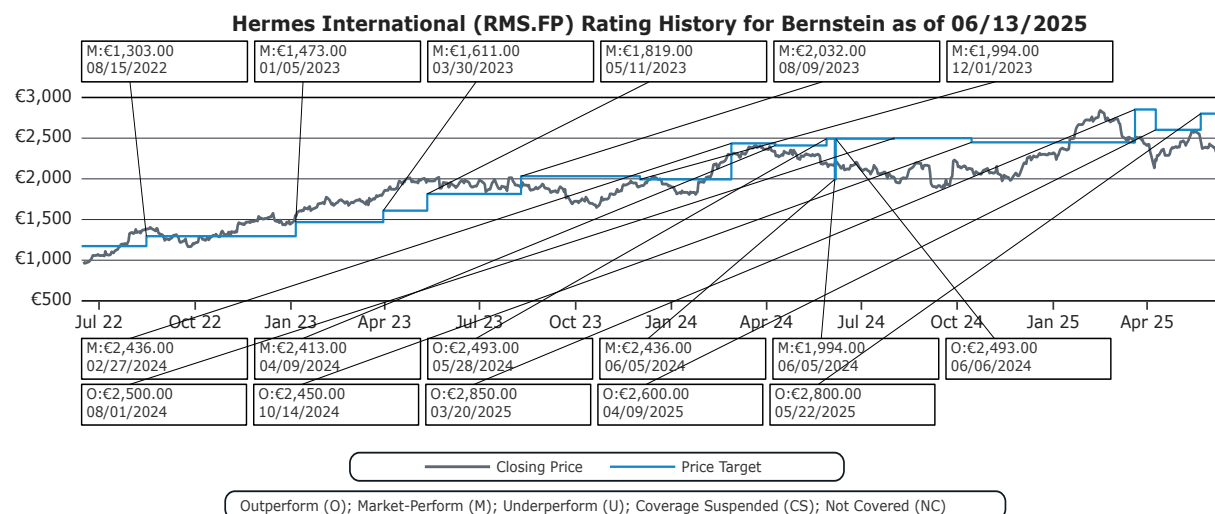
Horizon and classification

For both brands, recommendations are based on a 12-month time horizon.

DISTRIBUTION OF RATINGS/INVESTMENT BANKING SERVICES

Rating	Market Abuse Regulation (MAR) and FINRA Rule 2241 classification	Count	Percent	Count*	Percent*
Outperform	BUY	573	51.76%	109	19.02%
Market-Perform (Bernstein Brand)	HOLD	387	34.96%	67	17.31%
Neutral (Autonomous Brand)					
Underperform	SELL	147	13.28%	19	12.93%

* These figures represent the number and percentage of companies in each category to whom affiliates of Bernstein and Autonomous provided investment banking services.
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