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Abstract of the Bachelor's Thesis

**Financial Analysis of company from luxurious
goods industry**

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Abstract

The thesis investigates the market of luxury goods as a specific economic sector. Namely, the author analyzes the current condition of the international market of luxury goods, the recent trends and tendencies on it, and the leading companies dominating the sector on the global scale. The theoretical part of the thesis also investigates deeply the basics of financial analysis as a key tool used for evaluating a company's financial condition on the market, and its possibilities of further expansion.

The practical part of the thesis is dedicated to the financial analysis of LVMH, the world's leading transnational corporation on the market of luxury goods. The author's research shows that the company has recently endured deterioration in most of its financial ratios, and provides an overview of the possible reserves to be used by the entity's management for improving the situation.

Keywords: financial analysis, financial ratios, luxury goods, liquidity, profitability, LVMH, final accounts, financial reports, stock, exchange, fundamental analysis, technical analysis.

Introduction

In this thesis, financial analysis of a company running its activities in the sector of luxury goods will be conducted. For the purposes of this research, the activities of one of the global leaders in this field – Louis Vuitton – will be investigated.

The thesis will deal with both theoretical and practical aspects. Within the framework of theoretical research, the key characteristics and parameters of the global market of luxury goods, factors affecting its development, and the overall trends in it will be investigated. Also, the theoretical concepts related to financial analysis, its different kinds, types of indicators used in financial analysis, and the conclusions which can be drawn based on such research will be analyzed. In the analytical part, financial analysis of Louis Vuitton's activities will be run based on major indicators in order to discover how effective the corporation's activities are, and how they could be improved.

Goals

The goals of the research are as follows:

- To investigate the key parameters of the market of luxury goods: why people purchase luxury goods, what types of luxury goods exist, what trends currently persist on the market of luxury goods, what the level of competition is on this market, etc.;
- To conduct financial analysis: purposes and uses of financial analysis, types of financial analysis, ratios and indicators used in financial analysis, components of liquidity, profitability, indebtedness and capital market ratios;
- To run the financial analysis of Louis Vuitton's statements based on the major indicators commonly used in financial analysis;
- To discover where Louis Vuitton reaches the desired results, and where improvement of financial indicators could further be reached;
- To develop practical recommendations for Louis Vuitton to improve its economic results based on the findings of financial analysis.

Methodology

For the purpose of this research, a number of methods will be applied to reach the goals set. Namely, literature research will be used in order to get the required theoretical data on the market of luxury goods and methods of financial analysis. Retrospective and statistical analysis will be applied in order to track the dynamics on the market of luxury goods. Financial analysis will be used for the purpose of analyzing the statements of Louis Vuitton and drawing conclusions on how the company's financial results could be improved in the future. Finally, modeling will be used in order to assess probable scenarios when providing recommendations to the corporation for improving its financial results. For the purpose of writing the thesis, a number of publicly available bibliographic sources, both in print and electronic forms, data available on the Internet, and the financial statements of Louis Vuitton will be used.

Conclusion

The financial analysis of LVMH's activities run in this thesis has shown that the company currently endures latent difficulties with its liquidity and market capitalization. Although those issues aren't yet evident, there are significant threats that they may grow in the future, causing significant difficulties to the company.

Thus, for instance, the levels of profitability of the corporation's activities have lately been constantly falling. The company's liquidity has decreased in recent years as a result of the low share of highly liquid assets in the corporation's resources. Finally, the amounts of benefits paid by the company to its shareholders have significantly diminished as well, and therefore LVMH risks of losing the interest on the part of investors.

For the purpose of improving the situation, and thus reaching a more stable position on the market, the management of LVMH should pay particular attention to the structure of the company's assets, and increase the share of investor benefits in the corporation's earnings. Thus, the results of the analysis run within the framework of this research testify that LVMH's level of liquid assets, namely cash and cash equivalents, is rather low as compared with the company's liabilities. Therefore, it should be increased for avoiding the risks of losing liquidity and becoming unable to meet the liabilities to creditors. Increased benefits paid to investors would allow significantly raising the interest of third-party creditors and provide the company with additional resources for funding its activities. If LVMH's management successfully implements those measures, the corporation will be able not only to maintain, but also to further expand its market positions.

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