

**We invest in winners.** That means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

### Hermès International

The history of this French luxury goods manufacturer goes back to the year 1837. It was in that year that Krefeld-based saddler Dietrich Hermes moved to Paris. He changed his name to Thierry Hermès, opened a workshop for high-quality horse harnesses and bridles, thus laying the foundation for today's global group. The sixth generation of the founding family is still managing the company, and still owns the majority of the company's shares.

Hermès is especially well known for its two women's handbags, the "Kelly" and the "Birkin". The "Kelly Bag" was created in 1935. It received its name in 1956, when Grace Kelly used the bag in an attempt to conceal her pregnancy before the world press. The "Birkin Bag" is named after the artist Jane Birkin. She complained that she did not have a suitable bag for weekend trips. That would change: In the year 1984, Hermès started production of its second classic handbag. Even today, it takes a bag-maker around 50 hours of hand work to create the bag. It is precisely because of the high price, which starts at EUR 10,000 and can surpass EUR 100,000 depending on the model, that demand for the superior product is always higher than the purposely restricted supply. Customers must sometimes wait several years before getting one of the coveted bags. With 12,200 employees, Hermès is a luxury workshop. Besides leather goods, which make up

around half of sales revenues, the company's growing product range also includes haute couture, watches, jewellery, perfume, porcelain and furnishings. The claim to produce exclusively luxury goods at the highest quality standard is implemented by 5,600 employees in production, including 2,600 saddlers and bag-makers. They can be found at 42 locations in France (31), Australia (4), Switzerland (3), USA (2), Italy (1) and the UK (1). Hermès also keeps a close eye on sales and distribution. 307 exclusive boutiques, of which 210 are operated by the company, generate 80% of sales revenues. Twenty percent of sales are generated by selected retail operations and the company's own on-line shop. This level of exclusivity radiates across the entire brand. Hermès has an extremely loyal customer base and the power to set prices. The company is unique in the industry. It even managed to grow during the 2008/2009 financial crisis. Last year, Hermès generated revenues of EUR 5 billion, with an after-tax margin of 20%. In addition, Hermès is also an excellent capital allocator, which generates a stable and considerable return on equity. Between 2004 and 2015, the company generated 57 euros per share (after taxes). Of this amount, Hermès distributed 31 euros and retained 26 euros. Earnings per share grew by 7.4 euros (15% p.a.) to 9.3 euros during the same time period. This means that retained earnings in 2015 generated an internal yield of 28%. This dynamic rate of growth is likely to continue.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky