

# Carlsquare/Vontobel weekly trading note: H&M`s journey to improved margins

**This week's case is H&M, whose share price has been falling, but where there is a long-term trend of improving operating margins towards the targeted level of 10%. Given the high dividend and frequent buyback programs, the risk of further price falls should be limited. European indices such as the OMX, FTSE and DAX have outperformed US indices over the past month. From a technical point of view, sentiment towards US equities has turned positive.**

H&M, which will publish its Q4 2024/2025 report on 30 January, has managed to increase its operating margin in a five-year perspective and is now at 7.4%, still a bit away from the 10% level. Analysts were disappointed with H&M's last Q2 20/2025 report on 26 September, when earnings fell 24 percent short of expectations. The conditions for a positive surprise should be better this time, as analysts have lowered their expectations after the Q3 report. If H&M were to achieve an operating margin of 10%, this would translate into EPS of SEK 10.14 per share and a P/E multiple of between 14 and 15 times.

Last week the S&P500 Financials sector dominated Q4 earnings reporting. For Q4 2024 (with 9% of S&P500 companies reporting), 79% of companies have reported a positive EPS surprise, while 67% of companies have reported a positive revenue surprise according to Earnings Insight.

US indices have turned higher and falling yields could potentially support such a move.

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As a globally operating financial expert with Swiss roots, Vontobel specializes in wealth management, active asset management and investment solutions. Structured Solutions & Treasury bundles different investment solutions for private investors either directly or via ecosystems. [Read more](#)

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**Attachments**

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