

18th January 2016

Food & Beverages

Pernod Ricard

Price EUR97.09

Pernod Ricard gained US approval for Havana Club trademark

Fair Value EUR122 (+26%)

BUY-Top Picks

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	117.3 / 88.3
Market Cap (EURm)	25,770
Avg. 6m daily volume (000)	545.9

	1 M	3 M	6 M	31/12/14
Absolute perf.	-5.2%	-2.1%	-11.2%	5.2%
Food & Bev.	-5.7%	-3.2%	-5.8%	9.2%
DJ Stoxx 600	-8.3%	-8.6%	-17.5%	-3.7%

	06/15	06/16e	06/17e	06/18e
P/E	19.5x	17.5x	16.3x	15.2x
Div yield (%)	1.9%	2.1%	2.2%	2.4%

ANALYSIS

- In recent days, the US Patent and Trademark Office has recognised the Havana Club trademark. This was not renewed when it expired in 2006 due to the "Bacardi bill" preventing the recognition of any trademark rights confiscated by a government without compensation, as is the case for Havana Club. The Puerto Rican group had bought the brand in 1997 from the Arechabala family, which went into exile after the Cuban revolution.
- The decision will enable Pernod Ricard to export Havana Club when the US congress lifts the current embargo on Cuban goods. The US accounts for 40% of global rum sales, making it the first rum market in the world. Havana Club has two assets to capture a share of the market in which Bacardi is currently the leader: 1/ its Cuban origin as it is the only brand that is 100% Cuban and 2/ its price positioning, i.e. high-end premium and super premium.

VALUATION

- In our note "[Cuba Libre](#)", we calculate that the lifting of the embargo could lead to upside of 10% relative to our current Fair Value of EUR122.
- However the move could add as much as 14%. In a bleak scenario, there is still a 5% uplift.

NEXT CATALYSTS

- H1 2015/16 results due on February 11th

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Virginie Roumage, vroumage@bryangarnier.com

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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London	Paris	New York	Geneva	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
Authorised and regulated by the	Financial Conduct Authority (FCA) and		Regulated by the	Fax +91 11 2621 9062
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