

## Rémy Cointreau

Price EUR59.96

## Q3 sales 2% above expectations

Fair Value EUR72 (+20%)

BUY

Rémy Cointreau's Q3 2015/16 sales beat consensus estimates thanks to both FX and the organic performance of cognac, amounting to EUR298.4m (CS: EUR294.1m), up 10.9% on a reported basis and 3.2% organically (CS: +2.8% and BG: +2.6%). This was a strong improvement on Q1 and Q2, which were down 9% and 3.2% respectively in organic terms, and was driven by both the cognac and the liqueurs & spirits divisions.

## ANALYSIS

- Q3 2015/16 sales rose 10.9% to EUR298.4m (CS: EUR294.1m). Organic growth stood at 3.2% (CS: +2.8% and BG: +2.6%), thereby implying an improving trend in Q3 vs H1 (down 5.9%). This was driven by the recovery of the liqueurs & spirits and cognac divisions.
  - ✓ **Cognac (63% of group's sales):** Organic sales increased 6.4% in Q3 (CS: +5.5% and BG: +6%) following a 3.1% drop in H1 (-0.4% in Q2). The group benefitted from the strong success of the cognac category in the US and the ramp-up of the new distribution contracts in Greater China (flattish sales in Q3). The new communication campaign "One Life/Live tTem" which aims to revitalise the image of the brand Rémy Martin also probably had a positive impact on the division's performance.
  - ✓ **Liqueurs & spirits (26% of group's sales):** This division also showed an improvement, with Q3 organic sales up 4% (CS: +4.4% and BG: +4%) vs -8.3% in H1. Technical impacts related to changes in the distribution network in Canada and Australia eased over the quarter, while the comparison base for Cointreau in the US became easier. Metaxa also returned to growth in Q3 thanks to the successful launch of Metaxa Honey Shot, particularly in Central Europe, although the consumption trend remains affected by the situation in Greece and Russia and the decrease in Travel Retail purchasing by Russian customers.
  - ✓ **Partner Brands (11% of group's sales):** Q3 organic sales dropped 7.8% (CS: -8% and BG: -10%) due to the termination of champagne distribution contracts in the US. The EMEA region maintained its double digit growth.
- Rémy Cointreau has confirmed its target to deliver positive organic growth in EBIT at constant FX and scope. We are waiting for the group's comments about the outlook in Q4 to potentially adjust our 2015/16 sales growth estimate (+0.4% org).

## VALUATION

- At yesterday's share price, the stock is trading at 19.6x EV/EBIT 2015/16e and 17.7x EV/EBIT 2016/17e, 14% and 11% above the peer average. This compares to a 10-year historical premium vs peers of 16%.

## NEXT CATALYSTS

- A conference call will be held at 9am CET
- 2015/16 sales will be released on 19th April

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Bloomberg	RCO FP
Reuters	RCOP.PA
12-month High / Low (EUR)	73.1 / 50.9
Market Cap (EUR)	2,922
Ev (BG Estimates) (EUR)	3,365
Avg. 6m daily volume (000)	161.8
3y EPS CAGR	10.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.8%	-1.0%	-13.1%	-9.2%
Food & Bev.	-6.8%	-4.0%	-8.2%	-7.4%
DJ Stoxx 600	-10.8%	-11.1%	-20.8%	-11.9%

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	965.1	1,039	1,062	1,109
% change		7.7%	2.2%	4.4%
EBITDA	175	190	206	220
EBIT	156.0	172.0	188.3	201.5
% change		10.3%	9.5%	7.0%
Net income	94.6	104.3	116.2	126.2
% change		10.3%	11.4%	8.6%

	03/15	03/16e	03/17e	03/18e
Operating margin	16.2	16.6	17.7	18.2
Net margin	18.0	10.0	10.9	11.4
ROE	8.8	10.1	11.1	12.3
Gearing	43.4	43.0	38.7	35.6

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	1.95	2.15	2.40	2.60
% change	-	10.3%	11.4%	8.6%
P/E	30.7x	27.9x	25.0x	23.0x
FCF yield (%)	0.3%	3.3%	4.1%	4.4%
Dividends (EUR)	1.53	1.68	1.88	2.04
Div yield (%)	2.6%	2.8%	3.1%	3.4%
EV/Sales	3.5x	3.2x	3.1x	3.0x
EV/EBITDA	19.4x	17.7x	16.1x	14.9x
EV/EBIT	21.7x	19.6x	17.7x	16.3x



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