

## Kering

Price EUR160.25

Strong Q4 – including at Gucci; FY EBIT margin down 240bp

Fair Value EUR180 (+12%)

BUY

Bloomberg	PP FP
Reuters	PRTP.PA
12-month High / Low (EUR)	197.0 / 139.1
Market Cap (EURm)	20,234
Ev (BG Estimates) (EURm)	23,766
Avg. 6m daily volume (000)	361.3
3y EPS CAGR	5.4%

Kering 2015 results were globally in line with market expectations. Sales reached EUR11.58bn (consensus: EUR11.40bn) with a 4.6% FY organic sales growth (+8% in Q4 versus +3.1% in Q3) including +4.1% for Kering Luxury (+7.2% in Q4 vs +3.1% in Q3). Kering EBIT remained almost stable at EUR1.65bn (consensus: 1.66bn), implying EBIT margin 240bp decline to 14.2%. Buy recommendation and EUR180 FV are maintained.

## ANALYSIS

- **Kering 2015 sales reached EUR11.58bn (consensus: EUR11.40bn), up 15.4% and +4.6% organically, implying +8% in Q4 alone versus +3.1% in Q3** and +3.4% on 9M. Luxury sales increased by 4.1% on FY and by 7.2% in Q4 alone, highlighting clear acceleration vs Q3 (+3%), mainly driven by **Gucci** brand (33% of Kering sales but 60% of Group EBIT) with a 4.8% increase vs -0.4% in Q3, clear consequence of the brand's successful progressive transition with Alessandro Michele as Creative Director. On the other hand, **Bottega Veneta** (10% of Kering sales) momentum slowed down strongly in Q4 with a 3% decline vs +4.3% in Q3, consequence of high brand exposure to Hong Kong/Macau (15% of sales). Meanwhile, **YSL** remained very dynamic last year (+25.8% o/w +27.4% in Q4 alone). **Puma** sales recovered in Q4 with a 11.7% organic sales growth, leading to +6.8% on FY. The German brand benefited from first orders from retailers in anticipation of 2016 UEFA EURO in France and Olympic Games in Rio.

## Quarterly organic sales growth by division

lfl chge (%)	H1 15	Q3 15	9M 15	Q4 15	2015
Gucci	-1.6	-0.4	-1.2	4.8	0.4
Bottega Veneta	6.4	4.3	5.6	-3.1	3.2
YSL	24.3	26.5	25.1	27.4	25.8
Others	1	-1.1	0.3	10.6	3.1
<b>Luxury division</b>	<b>2.8</b>	<b>3.1</b>	<b>3.0</b>	<b>7.2</b>	<b>4.1</b>
Puma	5.9	3.9	5.2	11.7	6.8
<b>Total Group</b>	<b>3.5</b>	<b>3.1</b>	<b>3.4</b>	<b>8.0</b>	<b>4.6</b>

Source : Company Data; Bryan Garnier &amp; Co. ests.

- **FY 2015 EBIT remained almost stable at EUR1.65bn (consensus: EUR1.66bn)**. Group EBIT margin lost 240bp to 14.2%, mainly driven by **Kering Luxury** (-290bp to 21.7%); This activity's lower profitability came from a negative hedging impact (consequence of unfavourable hedging level versus spot level) and from deleverage operating effect. Nevertheless, in H2, the Luxury EBIT margin decline (-230bp to %) was less significant than in H1 (-360bp to 21.4%) as hedging impact was less negative than in H1. Within Luxury, it is worth noting the 370bp decrease at Gucci to 26.5%. Furthermore, **Puma** EBIT margin was down 160bp to 2.7% given FX negative impact and heavy marketing and distribution costs in order to support the new campaign "Forever Faster".
- **Net debt remained almost stable at EUR4.6bn (EUR4.4bn in 2014)**, which implies a ratio Net Debt/EBITDA at 2.28x (2.21x in 2014), higher than the group target to be below 2x. Proposed dividend is EUR4 per share (EUR4 in 2014). Furthermore and given this relatively challenging financial situation, we view as very unlikely any big acquisition in 2016.

## VALUATION

- We remain Buy on the stock with an unchanged EUR180 FV.

## NEXT CATALYSTS

- Analyst meeting today at 9am.

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