

23rd March 2016

Luxury & Consumer Goods

## Hermès Intl.

Price EUR311.35

FY 2015 EBIT margin gained 30bp to 31.8%

Fair Value EUR360 (+16%)

BUY

Bloomberg	RMS FP
Reuters	HRMS.PA
12-month High / Low (EUR)	363.4 / 291.6
Market Cap (EUR)	32,869
Avg. 6m daily volume (000)	55.80

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.6%	-0.1%	-2.1%	-0.1%
Pers & H/H				
Gds	0.0%	0.5%	3.9%	-2.3%
DJ Stoxx 600	2.6%	-4.6%	-1.8%	-7.0%

  

	2014	2015e	2016e	2017e
P/E	38.1x	32.7x	29.0x	25.5x
Div yield (%)	2.6%	1.1%	1.3%	1.5%

### ANALYSIS

- After reporting 2015 sales in February showing 8% organic growth (including +7.1% in Q4) to EUR4.84bn, the group has reported full-year earnings this morning with a 19% EBIT increase to EUR1.54bn (consensus: EUR1.53bn), implying EBIT margin of 31.8%, up 30bp versus the 2014 level, despite a negative impact from hedging losses (particularly with the JPY) but thanks to a very positive product mix (+12.6% sales increase for the Leather goods business vs +8% for the group average). Nevertheless, the 2015 EBIT margin level was no major surprise as management already guided for profitability “close to the 2014 level”. Net profit grew 13% to EUR973m due to a higher tax level in France.
- Furthermore, 2015 net cash reached EUR1.57bn vs EUR1.4bn (but after paying a EUR5 extra dividend per share last year). For this year, management proposes to pay a dividend of EUR3.35 per share vs EUR2.95 last year (+13.5%).

### VALUATION

- The Hermès share price remains virtually unchanged YTD, in line with our luxury sample average, which implies an 8% outperformance versus the DJ Stoxx. The stock is trading on 18.5x 2016 EV/EBIT versus 12.4x for our luxury sample average. We are making no change to our Buy recommendation and our EUR360 FV.

### NEXT CATALYSTS

- Analysts' meeting at 9am this morning.

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## Distribution of stock ratings

BUY ratings 64.4%

NEUTRAL ratings 28.1%

SELL ratings 7.4%

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