

28th April 2016

Luxury & Consumer Goods

Hermès Intl.

Price EUR304.85

Q1 sales up 6% organically (in line with expectations) but the quality is there!

Fair Value EUR355 (+16%)

BUY

Bloomberg	RMS FP
Reuters	HRMS.PA
12-month High / Low (EUR)	363.4 / 291.6
Market Cap (EUR)	32,183
Avg. 6m daily volume (000)	54.80

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.5%	-0.1%	-11.0%	-2.2%
Pers & H/H				
Gds	1.8%	3.5%	-4.8%	-0.4%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%
	2014	2015e	2016e	2017e
P/E	37.3x	32.9x	28.0x	24.8x
Div yield (%)	2.6%	1.1%	1.3%	1.5%

ANALYSIS

- Hermès Intl has reported Q1 sales of EUR1.19bn, in line with the consensus, up 6% in reported and organic terms (consensus: +5.8%) following +8% in FY 2015 and +7.2% in Q4 2015. FX impact was neutral during the period. Activity remained even more dynamic for Retail (+8%). The slowdown versus Q4 was due to Japan (+12.6% vs +16%) and Asia-Pacific (+3.9% vs +5.2%) while momentum remained robust in Europe excluding France (+11.6%). Sales in France were healthy with 5.6% organic sales growth following a poor +1.2% in Q1 2015.
- By business, we would highlight the significant sales increase in Leather Goods (the most profitable business) with a 15% increase after +14% in Q4, thanks again to strong final demand and production capacity increase. Nevertheless, silk activity remained under pressure with sales down 9% in Q1 following -7% in Q4 and Ready to Wear incurred a poor quarter (-2%), due to less positive momentum in Asia and the US.

VALUATION

- The stock remained almost stable YTD (+3% relative to DJ Stoxx), in line with our luxury sample performance. Hermès is trading at 18.1x on 2016 EV/EBIT versus 12.2x for the luxury sector average. Buy recommendation unchanged with a EUR355 FV.

NEXT CATALYSTS

- H1 sales to be released on 21st July.

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Loïc Morvan, lmorvan@bryangarnier.com



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BRYAN, GARNIER & CO

London	Paris	New York	Munich	New Delhi
Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA)	26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudentiel et de résolution (ACPR)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062 Geneva rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax+4122731 3243 Regulated by the FINMA

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