

Sector View

Spirits

	1 M	3 M	6 M	31/12/15
Food & Bev.	-1.4%	-0.3%	1.0%	-5.1%
DJ Stoxx 600	-2.7%	-2.2%	-8.3%	-9.0%

*Stoxx Sector Indices

Companies covered

CAMPARI	BUY	EUR9,3
DIAGEO	NEUTRAL	1790p
PERNOD RICARD	BUY	EUR113
REMY COINTREAU	BUY	EUR72

LVMH's Q1 sales provides a positive read-across for Rémy Cointreau

In Q1, LVMH's cognac sales were up 7% organically, partly reflecting a recovery in China. This provides a positive read-across for Rémy Cointreau. Pernod Ricard remains penalized by the weight of scotch in its Chinese portfolio.

ANALYSIS

- **LVMH's cognac sales were up 7% organically in Q1.** This partly reflects a gradual recovery in China. **During the conference call, the group reported that its sell-out during the Chinese New Year were healthy.** The XO trend is better than VSOP's which was impacted by the termination of some unprofitable accounts last year. The United States continued to have a very good momentum. Sell-out in volume in the country were up high single digit over the quarter.
- **The read-across is positive for Rémy Cointreau.** The group's value depletions in China should be flat in Q4 (end-March), in line with the 9M trend. On the contrary, Pernod Ricard's value depletions are expected to be down 5% because of the weight of scotch in its Chinese sales (20%). This category is still declining by 20%.
- **Rémy Cointreau's next release should show an accelerating trend of the cognac division.** Its sales should grow 10% in Q4 (end-March), implying +7.6% at the group level. **Compared to Pernod Ricard, the group should not suffer from a negative technical effect related to the Chinese New Year's shipments.** Pernod Ricard is expected to post a 15% organic drop in its Chinese sales in Q3 (end-March).

VALUATION/NEXT CATALYSTS

- **We maintain our preference for Rémy Cointreau and Campari over Pernod Ricard.** At yesterday's share price, the stock is trading at 21.3x EV/EBIT 2015/16e and 19.3x EV/EBIT 2016/17e, 17% and 15% above the peers' average (average 10-year historical premium vs its peers: 18%) / Rémy Cointreau's Q4 sales on April 19th / Pernod Ricard's Q3 sales on April 21st

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