

Rémy Cointreau

Price EUR68.93

A very strong end to the year**Fair Value EUR72 (+4%)****BUY**

Rémy Cointreau's Q4 2015/16 rose 12.2% to EUR251.5m, 6% above market expectations (consensus: EUR238.4m and our estimate: EUR244.3m). The organic sales growth stood at 9.8% over the quarter (consensus: +5.2% and our estimate: +7.6%), implying a strong improvement vs Q3 (+3.2%). All divisions contributed but the performance of cognac was particularly impressive, with organic sales up 12.3%.

ANALYSIS

- A strongly improving trend in the last quarter of this year.** Q4 2015/16 sales rose 12.2% to EUR251.5m (consensus: EUR238.4m and our estimate: EUR244.3m). The organic growth stood at 9.8% in Q4 (consensus: +5.2% and our estimate: +7.6%), implying +0.3% over the year. This strong acceleration vs Q3 (+3.2%) was driven by all divisions.
 - Cognac was up 12.3% organically in Q4 (consensus: +7.5% and our estimate: +10%).** This is a strong acceleration vs Q3 (+6.4%). The group reported very good momentum in the US and an improving environment in Greater China. The ramp-up of the new distribution contracts in this country has also probably helped.
 - Q4 organic sales of Liqueurs & Spirits grew 6.9% (consensus: +4.1% and our estimate: +7%),** after +4% in Q3. The trend is very solid for Cointreau, Mount Gay, the Botanist and Bruichladdich. Metaxa materially improved in Q4 thanks to the launch of Metaxa Honey Shot.
 - Partner Brands were up 2.9% on an organic basis this quarter (consensus: -4.5% and our estimate: -5%).** The division remained impacted by the termination of the champagne distribution contracts in the US. The growth in EMEA was reported to be double digit.
- Unchanged guidance.** The group's objective remains to deliver positive organic growth in EBIT at constant FX and scope.

VALUATION

- At yesterday's share price, the stock is trading at 21.9x EV/EBIT 2015/16e and 19.8x EV/EBIT 2016/17e, 19% and 16% above the peers' average (average 10-year historical premium vs its peers: 18%).

NEXT CATALYSTS

- Pernod Ricard will release its Q3 2015/16 sales on April 21st

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	RCO FP
Bloomberg	RCOP.PA
Reuters	73.1 / 50.9
12-month High / Low (EUR)	3,359
Market Cap (EURm)	3,830
Ev (BG Estimates) (EURm)	118.3
Avg. 6m daily volume (000)	11.6%
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.3%	15.2%	14.9%	4.4%
Food & Bev.	1.4%	4.7%	1.9%	-2.1%
DJ Stoxx 600	0.7%	4.7%	-5.2%	-5.9%

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	965.1	1,042	1,069	1,113
% change		7.9%	2.6%	4.1%
EBITDA	175	193	210	223
EBIT	156.0	174.9	191.4	204.5
% change		12.1%	9.5%	6.8%
Net income	94.6	105.1	117.9	131.3
% change		11.1%	12.1%	11.4%

	03/15	03/16e	03/17e	03/18e
Operating margin	16.2	16.8	17.9	18.4
Net margin	18.0	10.1	11.0	11.8
ROE	8.8	10.5	11.6	13.1
ROCE	15.6	0.0	0.0	0.0
Gearing	43.4	46.9	42.3	38.8

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	1.95	2.17	2.43	2.71
% change		11.2%	12.1%	11.4%
P/E	35.3x	31.8x	28.3x	25.4x
FCF yield (%)	0.2%	3.0%	3.7%	4.0%
Dividends (EUR)	1.53	1.74	1.95	2.13
Div yield (%)	2.2%	2.5%	2.8%	3.1%
EV/Sales	4.0x	3.7x	3.5x	3.4x
EV/EBITDA	21.9x	19.9x	18.1x	16.8x
EV/EBIT	24.5x	21.9x	19.8x	18.3x

Analyst :

Virginie Roumage
33(0) 1.56.68.75.22
vroumage@bryangarnier.com

**Sector Team :**

Nikolaas Faes
Loïc Morvan
Antoine Parison
Cédric Rossi

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