

4th May 2016

Food & Beverages

Pernod Ricard

Price EUR93.75

Pernod Ricard ready to sell Paddy Irish Whiskey

Fair Value EUR107 (+14%)

BUY

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	114.4 / 88.3
Market Cap (EURm)	24,883
Avg. 6m daily volume (000)	513.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.4%	-11.5%	-12.3%	-10.9%
Food & Bev.	-0.7%	-3.4%	-5.7%	-5.0%
DJ Stoxx 600	0.7%	1.9%	-11.3%	-8.3%

	06/15	06/16e	06/17e	06/18e
P/E	18.8x	18.6x	18.3x	17.3x
Div yield (%)	1.9%	2.0%	2.0%	2.1%

ANALYSIS

- The group has entered into exclusive negotiations to sell Paddy Irish Whiskey to Sazerac, a privately held company based in New Orleans. Paddy is priced below Pernod Ricard's key Irish whiskey brand Jameson and is playing in the flavoured arena (which Jameson is not). The terms of the transaction have not been disclosed. The deal could be signed and completed in coming weeks and would involve Pernod Ricard continuing to produce Paddy at its Midleton Distillery.
- We think that Pernod Ricard could have received an interesting price that might have prompted it to sell off a non-core brand. It will be able to increase resources behind other Irish whiskey brands such as Jameson or Powers. This sale is in line with the group's strategy to refocus its investments behind key priorities.

VALUATION

- At yesterday' share price, the stock is trading at EV/EBIT multiples of 14.9 for 2015/16e and 14.7 for 2016/17e, 19% and 13% below the peer average.

NEXT CATALYSTS

- The group will hold a conference call on Asia on 31st May.

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