

Rémy Cointreau

Price EUR76.75

Organic EBIT growth of 6.1% in 2015/16, above market expectations

Fair Value EUR80 (+4%)

BUY

2015/16 EBIT rose 14.4% to EUR178.4m (+6.1% org), in line with the consensus in reported terms but 2.5% above in organic terms. This beat was driven by Cognac which posted 6.4% organic growth (consensus: +4.3% and our estimate: +4.9%), reflecting a favourable price/mix effect and work on optimising overheads. The dividend was a good surprise. The company is to propose EUR1.60 per share vs our forecast for EUR1.40. Guidance for next year is for EBIT growth at constant FX and scope.

ANALYSIS

- **EBIT rose 6.1% organically over the year, above the consensus (+3.6%) and our estimate (+4.5%). This is in line with the target set by the group in June 2015 (growth at constant FX and scope) and is driven by Cognac.** On a reported basis, 2015/16 EBIT increased 14.4% to EUR178.4m (consensus: EUR178m and our estimate: EUR176m) helped by FX tailwinds. This implies a margin of 17%, up 80bps. By division, **Cognac posted 6.4% organic growth in EBIT (consensus: +4.3% and our estimate: +4.9%), reflecting a favourable price/mix effect and work on optimising overheads.** The division's margin widened by 80bp to 21.6%. Liqueurs & Spirits EBIT was down 2.8% org (consensus: +1.1% and our estimate: +1.6%) as the group increased communication spending, implying a 210bp drop in margin to 17.6%. The Partner Brands margin narrowed 60bp to 4.7%. Finally, adjusted net profit increased 16.7% (+5% org) to EUR110.4m (consensus: EUR107.6m and our estimate: EUR106.1m).
- **Net debt/EBITDA ratio of 2.3x in 2015/16.** Over the year, net debt was down EUR9m to EUR458m (consensus: EUR484m and our estimate: EUR490m). **The group indicated that it will propose a dividend of EUR1.60 per share, up 5% vs last year and 14% vs its "normalised" level of 1.40.**
- **2016/17 guidance is for growth in EBIT at constant FX and scope.** Note that, the company has previously flagged that Q1 2016/17 should be soft as Q4 2015/16 benefitted from advance shipments before a global hike in prices. **Guidance for 2019/20 was reiterated:** 1/ exceptional spirits (>USD50) should account for 60-65% of sales vs 49% currently and 45% last year and 2/ EBIT margin should rise to 18-20% at the 2014/15 exchange rate and like-for-like consolidation scope.
- **Released on 19th April, Q4 sales were up 9.8% on an organic basis.** 2015/16 net sales amounted to EUR1,050.7m, up 8.9% on a reported basis and 0.3% organically. Q4 showed a very nice acceleration, with organic sales up 9.8% after a drop of 2.6% in 9M. This was driven by all divisions: 1/ Cognac rose 12.3% organically in Q4 (+0.2% in 9M) as the group reported excellent momentum in the US and an improving environment in Greater China (value depletions stabilised over the year), 2/ Liqueurs & Spirits grew 6.9% on an organic basis in Q4 (-4% in 9M) driven by solid trends at Cointreau, Mount Gay, the Botanist and Bruichladdich and an improvement at Metaxa with the launch of Metaxa Honey Shot and 3/ Partner Brands increased 2.9% organically (-10.5% in 9M) as the last quarter of the year was less impacted by the end of champagne distribution contracts in the US.

VALUATION

- Our DCF points to a Fair Value of EUR80. At yesterday's share price, the stock is trading at 20.8x EV/EBIT 2016/17e and 18.5x EV/EBIT 2017/18e, 15% and 12% above the peer average.

NEXT CATALYSTS

- Q1 2016/17 sales on 20th July

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Bloomberg	RCO FP
Reuters	RCOP.PA
12-month High / Low (EUR)	76.8 / 50.9
Market Cap (EUR)	3,740
Ev (BG Estimates) (EUR)	4,231
Avg. 6m daily volume (000)	107.6
3y EPS CAGR	15.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.3%	21.7%	15.1%	16.3%
Food & Bev.	3.7%	3.1%	-2.8%	-1.5%
DJ Stoxx 600	3.9%	2.1%	-5.8%	-5.8%

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	965.1	1,051	1,136	1,204
% change		8.9%	8.1%	6.0%
EBITDA	175	194	221	244
EBIT	156.0	176.2	202.1	223.9
% change		13.0%	14.7%	10.8%
Net income	94.6	106.1	125.4	144.9
% change		12.2%	18.1%	15.6%

	03/15	03/16e	03/17e	03/18e
Operating margin	16.2	16.8	17.8	18.6
Net margin	18.0	10.1	11.0	12.0
ROE	8.8	10.8	12.9	15.1
ROCE	15.6	16.5	17.3	18.0
Gearing	43.4	50.1	46.8	42.1

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	1.95	2.19	2.59	2.99
% change	-	12.2%	18.2%	15.6%
P/E	39.4x	35.1x	29.7x	25.7x
FCF yield (%)	0.2%	2.2%	2.8%	3.2%
Dividends (EUR)	1.53	1.40	1.40	1.40
Div yield (%)	2.0%	1.8%	1.8%	1.8%
EV/Sales	4.4x	4.0x	3.7x	3.4x
EV/EBITDA	24.1x	21.8x	18.9x	17.0x
EV/EBIT	27.0x	24.0x	20.8x	18.5x



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