

21st July 2016

Luxury & Consumer Goods

Hermès Intl.

Price EUR349.65

Very healthy Q2 (+8.1%)!

Fair Value EUR355 (+2%)

BUY

Bloomberg	RMS FP
Reuters	HRMS.PA
12-month High / Low (EUR)	355.6 / 291.6
Market Cap (EURm)	36,912
Avg. 6m daily volume (000)	55.00

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.8%	13.5%	18.9%	12.2%
Pers & H/H				
Gds	5.4%	1.9%	10.0%	2.0%
DJ Stoxx 600	4.0%	-1.6%	3.1%	-7.4%

	2015	2016e	2017e	2018e
P/E	37.8x	33.2x	29.4x	26.2x
Div yield (%)	1.0%	1.1%	1.2%	1.4%

ANALYSIS

- H1 2016 sales were up 6.1% to EUR2.44bn (consensus: EUR2.42bn) and 7.2% at same forex. This implies a n8.1% sales increase in Q2 alone after +6.2% in Q1. Strong momentum in revenues was driven by the leather goods division (45% of group sales) with 16.3% growth, implying an even stronger Q2 (+17%) than Q1 (+15%) while silk sales (11% of group sales) were again under pressure with a 6.9% decline during the first half, as this business was the most penalised by lower tourist flows, but implying a less negative trend in Q2 (-4.2%). Furthermore, retail sales (82% of sales) outperformed thanks to an 8% increase.
- By geographical area, we would highlight the very good resilience in France (14% of sales) thanks to a 7.3% sales increase in H1 and +8.9% in Q2 alone and despite lower tourist flows in the country. Europe (19% of sales) was also strong with 9.1% revenue growth. Asia-Pacific (35% of sales) achieved a strong performance both in Q2 (+6.7%) and in H1 (+5.3%).
- H1 2016 EBIT margin should be up 100bp to 33.5%, partly thanks to positive forex but also thanks to positive product and distribution mix. Currently, we expect a 70bp gain for FY 2016.

VALUATION

- The Hermès share price has gained 12% YTD and was the best performance among our luxury stock sample (-1% on average). We reiterate our Buy recommendation, as we see Hermès as the most resilient group in the current challenging environment.

NEXT CATALYSTS

- Conference call at 9am.

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Distribution of stock ratings

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