

20th July 2016

Food & Beverages

Rémy Cointreau

Price EUR76.92

Soft performance in a small quarter

Fair Value EUR80 (+4%)

BUY

Q1 2016/17 sales amounted to EUR218.6m, down 2.1% reportedly and flat on an organic basis. This is slightly below market expectations and is due to advance shipments in Q4 2015/16 before a global hike in prices at the beginning of 2016/17. The group highlighted that the underlying trend remained solid. A conference call will be held at 9am CET.

ANALYSIS

- Q1 2016/17 (end-June) sales amounted to EUR218.6m (consensus: EUR220m and our estimate: EUR221.3m), down 2.1% on a reported basis. Organic sales were flattish. This performance is below market expectations (consensus and our estimate: +1.1%) and is due to advance shipments in Q4 2015/16 before a global hike in prices at the beginning of the fiscal year 2016/17. The group confirmed its objective of achieving growth in its 2016/17 EBIT at constant FX and scope. By division:
 - Cognac (62% of group's sales):** Q1 organic sales declined 0.5% (consensus: +0.2% and our estimate: +0.5%). This implies a deceleration vs Q4 2015/16 (+12.3% org) which is driven by an increase in prices at the beginning of the fiscal year. The group indicated that the underlying trend was solid (even improving for high end qualities) as the momentum remained very good in the US and the environment continued to improve in China.
 - Liqueurs & Spirits (26% of group's sales):** Sales dropped 0.8% organically (consensus: +2.6% and our estimate: +1.5%) following +6.9% in Q4 2015/16. Cointreau and Mount Gay sales declined due to early orders in Q4 ahead of Q1 price increases. The timing of Easter was also not helping (in Q4 this year vs in Q1 the year before). Some positive came from Metaxa which returned to growth thanks to easy comps and marketing initiatives.
 - Partner Brands (12% of group's sales):** Sales increased 4.3% on an organic basis (consensus: +2.0% and our estimate: +3%). The good performance of the EMEA region offset the decline in champagne sales.

VALUATION

- Our DCF points to a Fair Value of EUR80. At yesterday's share price, the stock is trading at 20.7x EV/EBIT 2016/17e and 18.5x EV/EBIT 2017/18e, 14% and 11% above the peers' average.

NEXT CATALYSTS

- July 26th: Shareholders' meeting of Rémy Cointreau and H1 2016 results of LVMH
- September 1st: 2015/16 results of Pernod Ricard

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	RCO FP
Bloomberg	RCOP.PA
Reuters	78.5 / 50.9
12-month High / Low (EUR)	3,749
Market Cap (EUR)	4,210
Ev (BG Estimates) (EUR)	101.7
Avg. 6m daily volume (000)	14.6%
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.0%	11.6%	28.6%	16.5%
Food & Bev.	6.9%	2.8%	7.6%	0.6%
DJ Stoxx 600	4.0%	-1.6%	3.1%	-7.4%

YEnd Mar. (EURm)	03/15	03/16	03/17e	03/18e
Sales	965.1	1,051	1,101	1,167
% change		8.9%	4.8%	6.0%
EBITDA	178	196	220	243
EBIT	156.0	178.4	201.4	223.1
% change		14.4%	12.9%	10.8%
Net income	94.6	110.4	123.1	142.4
% change		16.7%	11.5%	15.6%

	03/15	03/16	03/17e	03/18e
Operating margin	16.2	17.0	18.3	19.1
Net margin	18.0	10.5	11.2	12.2
ROE	8.8	9.9	12.0	14.1
ROCE	15.6	16.5	17.3	18.0
Gearing	43.4	41.2	40.3	35.8

(EUR)	03/15	03/16	03/17e	03/18e
EPS	1.95	2.28	2.54	2.94
% change	-	16.8%	11.5%	15.6%
P/E	39.4x	33.8x	30.3x	26.2x
FCF yield (%)	0.2%	2.9%	2.7%	3.1%
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	3.8x	3.5x
EV/EBITDA	23.7x	21.5x	19.0x	17.0x
EV/EBIT	27.0x	23.6x	20.7x	18.5x



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