

14th September 2016

Luxury & Consumer Goods

Hermès Intl.

Price EUR383.90

EBIT margin gained 140bp to 33.9%

Fair Value EUR370 (-4%)

BUY

Bloomberg	RMS FP
Reuters	HRMS.PA
12-month High / Low (EUR)	398.6 / 291.6
Market Cap (EURm)	40,528
Avg. 6m daily volume (000)	54.00

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.5%	17.6%	17.5%	23.1%
Pers & H/H				
Gds	-2.8%	2.1%	2.0%	1.2%
DJ Stoxx 600	-1.1%	2.8%	0.0%	-6.4%
	2015	2016e	2017e	2018e
P/E	41.5x	35.8x	31.6x	28.5x
Div yield (%)	0.9%	1.0%	1.1%	1.3%

ANALYSIS

- Hermès International reported in July very dynamic H1 sales, with a 7.2% increase of which +8.1% in Q2 with particularly strong leather goods revenues 16.3% increase of which +17.1% in Q2. It is also worth noting the very positive momentum in Europe with an 8% sales increase while activity in APAC was also better oriented in Q2 (+6.7%) than in Q1 (+3.9%).
- This morning, Hermès issued a very strong H1 EBIT which reached EUR827m (consensus: EUR820m), implying a 140bp profitability improvement to 33.9% (group was guiding for around a 100bp gain), thanks to forex positive impact (hedging gain) and also to the positive distribution and above all product mix (leather goods sales grew 16% in H1). In H1, Cash Flow increased 22%.
- For the full year, sales should grow lower than 8% (we expect +7%) and EBIT margin should slightly increase (we anticipate a 100bp gain which implies a smoother H2). Furthermore, management no longer wants to report medium-term sales growth (before it was expecting +8%) due to rising macroeconomic, geopolitical and currencies uncertainties.

VALUATION

- Hermès is the top luxury group performer as the share price gained 18.4% over the last three months versus +6% for our luxury sample average. YTD it gained 24% or +34% versus the DJ Stoxx. Hermes is trading 22.8x on 2016 EV/EBIT vs 14x for sector average.

NEXT CATALYSTS

- Analysts meeting at 9am.

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Distribution of stock ratings

BUY ratings 72%

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