

30th September 2016

Luxury & Consumer Goods

Kering

Price EUR177.40

New CEO at Bottega Veneta

Fair Value EUR185 (+4%)

BUY

Bloomberg	PP FP
Reuters	PRTP.PA
12-month High / Low (EUR)	183.5 / 138.6
Market Cap (EURm)	22,400
Avg. 6m daily volume (000)	233.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.1%	22.4%	13.7%	12.3%
Pers & H/H				
Gds	-1.2%	1.6%	2.7%	1.6%
DJ Stoxx 600	-0.1%	5.0%	1.8%	-6.3%
	2015	2016e	2017e	2018e
P/E	22.0x	19.7x	16.8x	15.0x
Div yield (%)	2.3%	2.4%	2.6%	2.9%

ANALYSIS

- Kering has appointed Claus-Dietrich Lahrs as the new Bottega Veneta CEO reporting directly to Mr François-Henri Pinault. He will replace Carlo Alberto Beretta. Claus-Dietrich was previously CEO at Hugo Boss (since 2008). He left the company in February 2016 after several profit warnings on 2015 results. Prior to this job, he was a more successful CEO at Christian Dior from 2004 to 2008 and before this date, was CEO of Louis Vuitton USA (from 2000). He therefore knows the luxury sector well and how to manage a true luxury brand. However, given the recent years at HB, some investors may be surprised by this appointment.
- Bottega Veneta is the only global brand that is in a bad situation at Kering. In H1 2016, BV sales declined by 9%, including -9.8% in Q2 alone and BV EBIT was down 20%, implying a 320bp margin decline. The challenge for the new CEO will be to pursue the new strategy at BV, i.e. to be less tourist oriented (70% of sales are generated by Asian tourists), to develop the brand in non-leather goods lines and also to adjust the store network (renovate and expand).

VALUATION

- We are making no change to our Buy recommendation on Kering, despite the recent share price rally (+22% over the last three months) as we are convinced that the positive momentum at Gucci will continue in coming quarters and particularly in Q3, which will be helped by a less demanding comparison basis.

NEXT CATALYSTS

- Q3 sales to be reported on 25th October

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Distribution of stock ratings

BUY ratings 72%

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