

1st September 2016

Food & Beverages

## Pernod Ricard

Price EUR102.90

2015/16 results: first take

Fair Value EUR107 (+4%)

NEUTRAL

**Q4 organic sales fell 0.7%, below consensus (+0.7%) but globally in line with our estimate (-1%). This weak performance was due to tough comps in France and the reversal of shipment loading in the US in Q3. Full year EBIT rose 2.1% organically (consensus: +1.9% and our estimate: +1.7%), in the mid range of the guidance (+1/3%). Guidance for 2016/17 is for organic EBIT growth between 2% and 4%.**

### ANALYSIS

- Full year net sales amounted to EUR8,682m (consensus: EUR8,770m and our estimate: EUR8,693m), up 1.4% on a reported basis and 1.8% organically (CS: +2.1% and our estimate: +1.7%). Q4 organic net sales dropped 0.7%, decelerating vs Q3 (+0.8%). Full year EBIT increased 1.7% to EUR2,277m (consensus: EUR2,280m and our estimate: EUR2,247m). Organic EBIT growth was 2.1%, in the mid range of the group's guidance (+1/3%), and slightly above expectations (consensus: +1.9% and our estimate: +1.7%). This was due to cost containment and improving pricing. The EBIT margin was stable at 26.2%. EPS was up 4% to 5.20EUR.
- In **Asia-ROW** (42% of group's sales), Q4 organic net sales decreased 1.9% (consensus: +2% and our estimate: +1.5%) after -5.4% in Q3. This reflects a destocking in South East Asia, a challenging environment for the Travel Retail and a decline in China. The Chinese performance was roughly in line with what was indicated at the Q3 sales release (organic sales down 9% over the year). FY EBIT margin in Asia-ROW decreased 90bp to 28.1%, driven by negative geographical mix. In the **Americas** (28% of group's sales), net sales dropped 1.3% (consensus: -2% and our estimate: -4%) organically in Q4 (+11.1% in Q3) because of the reversal of shipment loading in Q3 in the US. FY EBIT margin in the region increased 200bp to 28.5% thanks to FX. **Europe** (30% of group's sales) posted a 1.1% increase in organic net sales last quarter (consensus: +1% and our estimate: -1%) after +1.6% in Q3. This was mainly due to the very tough comparison base in France where the group overshipped in Q4 2014/15 before the merger of Pernod's and Ricard's IT systems. FY EBIT margin dropped 50bps to 21.7% driven by FX.
- Guidance for 2016/17 is for organic EBIT growth between 2% and 4% (consensus: +3.8%). The group also expects a, improvement of China and Absolut in the US. 2015/16 net debt amounted to EUR8,716m at end-June 2016, down EUR305m, mainly thanks to improved free cash flow (+4% in reported and on a recurring basis. The reported net debt/EBITDA ratio improved from 3.6x to 3.4x. A dividend of EUR1.88 (+4% vs last year) is to be proposed in respect of 2015/16, in line with the customary payout policy of approximately 1/3rd of net profit from recurring operations.

### VALUATION

- Our DCF points to a Fair Value of EUR106.

### NEXT CATALYSTS

- The group will hold its shareholders' meeting on 17<sup>th</sup> November

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	RI FP
Bloomberg	PERP.PA
Reuters	108.9 / 88.3
12-month High / Low (EUR)	27,312
Market Cap (EUR)	35,866
Ev (BG Estimates) (EUR)	493.5
Avg. 6m daily volume (000)	2.8%
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.7%	5.1%	4.9%	-2.2%
Food & Bev.	-1.4%	1.5%	4.9%	0.0%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

YEnd Jun. (EURm)	06/15	06/16e	06/17e	06/18e
Sales	8,558	8,693	8,797	9,089
% change		1.6%	1.2%	3.3%
EBITDA	2,456	2,595	2,583	2,663
EBIT	2,238	2,247	2,249	2,336
% change		0.4%	0.1%	3.9%
Net income	1,329	1,343	1,365	1,443
% change		1.0%	1.6%	5.7%

	06/15	06/16e	06/17e	06/18e
Operating margin	26.2	25.8	25.6	25.7
Net margin	10.1	14.7	14.8	15.2
ROE	6.6	9.1	9.0	9.1
ROCE	8.8	10.9	10.7	10.9
Gearing	67.9	60.0	55.1	50.0

(EUR)	06/15	06/16e	06/17e	06/18e
EPS	4.99	5.04	5.13	5.42
% change	-	1.1%	1.6%	5.7%
P/E	20.6x	20.4x	20.1x	19.0x
FCF yield (%)	4.2%	4.2%	4.1%	4.3%
Dividends (EUR)	1.80	1.83	1.86	1.97
Div yield (%)	1.7%	1.8%	1.8%	1.9%
EV/Sales	4.2x	4.1x	4.0x	3.9x
EV/EBITDA	14.8x	13.8x	13.7x	13.2x
EV/EBIT	16.2x	16.0x	15.7x	15.0x

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SELL ratings 11,3%

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