

1st September 2016

Food & Beverages

## Rémy Cointreau

Price EUR78.23

Some newsflows

Fair Value EUR80 (+2%)

BUY

Rémy Cointreau has launched a private placement of bonds convertible into new shares and/or exchangeable for existing shares due in 2026 for an amount of EUR275m. It has also entered into exclusive negotiations with Luca Bols to create a joint venture for the Passoã brand (passion fruit liqueur).

### ANALYSIS

- Rémy Cointreau has launched a private placement of bonds convertible into new shares and/or exchangeable for existing shares** due in 2026 for an amount of EUR275m. This aims at 1/ refinancing EUR205m in bonds maturing in December 2016 and with a coupon of 5.18%, and 2/ serving the general financing purposes of the company. The conversion ratio is one share per OCEANE and the issue premium is 40%. The OCEANES may be redeemed early at the option of the company from September 2021 if the average share price exceeds 130% of the nominal value of the OCEANES (EUR110.70). They enable Rémy Cointreau to benefit from very low interest rates (0.125%). As a reminder, the group does not have investment grade rating (BB+). The decrease in finance costs would increase our net result estimate by 6%. But the impact on our EPS forecast would be roughly neutral (+0.5%) due to the increase in the number of diluted shares (+2 484 191)
- The group has also entered into exclusive negotiations with Luca Bols to create a joint venture, for the Passoã brand** (passion fruit liqueur). Under the proposed agreement, Rémy Cointreau would contribute all Passoã operations, including trademarks and inventory, while Lucas Bols would contribute both its know-how and expertise in the liqueur and cocktail business, as well as working capital. Lucas Bols would assume operational and financial control of the joint venture. This project forms part of Rémy Cointreau's strategy to premiumise its portfolio. It aims to generate 60-65% of its sales from exceptional spirits by 2019/20 (49% in 2015/16). The transaction is expected to close before the end of 2016.

### VALUATION

- We maintain unchanged our estimates pending discussions with the company. Our DCF currently points to a Fair Value of EUR80.

### NEXT CATALYSTS

- The group will release its Q2 sales on 18th October

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Bloomberg	RCO FP
Reuters	RCOP.PA
12-month High / Low (EUR)	80.4 / 50.9
Market Cap (EURm)	3,813
Ev (BG Estimates) (EURm)	4,257
Avg. 6m daily volume (000)	90.20
3y EPS CAGR	13.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	4.8%	22.8%	18.5%
Food & Bev.	-1.4%	1.5%	4.9%	0.0%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	1,051	1,069	1,133	1,214
% change		1.7%	6.1%	7.1%
EBITDA	200	220	244	270
EBIT	178.4	199.3	221.0	244.9
% change		11.7%	10.9%	10.8%
Net income	110.4	124.5	142.8	160.0
% change		12.8%	14.7%	12.1%

	03/16	03/17e	03/18e	03/19e
Operating margin	17.0	18.7	19.5	20.2
Net margin	10.5	11.6	12.6	13.2
ROE	9.9	11.5	13.5	14.6
ROCE	16.5	17.3	18.0	18.3
Gearing	41.2	41.1	38.1	31.6

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	2.27	2.56	2.93	3.29
% change	-	12.8%	14.7%	12.1%
P/E	34.5x	30.6x	26.7x	23.8x
FCF yield (%)	2.0%	2.7%	3.1%	3.5%
Dividends (EUR)	1.60	1.60	1.60	1.60
Div yield (%)	2.0%	2.0%	2.0%	2.0%
EV/Sales	4.1x	4.0x	3.7x	3.4x
EV/EBITDA	21.4x	19.4x	17.3x	15.4x
EV/EBIT	23.9x	21.4x	19.1x	17.0x



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BUY ratings 72%

NEUTRAL ratings 0%

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