

## Sector View

## Spirits

## LVMH's Q3 sales → what read-across for European spirits groups?

	1 M	3 M	6 M	31/12/15
Food & Bev.	-1.4%	-1.7%	2.2%	-1.8%
DJ Stoxx 600	-1.0%	4.5%	3.1%	-6.5%

\*Stoxx Sector Indices

## Companies covered

CAMPARI	BUY	EUR10,5
DIAGEO	NEUTRAL	2100p
PERNOD RICARD	NEUTRAL	EUR112
REMY COINTREAU	BUY	EUR84

## ANALYSIS

- Yesterday LVMH reported that its Wine & Spirits division increased 4% organically in Q3, implying a deceleration vs Q2 (+13%) and Q1 (+6%). This reflected the basis of comparison (+16% in Q3 2015) and was mainly due to cognac, while the trend in champagne remained globally unchanged. Hennessy volumes only grew 9% over 9M vs +13% in H1. The group mentioned good growth in the US and improved momentum in China. It will provide the individual organic sales growth levels for cognac & spirits and champagne during the conference call due to be held at 3pm CET.
- The slowdown in the Wine & Spirits division should not be extrapolated to European spirits groups. Rémy Cointreau is set to publish its Q2 2016/17 sales on 18th October and should see a return to growth driven by its Cognac division. We expect total sales to rise 3.3% (+5% for Rémy Martin), accelerating vs Q1 (flat), which had been impacted by destocking. The performance by Pernod Ricard which is due to release its Q1 2016/17 sales on 20th October should also improve in China thanks to easy comps (-9% in Q1 2015/16) but is expected to remain in negative territory (an estimated -5%).

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BUY ratings 72%

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SELL ratings 28%

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