

Sector View

Spirits

Feedback from the LVMH conference call

	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 announced during its conference call that sales of cognac & spirits were up 2% in Q3, implying a strong deterioration vs Q2 (+16%) and Q1 (+7%). This was mainly driven by the US which decelerated strongly over the quarter to basically zero (vs +20% in H1). The comparison base was unfavourable and the end of the Grand Marnier distribution contract represented a loss of 12%. In China, the group's VSOP depletions continued to enjoy single-digit growth, globally in line with H1, but XO moderated.
- This release confirms the recovery of the Chinese cognac market. On July 20th, Rémy Cointreau reported an improvement in underlying consumption that surprised us positively. Value depletions were up mid single digits in Q1 2016/17, whereas they were flat in 2015/16. Sales were posting double-digit declines, but this was only due to some destocking after price increases. They should return to growth in Q2. Pernod Ricard's cognac value depletions were roughly stable in 2015/16. But Scotch continue to experience double-digit declines, dragging down the group's performance in China.

NEXT CATALYSTS

- Rémy Cointreau: Q2 2016/17 sales on October 18th
- Pernod Ricard: Q1 2016/17 sales on October 20th

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Distribution of stock ratings

BUY ratings 57,1%

NEUTRAL ratings 31,2%

SELL ratings 11,7%

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