

20th October 2016

Food & Beverages

Pernod Ricard

Price EUR104.40

Good start to the year

Fair Value EUR112 (+7%)

NEUTRAL

Sales rose 1% to EUR2248m (consensus: EUR2,240m and our estimate: EUR2,221m) in Q1 2016/17. Organic sales growth stood at 4% (consensus: +2.7% and our estimate: +2%), implying a strong improvement vs Q4 2015/16 (-0.7%) which was driven by Americas and Europe. The group reiterated its objective for organic EBIT growth of 2-4% in 2016/17.

ANALYSIS

- The group's sales rose 1% to EUR2248m (consensus: EUR2240m and our estimate: EUR2221m) in Q1 2016/17. Organic sales growth stood at 4% (consensus: +2.7% and our estimate: +2%), implying an improving trend vs Q4 2015/16 which was driven by Americas and Europe. By region:
 - ✓ **Asia/ROW (40% of group's sales):** Organic sales grew 1% (consensus: +2.5%), accelerating vs Q4 2015/16 (-1.9%) mainly due to an improvement in China.
 - ✓ **Americas (28% of group's sales):** Organic sales only increased 8% (consensus: +2.8%) thanks to a good performance in the US, which was not completely offset by tough comps in Brazil.
 - ✓ **Europe (32% of group's sales):** The region posted 6% organic sales growth (consensus: +2%), which was a strong acceleration vs Q4 2015/16 (+1.1%). This mainly reflected a positive technical effect in France (12 weeks of sales vs 10 in Q1 2015/16).
- The group reiterated its target for organic EBIT growth of 2-4% in 2016/17. Our estimate calls for +3.2%. We maintain our estimates before the conference call at 9am CET.

VALUATION

- Our DCF still points to a Fair Value of EUR112.

NEXT CATALYSTS

- 8th November : 9M 2016 sales of Campari, Q3 2016 sales of MBWS
- 17th November: Shareholders' meeting of Pernod Ricard

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	RI FP
Bloomberg	PERP.PA
Reuters	108.9 / 91.6
12-month High / Low (EUR)	27,710
Market Cap (EURm)	36,021
Ev (BG Estimates) (EURm)	476.0
Avg. 6m daily volume (000)	6.0%
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.3%	4.8%	4.6%	-0.8%
Food & Bev.	0.2%	-2.3%	0.9%	-1.7%
DJ Stoxx 600	0.5%	0.4%	-1.2%	-7.1%

YEnd Jun. (EURm)	06/16	06/17e	06/18e	06/19e
Sales	8,682	8,855	9,168	9,556
% change		2.0%	3.5%	4.2%
EBITDA	2,494	2,571	2,680	2,823
EBIT	2,277	2,350	2,451	2,584
% change		3.2%	4.3%	5.4%
Net income	1,380	1,444	1,537	1,642
% change		4.6%	6.4%	6.8%

	06/16	06/17e	06/18e	06/19e
Operating margin	26.2	26.5	26.7	27.0
Net margin	14.2	15.6	16.1	16.5
ROE	9.3	9.7	9.8	9.8
ROCE	6.7	11.3	11.5	11.8
Gearing	64.5	57.8	51.6	45.5

(EUR)	06/16	06/17e	06/18e	06/19e
EPS	5.20	5.44	5.79	6.18
% change	-	4.6%	6.4%	6.8%
P/E	20.1x	19.2x	18.0x	16.9x
FCF yield (%)	4.3%	4.7%	4.8%	4.9%
Dividends (EUR)	1.88	1.97	2.08	8.41
Div yield (%)	1.8%	1.9%	2.0%	8.1%
EV/Sales	4.2x	4.1x	3.9x	3.7x
EV/EBITDA	14.6x	14.0x	13.3x	12.5x
EV/EBIT	16.0x	15.3x	14.5x	13.6x



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