

Rémy Cointreau

Price EUR75.01

Sharp acceleration in sales trend

Fair Value EUR84 (+12%)

BUY-Top Picks

Q2 2016/17 sales increased 6.2% to EUR294.8m, 4% above expectations (consensus: EUR284m and our estimate: EUR283m). The group posted 7.4% organic sales growth (consensus: +4.3% and our estimate: +3.3%), implying a strong improvement vs Q1 (flat sales), driven by Cognac and Liqueurs & Spirits. These two divisions were impacted in the previous quarter by some destocking following a global hike in prices at the beginning of 2016/17

ANALYSIS

- Q2 2016/17 sales increased 6.2% to EUR294.8m, 4% above expectations (consensus: EUR284m and our estimate: EUR283m). The group posted 7.4% organic sales growth (consensus: +4.3% and our estimate: +3.3%), implying a strong improvement vs Q1 (flat sales), driven by Cognac and Liqueurs & Spirits. These two divisions were impacted in the previous quarter by some destocking following a global hike in prices at the beginning of 2016/17. By division:
- Cognac** (62% of group's sales): Q2 organic sales grew 9.3% (consensus: +6% and our estimate: +5%), accelerating vs Q1 (-0.5%) thanks to a 1/ return to growth in Greater China (marketing initiatives on Louis XIII) and a 2/ strong performance in the United States fuelled by the intermediary product *1738 Accord Royal*.
- Liqueurs & Spirits** (26% of group's sales): Sales increased 10.1% organically in Q2 (consensus: +5% and our estimate: +3%) after -0.8% in Q1. The improved performance reflected a lack of negative technical effects that impacted the previous quarter (timing of Easter and destocking). The group reported good growth at Cointreau, Metaxa and the Islay Spirits, only partly offset by the decline at Mount Gay and St-Rémy as a result of the upscaling process.
- Partner brands** (12% of group's sales): On an organic basis, sales fell 10.7% (consensus: -8% and our estimate: -7%) over the quarter because of the loss of the distribution contract for the EPI champagne brands in France, Benelux and Travel Retail. But sales of other partner brands continued to enjoy a healthy momentum.
- Outlook:** The group confirmed its aim to achieve growth in EBIT at constant FX and scope. The conference call at 9am CET should provide some colour concerning consumption trends in China, in particular during the Mid-Autumn festival. In Q1 2016/17, value depletions were up mid single digit while they were flat in 2015/16.

VALUATION

- We maintain our estimates before the conference call. Our DCF points to a Fair Value of EUR84. At yesterday's share price, the stock is trading at 20.2x EV/EBIT 2016/17e and 18.1x EV/EBIT 2017/18e, 14% and 13% above the average of the European spirits groups. This compares to a 10-year historical premium vs the peers of 18%.

NEXT CATALYSTS

- Pernod Ricard is due to publish its Q1 2016/17 sales on 20th October

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Bloomberg	RCO FP
Reuters	RCOP.PA
12-month High / Low (EUR)	80.4 / 58.1
Market Cap (EUR)	3,727
Ev (BG Estimates) (EUR)	4,181
Avg. 6m daily volume (000)	90.60
3y EPS CAGR	13.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.0%	-3.1%	9.4%	13.6%
Food & Bev.	-0.9%	-3.0%	-0.2%	-2.5%
DJ Stoxx 600	-0.1%	-0.1%	-1.6%	-7.8%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	1,051	1,076	1,140	1,232
% change		2.4%	6.0%	8.1%
EBITDA	200	227	252	284
EBIT	178.4	206.6	229.4	258.4
% change		15.8%	11.0%	12.6%
Net income	110.4	127.9	150.4	171.2
% change		15.9%	17.6%	13.8%

	03/16	03/17e	03/18e	03/19e
Operating margin	17.0	19.2	20.1	21.0
Net margin	10.5	11.9	13.2	13.9
ROE	9.9	12.0	14.4	16.0
ROCE	16.5	17.3	18.0	18.3
Gearing	41.2	42.4	40.2	34.0

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	2.27	2.50	2.94	3.35
% change	-	10.2%	17.6%	13.8%
P/E	33.1x	30.0x	25.5x	22.4x
FCF yield (%)	2.1%	2.5%	3.0%	3.5%
Dividends (EUR)	1.60	1.60	1.60	1.60
Div yield (%)	2.1%	2.1%	2.1%	2.1%
EV/Sales	4.0x	3.9x	3.6x	3.3x
EV/EBITDA	21.0x	18.4x	16.4x	14.4x
EV/EBIT	23.5x	20.2x	18.1x	15.8x

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