

INDEPENDENT RESEARCH
UPDATE

23 novembre 2016

Agro-Alimentaire & Boissons

Bloomberg	DGE LN
Reuters	DGE.L
+Haut /+Bas 12 mois (p)	2 268 / 1 745
Capitalisation Boursière (MGBP)	50 448
Valeur d'Entreprise	58 168
Volume moyen 6 mois (000 actions)	4 948
Flottant	99,9%
TMVA BPA (3 ans)	11,0%
Gearing (06/16)	17%
Rendement (06/17e)	3,10%

Fin Juin	06/16	06/17e	06/18e	06/19e
C. d'affaires (MGBP)	10 485	11 969	12 564	13 177
EBIT(MGBP)	3 008	3 590	3 848	4 080
BPA Publié (p)	89,39	103,98	113,90	122,34
BPA dilué (p)	89,04	103,57	113,45	121,86
EV/CA	5,63x	4,86x	4,58x	4,30x
EV/EBITDA	17,8x	14,5x	13,2x	12,1x
EV/EBIT	19,6x	16,2x	14,9x	13,9x
P/E	22,5x	19,4x	17,7x	16,5x
ROCE	12,1	13,8	14,5	15,2

Cours et données arrêtés au 21 novembre



Diageo

Une amélioration de la trajectoire

Fair Value 2150p vs. 2200p (cours 2 005p)

NEUTRE

Notre opinion est que l'amélioration graduelle de la performance opérationnelle se trouve déjà reflétée dans le cours. Nous maintenons notre recommandation Neutre mais nous abaissons notre Fair Value à 2150p du fait des changes.

■ **Une accélération graduelle de la croissance.** Les ventes de Diageo devraient augmenter de 3,5% en organique cette année après +2,8% en 2015/16. Cela reflète une amélioration de tendance sur les principaux marchés du groupe hormis la zone Europe/Russie/Turquie qui est attendue en hausse de seulement 2,8%. La bonne performance de l'année dernière (+3,9% en 2015/16) avait été stimulée par des hausses de prix significatives en Russie. Le groupe devrait continuer de sous-performer aux Etats-Unis. Nous estimons que les ventes dans le pays devraient croître de 3,5% dans un marché en hausse de 4%. L'environnement reste par ailleurs difficile dans les pays émergents. L'Afrique, l'Amérique latine/Caribes et l'Asie Pacifique devraient afficher une progression respective de 4%, 3,8% et 4% cette année, bien en-dessous des tendances historiques.

■ **Une amélioration limitée de la marge opérationnelle courante.** En 2016/17, la marge opérationnelle courante devrait croître de 120pbs en publié grâce aux effets change mais de seulement 14pbs en organique. En cause les dépenses liées au programme d'économies de coûts de GBP500m qui doit être réalisé via la mise en place d'un budget base zéro, d'un Revenue Management et de gains d'efficacité au chapitre des frais généraux et de publicité. Le premier semestre devrait montrer un repli organique de la marge opérationnelle courante de 14pbs.

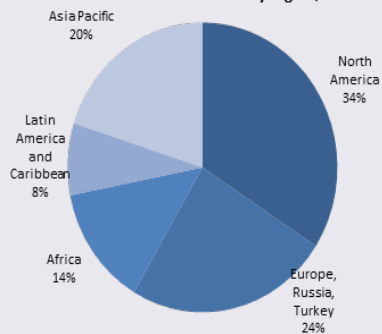
■ **Neutre, Fair Value: 2150p.** L'amélioration de la trajectoire nous semble bien valorisée. Au cours d'avant-hier soir, le titre traite sur un EV/EBIT 2016/17^e de 16,2x, 9% au-dessus de son pair le plus proche Pernod Ricard. Nous maintenons notre recommandation Neutre mais nous abaissons notre Fair Value à 2150p du fait des changes.



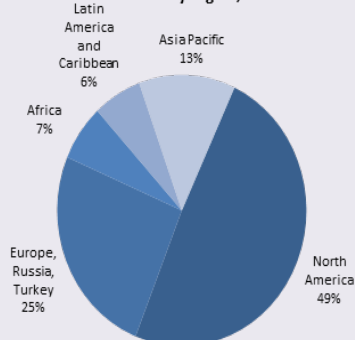
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Net sales breakdown by region, 2015-16



EBIT breakdown by region, 2015-16



Activités

Fondé en 1997, suite à la fusion de GrandMet et Guinness, Diageo est le leader mondial des boissons alcoolisées avec un portefeuille de marques renommées, de spiritueux mais aussi de vins et de bière. Basée à Londres, la société est cotée à la bourse de Londres et de New York.

Simplified Profit & Loss Account (GBPm)	30/06/14	30/06/15	30/06/16	30/06/17e	30/06/18e	30/06/19e
Net sales	10 258	10 813	10 485	11 969	12 564	13 177
Change (%)	-9,2%	5,4%	-3,0%	14,2%	5,0%	4,9%
Organic change (%)	0,4%	0,0%	2,8%	3,5%	4,2%	4,9%
Gross profit	6 252	6 228	6 234	7 229	7 614	8 011
Adjusted EBITDA	3 478	3 437	3 323	4 009	4 351	4 673
Marketing expenses	-1 769	-1 620	-1 629	-1 562	-1 759	-1 847
Adjusted EBIT	3 134	3 066	3 008	3 590	3 848	4 080
Change (%)	-9,9%	-2,2%	-1,9%	19,3%	7,2%	6,0%
Financial results	-388	-412	-327	-343	-280	-240
Pre-Tax profits	2 711	2 933	2 858	3 472	3 803	4 085
Tax	-447	-466	-496	-729	-799	-858
Profits from associates	252	175	221	225	235	245
Minority interests	-67,0	86,0	118	135	148	159
Net profit	2 181	2 467	2 362	2 743	3 005	3 227
Restated net profit	2 394	2 225	2 242	2 608	2 857	3 068
Change (%)	-7,2%	-7,1%	0,8%	16,3%	9,5%	7,4%
Cash Flow Statement (GBPm)						
Operating cash flows	2 707	2 797	2 841	3 590	3 848	4 080
Change in working capital	-597	117	-53,0	-204	-204	-210
Capex, net	-562	-586	-449	-600	-628	-659
Financial investments, net	-673	-722	-639	-899	-906	-925
Dividends	-1 228	-1 341	-1 443	-1 491	-1 565	-1 643
Net debt	8 850	9 527	8 635	7 720	7 071	6 235
Free Cash flow	1 235	1 963	2 097	1 906	2 213	2 480
Balance Sheet (GBPm)						
Tangible fixed assets	3 433	3 690	3 881	3 850	3 733	3 513
Intangibles assets	7 891	11 231	12 370	12 617	12 870	13 127
Cash & equivalents	622	472	1 089	-454	-217	-341
current assets	7 469	7 670	8 852	7 987	8 619	8 902
Other assets	6 982	6 431	6 180	7 693	7 340	7 245
Total assets	22 964	25 804	28 491	27 844	28 611	28 932
L & ST Debt	9 214	9 838	10 129	6 505	6 093	5 133
Others liabilities	6 160	6 710	8 182	8 778	9 091	9 413
Shareholders' funds	7 590	9 256	10 180	12 561	13 426	14 386
Total Liabilities	15 374	16 548	18 311	15 283	15 184	14 546
Capital employed	15 245	18 987	20 144	20 564	20 903	21 150
Ratios						
Gross margin	60,95	57,60	60,20	60,40	60,60	60,80
Marketing expenses as % of sales	15,79	15,07	14,90	14,70	14,70	14,70
Operating margin	30,55	28,35	28,69	29,99	30,63	30,97
Effective tax rate	16,49	15,89	17,35	21,00	21,00	21,00
Net margin	21,26	22,82	22,53	22,92	23,91	24,49
ROE (after tax)	31,54	24,04	22,02	20,76	21,28	21,33
ROCE (after tax)	13,70	12,30	12,10	13,79	14,54	15,24
Gearing	17,33	18,65	16,90	15,11	13,84	12,20
Pay out ratio	54,36	63,80	66,49	60,02	57,53	56,24
Number of shares, diluted	2 517	2 517	2 518	2 518	2 518	2 518
Data per Share (GBP)						
Basic EPS	95,53	88,82	89,39	104	114	122
Diluted EPS	95,11	88,40	89,04	104	113	122
% change	-7,2%	-7,1%	0,7%	16,3%	9,5%	7,4%
BVPS	302	368	404	499	533	571
Operating cash flows	107	137	133	158	164	176
FCF	49,07	77,99	83,28	75,70	87,90	98,49
Net dividend	51,70	56,40	59,20	62,16	65,27	68,53

Source: Company Data; Bryan, Garnier & Co ests.

1. Une accélération graduelle de la croissance

Les ventes de Diageo devraient augmenter de 3,5% en organique cette année après +2,8% en 2015/16. Cela reflète une amélioration de tendance sur les principaux marchés du groupe hormis la zone Europe/Russie/Turquie qui est attendue en hausse de seulement 2,8%. La bonne performance de l'année dernière (+3,9% en 2015/16) avait été stimulée par des hausses de prix significatives en Russie. Le groupe devrait continuer de sous-performer aux Etats-Unis. Nous estimons que les ventes dans le pays devraient croître de 3,5% dans un marché en hausse de 4%. L'environnement reste par ailleurs difficile dans les pays émergents. L'Afrique, l'Amérique latine/Caraïbes et l'Asie Pacifique devraient afficher une progression respective de 4%, 3,8% et 4% cette année, bien en-dessous des tendances historiques.

Fig. 1: Ventes – estimations

GBPm	2015/16	2016/17e	2017/18e	2018/19e
GROUP				
Sales	10 485	11 969	12 564	13 177
Reported variation	-3.0%	14.2%	5.0%	4.9%
Organic variation	2.8%	3.5%	4.2%	4.9%
FX variation	-1.6%	13.3%	0.8%	0.0%
Perimeter variation	-3.0%	-2.7%	0.0%	0.0%
NORTH AMERICA				
Sales	3 565	4 152	4 385	4 582
Reported variation	3.2%	16.5%	5.6%	4.5%
Organic variation	2.8%	3.5%	4.0%	4.5%
EUROPE				
Sales	2 544	2 813	2 888	2 990
Reported variation	-2.8%	10.6%	2.7%	3.5%
Organic variation	3.9%	2.8%	3.0%	3.5%
AFRICA				
Sales	1 401	1 518	1 612	1 709
Reported variation	-0.8%	8.3%	6.2%	6.0%
Organic variation	2.6%	4.0%	5.0%	6.0%
LATAM				
Sales	863	966	1 014	1 074
Reported variation	-16.3%	11.9%	4.9%	6.0%
Organic variation	0.6%	3.8%	5.0%	6.0%
ASIA-PACIFIC				
Sales	2 076	2 485	2 629	2 787
Reported variation	-6.2%	19.7%	5.8%	6.0%
Organic variation	1.5%	4.0%	5.0%	6.0%
CORPORATE				
Sales	36	36	36	36

Source: Diageo, Bryan, Garnier & Co

2. Une progression limitée de la marge opérationnelle courante

En 2016/17, la marge opérationnelle courante devrait croître de 120pbs en publié grâce aux effets change mais de seulement 14pbs en organique. En cause les dépenses liées au programme d'économies de coûts de GBP500m qui doit être réalisé via la mise en place d'un budget base zéro, d'un Revenue Management et de gains d'efficacité au chapitre des frais généraux et de publicité. Le premier semestre devrait afficher un repli organique de la marge opérationnelle courante de 14pbs.

Fig. 2: ROP – estimations

GBPm	2015/16	2016/17e	2017/18e	2018/19e
GROUP				
EBIT	3008	3590	3848	4080
Reported variation	-1.6%	19.3%	7.2%	6.0%
Margin	28.7%	30.0%	30.6%	31.0%
Reported variation in bp	33	130	64	34
Organic variation in bps	19	14	58	34
NORTH AMERICA				
EBIT	1551	1880	2005	2116
Reported variation	7.1%	21.2%	6.6%	5.5%
Margin	43.5%	45.3%	45.7%	46.2%
Reported variation in bp	160	179	44	44
EUROPE, RUSSIA, TURKEY				
EBIT	801	937	985	1030
Reported variation	-0.4%	14.3%	3.7%	4.5%
Margin	31.5%	32.6%	32.9%	33.2%
Reported variation in bp	76	108	32	32
AFRICA				
EBIT	212	233	250	267
Reported variation	-33.3%	9.8%	7.3%	7.0%
Margin	15.1%	15.3%	15.5%	15.6%
Variation in bp	-734	20	15	15
LAC				
EBIT	199	220	231	246
Reported variation	-24.3%	10.5%	4.9%	6.5%
Margin	23.1%	22.8%	22.8%	22.9%
Variation in bp	-240	-29	0	11
ASIA-PACIFIC				
EBIT	395	513	559	604
Reported variation	11.0%	29.9%	9.0%	8.0%
Margin	19.0%	20.7%	21.3%	21.7%
Variation in bp	294	163	63	40
CORPORATE				
EBIT	-150	-173	-147	-147

Source: Diageo, Bryan, Garnier & Co

3. Valorisation

Fig. 3: DCF (1/2)

GBPm	2016/17e	2017/18e	2018/19e	2019/20e	2020/21e	2021/22e	2022/23e	2023/24e	2024/25e	2025/26e
Sales	11 969	12 564	13 177	13 858	14 617	15 315	15 939	16 477	16 917	17 251
% reported	14.2%	5.0%	4.9%	5.2%	5.5%	4.8%	4.1%	3.4%	2.7%	2.0%
EBIT	3 590	3 848	4 080	4 305	4 556	4 773	4 967	5 135	5 272	5 376
EBIT margin	30.0%	30.6%	31.0%	31.1%	31.2%	31.2%	31.2%	31.2%	31.2%	31.2%
-Income taxes	-729	-799	-858	-904	-957	-1002	-1043	-1078	-1107	-1129
+Depreciation	419	503	593	643	699	753	807	857	903	863
as % of sales	3.5%	4.0%	4.5%	4.6%	4.8%	4.9%	5.1%	5.2%	5.3%	5.0%
+change in WC	-204	-204	-210	-220	-233	-244	-254	-262	-269	-274
as % of sales	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Operating cash flows	3 076	3 349	3 606	3 824	4 065	4 281	4 477	4 651	4 799	4 836
-Capex	-600	-628	-659	-693	-731	-766	-797	-824	-846	-863
as % of sales	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Free cash flows	2 476	2 720	2 947	3 131	3 334	3 515	3 680	3 828	3 954	3 973
Discount coefficient	0.93	0.87	0.81	0.76	0.70	0.66	0.61	0.57	0.53	0.50
Discounted FCF	2 309	2 365	2 389	2 366	2 349	2 309	2 254	2 186	2 105	1 973

Fig. 4: DCF (2/2)

Sum of discounted cash flows	22 605
+Terminal Value	38 728
+Financial assets	3 443
-Net debt	-8 635
-Minorities	-1 650
-Provisions	-390
Equity Value	54 101
Number of shares	2518
Fair Value	2150

Source of all tabs: Diageo, Bryan, Garnier & Co

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NEUTRAL ratings 32,5%

SELL ratings 11,5%

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