BRYAN, GARNIER & CO

INDEPENDENT RESEARCH

7th December 2016

Beverages

Our takeaways from the Consumer Conference

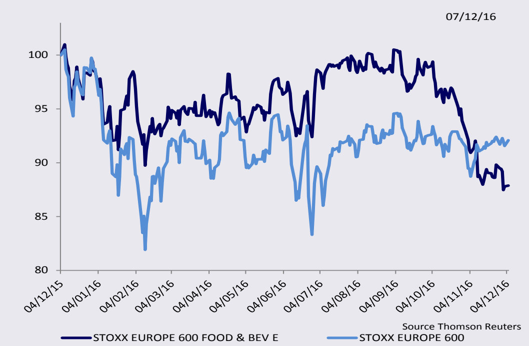
Food & Beverages

ROYAL UNIBREW		NEUTRAL	FV DKK306
Bloomberg	RBREW DC	Reuters	RBREW.CO
Price	DKK254,4	High/Low	334/248,1
Market cap.	DKK13,763m	Enterprise Val	DKK13,832m
PE (2016e)	17.6x	EV/EBIT (2016e)	14.2x

PERNOD RICARD		BUY	FV EUR115
Bloomberg	RI FP	Reuters	PERP.PA
Price	EUR97,62	High/Low	110,25/91,58
Market Cap.	EUR25,910m	Enterprise Val	EUR34,194m
PE (2016e)	17.4x	EV/EBIT (2016e)	14.3x

REMY COINTREAU		BUY	FV EUR85
Bloomberg	RCO FP	Reuters	RCOP.PA
Price	EUR78,16	High/Low	80,42/58,14
Market Cap.	EUR3,884m	Enterprise Val	EUR4,319m
PE (2016e)	31.9x	EV/EBIT (2016e)	20.6x

MBWS		NEUTRAL	FV EUR17,1
Bloomberg	MBWS FP	Reuters	MBWS.PA
Price	EUR15,01	High/Low	20,27/14,92
Market Cap.	EUR425m	Enterprise Val	EUR-23,392m
PE (2016e)	NS	EV/EBIT (2016e)	-2.0x



- **Royal Unibrew: delivering operational performance.** After seven years of restructuring, streamlining and M&A, the company is on a solid footing (and a share price that has risen x30 from the depths in 2009) and ready for new challenges (i.e. acquisitions). In the meantime, the company is putting in place the levers to continue to deliver operational excellence. This year the company has been the most active since 20 years in bringing new products to the market.

- **MBWS: focused on its strategic plan**. The group aims at generating EUR450-500m of sales in 2018 thanks to initiatives taken on pillar brands. In terms of EBITDA, it is targeting EUR67-75m not only because of growth but also rationalisation and optimisation efforts.

- **Pernod Ricard**: **China improving**. The group targets an improvement in China this year, mainly driven by Cordon Bleu. In Q1 2016/17 sales were only down 1% with Martell +3%. This follows a drop of 9% in 2015/16. Despite some slowdown, the group said that the trend remains solid in the US at +4%. This year it should grow in line with the spirits market. The negative is clearly India where the liquidity crisis is causing a significant slowdown. The group is targeting 8% organic sales growth in the country in 2016/17 but we believe it may adjust this downwards when it releases its H1 results on February 9th.

- **Rémy Cointreau: an ideal positioning.** The US, representing 35% of sales, is posting very robust growth rates. Value depletions have increased by 13% in the last twelve months, mainly driven by cognac whose consumption has changed from being emblematic of a community to a generational symbol. China is also showing very marked signs of an improvement. The company reported 5% growth in its Chinese value depletions in the first half of the year, representing a significant acceleration after the flat outcome in 2015/16.

Analyst:
Virginie Roumage
33(0) 1.56.68.75.22
vroumage@bryangarnier.com

Nikolaas Faes
33(0) 6.11.12.44.44
nfaes@bryangarnier.com

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1. Royal Unibrew

After seven years of restructuring, streamlining and M&A, the company is on a solid footing (and a share price that has risen x30 from the depths in 2009) and ready for new challenges (i.e. acquisitions). In the meantime, the company is putting in place the levers to continue to deliver operational excellence. This year the company has been the most active since 20 years in bringing new products to the market.

- **Full beverages portfolio in Denmark, Finland and the Baltic countries:** Mixing beer and soft drink volumes allow for scale benefits in the back office, sales and distribution. The company has its own brands in both categories, which are supplemented with third-party international brands from Heineken and PepsiCo. Just over half of the volume is beer.

- **Turnaround achieved – accelerating product launches**: Current management has dramatically improved profitability with an EBIT margin of 15.2%, up from 3.2% in 2008. Future value creation will increasingly be dependent on the company's ability to keep growing the top-line (new product launches) which in itself will become more difficult as gaining share from the discount segment is becoming increasingly difficult.

- **Learn from craft to improve mainstream profitability further**: Royal Unibrew has launched various craft beers and this is set to accelerate in 2017 with its new microbrewery set-up. The biggest benefit will come from taking "craft" knowledge and applying it to national brands as "crafty" line extensions demand a 20 to 30 per cent price premium.

- **Long-term outlook confirmed:** The company confirmed its long-term target for an EBIT margin of 15%, which implies no upside from the 15.2% that the company achieved in 2015. However, that is well ahead of what Carlsberg (13.7%) and Heineken (11.7%) are able to generate in Western Europe and close to AB InBev's European margin of 18.6%.

- **Returning more cash than net profit – desperate for new acquisitions:** As the net debt/EBITDA ratio reached 1.0 at the end of 2015, the company is accelerating its share buy-back programme to DKK450m. Including dividends, the company will pay back DKK876m this year, which is more than its net profit. This situation is likely to continue as long as the company does not find new acquisition targets.

Royal Unibrew

Simplified Profit & Loss Account (DKKm)	2013	2014	2015	2016e	2017e	2018e
Revenues	4,481	6,056	6,032	6,386	6,395	6,508
Change (%)	*30,6%*	*35,1%*	*-0,4%*	*5,9%*	*0,1%*	*1,8%*
Adjusted EBITDA	732	1,130	1,225	1,285	1,311	1,348
EBIT	560	876	917	975	1,000	1,038
Change (%)	*15,4%*	*56,5%*	*4,6%*	*6,3%*	*2,6%*	*3,8%*
Financial results	(45,3)	(60,4)	(45,7)	(38,1)	(38,1)	(39,6)
Pre-Tax profits	514	816	871	937	962	998
Exceptionals	0,0	0,0	0,0	0,0	0,0	0,0
Tax	(68,7)	(176)	(191)	(198)	(204)	(211)
Profits from associates	33,6	34,8	31,1	32,0	33,0	33,9
Minority interests	0,0	0,0	0,0	0,0	0,0	0,0
Net profit	479	674	711	770	792	821
Restated net profit	480	662	711	770	792	821
Change (%)	*31,3%*	*38,0%*	*7,5%*	*8,3%*	*2,8%*	*3,7%*
Cash Flow Statement (DKKm)						
Operating cash flows	735	1,140	1,235	1,285	1,311	1,348
Change in working capital	90,9	(34,2)	169	(88,3)	1,3	16,1
Capex, net	(75,0)	(95,5)	(155)	(47,7)	(237)	(241)
Financial investments, net	(2,837)	2,0	5,3	0,0	0,0	0,0
Dividends	(242)	0,0	(374)	(426)	(437)	(453)
Other	348	(186)	(508)	(654)	(709)	(717)
Net debt	(1,980)	826	372	69,2	(70,5)	(46,6)
Free Cash flow	623	824	1,032	945	867	907
Balance Sheet (DKKm)						
Tangible fixed assets	2,709	2,570	2,438	2,176	2,102	2,032
Intangibles assets	2,944	2,941	2,920	2,920	2,920	2,920
Cash & equivalents	244	491	333	333	333	333
current assets	879	868	909	962	964	981
Other assets	148	153	147	147	147	147
Total assets	6,925	7,024	6,748	6,538	6,466	6,413
L & ST Debt	2,623	2,044	1,517	1,448	1,518	1,565
Others liabilities	2,168	2,161	2,296	2,261	2,263	2,296
Shareholders' funds	2,133	2,818	2,935	2,830	2,684	2,552
Total Liabilities	6,925	7,024	6,748	6,538	6,466	6,413
Capital employed	4,837	4,691	4,373	4,199	4,124	4,038
Ratios						
Operating margin	12,50	13,64	15,20	15,26	15,64	15,95
Tax rate	12,53	22,04	21,15	21,15	21,15	21,15
Net margin	10,70	10,93	11,79	12,06	12,38	12,62
ROE (after tax)	22,48	23,48	24,24	27,23	29,50	32,18
ROCE (after tax)	17,18	17,34	20,23	22,74	24,04	25,44
Gearing	112	55,09	40,34	39,40	44,16	48,27
Pay out ratio	0,0	58,66	57,27	57,14	57,14	57,14
Number of shares, diluted	55,49	55,49	55,02	53,37	51,54	49,71
Data per Share (DKK)						
EPS	8,64	12,15	12,93	14,44	15,36	16,52
Restated EPS	8,64	11,92	12,93	14,44	15,36	16,52
% change	*25,1%*	*38,0%*	*8,5%*	*11,6%*	*6,4%*	*7,5%*
EPS bef. GDW	8,64	11,92	12,93	14,44	15,36	16,52
BVPS	37,24	51,06	53,64	53,32	52,38	51,64
Operating cash flows	13,25	20,54	22,45	24,08	25,43	27,12
FCF	11,23	14,85	18,75	17,70	16,82	18,24
Net dividend	0,0	4,90	5,18	5,77	6,14	6,61

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

2. Pernod Ricard: China improving

Dynamism in the US spirits market. The group said that the trend has been slightly decelerating recently in the US (19% of group's sales) but remains solid at +4%. Pernod Ricard expects to grow in line with the market this year. Although remaining in negative territory, Absolut is showing signs of an improvement, value depletions having declined by only 2% in 2015/16 following a 4% fall in 2014/15. The mid-term objective is to stabilise the brand. Of note, Absolut Blue is already almost stable. The brand is key for Pernod Ricard as it increases its size in the US, is a source of cash and improves the company's visibility. Brand equity is of utmost importance for the premium vodka market in the US. This explains the success of Tito's which rose by 50% on average in volume over the past five years. Jameson remains the main growth driver, in the US, accounting for 25% of the sales in the country. The group is investing behind Absolut Elyx, tequila and cognac so that they become growth drivers when Jameson slows down. Pernod Ricard reminded that the new president Mr Trump has not formulated any precise ideas regarding alcohol but, theoretically, his election could jeopardise the lifting of the embargo against Cuba and, consequently, the sale of Havana Club in the US. The positive could be a cut in taxes and an increase in purchasing power.

An improvement in China. Cognac is posting a better trend than whiskeys that continue to be down by around 20%. Contrary to its competitors, the company remains highly exposed to this category which represents 15% of its sales in the country. It continues to target an improvement in China this year, mainly driven by Cordon Bleu. In Q1 2016/17, sales only dropped 1% after -9% in 2015/16. This includes +3% for Martell. The group is intensifying its investment in premium brands in its Chinese portfolio, namely Absolut, Ballantine's Finest and Jameson. This strategy is in response to a normalisation of the Chinese market, implying a reduction in the weight of super premium and prestige and a corresponding increase in premium resulting from the rise of the middle class.

Slowdown in India. The government's decision to declare 500 and 1000 rupee bank notes invalid overnight is causing a significant sales decline in the country (10% of group's sales) driven by: 1/ lower consumer spending due to limited availability of cash and some down-trading, and 2/ trade disruption, particularly in wholesale where the lack of cash may lead to defaults on payments. Pernod Ricard is currently anticipating 8% organic sales growth in India this year and we believe it will probably revise its guidance downwards when it releases its H1 2016/17 results on February 9th. Over the year, the group is targeting 2-4% organic EBIT growth at the group level (our current estimate: +3.3%) and, for the moment, we believe it should be able to reach this even if the sales decline continued over the rest of 2016/17. The liquidity crisis is now a much more significant risk than GST which is due to come into force in April 2017 and is unlikely to have a negative impact before 2017/18. Spirits have been excluded, but not their inputs. Consequently, Pernod Ricard and its competitors in India will continue to suffer from tax inefficiencies, while facing an increase in input costs. The group is currently lobbing for: 1) its input, the grain neutral spirit, to be excluded from the GST, and/or 2) its retail prices to be increased.

Pernod Ricard

Simplified Profit & Loss Account (EURm)	30/06/14	30/06/15	30/06/16	30/06/17e	30/06/18e	30/06/19e
Revenues	7,945	8,558	8,682	8,899	9,253	9,673
Change (%)	*-7,3%*	*7,7%*	*1,4%*	*2,5%*	*4,0%*	*4,5%*
Gross Profit	4,987	5,296	5,339	5,464	5,691	5,997
Contribution after A&P	3,484	3,453	3,473	3,577	3,729	3,937
Adjusted EBITDA	2,421	2,456	2,494	2,612	2,748	2,897
Recurring EBIT	2,056	2,238	2,277	2,390	2,517	2,655
Change (%)	*-7,8%*	*8,9%*	*1,7%*	*5,0%*	*5,3%*	*5,5%*
Financial results	(485)	(489)	(432)	(390)	(355)	(340)
Pre-Tax profits	1,332	1,100	1,663	1,900	2,062	2,215
Tax	(305)	(221)	(409)	(457)	(498)	(536)
Minority interests / Discontinued operations	(11,0)	(18,0)	(20,0)	(21,0)	(21,0)	(21,0)
Net profit group share	1,016	861	1,234	1,421	1,543	1,658
Restated net profit group share	1,185	1,329	1,380	1,486	1,608	1,723
Change (%)	*-3,4%*	*12,2%*	*3,8%*	*7,7%*	*8,2%*	*7,1%*
Cash Flow Statement (EURm)						
Operating cash flows	2,263	2,466	2,529	2,590	2,711	2,878
Change in working capital	319	192	211	128	164	225
Capex, net	274	313	337	311	278	290
Financial investments / tax paid	831	807	781	847	853	876
Dividends	448	461	497	499	538	579
Other(s)	351	(913)	(260)	27,0	0,0	0,0
Net debt	8,352	9,020	8,715	8,284	7,806	7,298
Free Cash flow	839	1,154	1,200	1,304	1,417	1,487
Balance Sheet (EURm)						
Tangible fixed assets	2,593	2,933	3,233	3,334	3,436	3,538
Intangibles assets	16,449	17,706	17,572	17,923	18,282	18,648
Cash & equivalents	503	595	577	124	602	1,110
current assets	6,646	7,419	7,282	7,010	7,719	8,540
Other assets	1,928	2,339	2,511	2,480	2,455	2,431
Total assets	27,616	30,397	30,598	30,747	31,892	33,156
L & ST Debt	8,893	9,510	9,362	8,638	8,638	8,633
Others liabilities	6,945	7,600	7,730	7,897	8,080	8,287
Shareholders' funds	11,778	13,288	13,506	14,212	15,174	16,236
Total Liabilities	15,838	17,110	17,092	16,535	16,718	16,919
Capital employed	23,491	25,446	25,479	26,059	26,684	27,376
Ratios						
Gross profit Margin	62,77	62,52	61,14	61,88	62,06	60,77
A&P as % of sales	18,92	18,99	19,00	18,70	18,70	18,80
Contribution after A&P as % of sales	43,85	42,90	42,50	42,70	42,80	43,20
Recurring operating margin	25,88	26,15	26,23	26,85	27,20	27,45
Effective tax rate	22,90	20,09	24,59	24,08	24,15	24,21
Underlying tax rate	25,80	(24,40)	(24,50)	25,00	25,00	25,00
Net margin group share	12,79	10,06	14,21	15,97	16,68	17,14
ROE (after tax)	8,72	6,61	9,28	10,15	10,31	10,34
ROCE (after tax)	11,01	6,65	6,75	11,46	11,79	12,12
Gearing	70,92	67,88	64,53	59,26	52,35	45,77
Pay out ratio	36,79	36,07	36,19	36,19	36,00	136
Number of shares, diluted	265,817	266,230	265,633	265,633	265,633	265,633
Data per Share (EUr)						
Restated basic EPS	4,50	5,03	5,20	5,60	6,06	6,49
Restated diluted EPS	4,46	4,99	5,20	5,60	6,05	6,49
% change	*-3,2%*	*11,9%*	*4,1%*	*7,7%*	*8,2%*	*7,1%*
BVPS	44,31	49,91	50,84	53,50	57,12	61,12
Operating cash flows	8,51	9,26	9,52	9,75	10,21	10,84
FCF	3,16	4,33	4,52	4,91	5,33	5,60
Net dividend	1,64	1,80	1,88	2,03	2,18	8,83

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

3. Rémy Cointreau: an ideal positioning

The United States to grow sustainably strong. The United States is by far Rémy Cointreau's first market, accounting for an estimated 35% of total sales, more than twice the size of China. While white spirits have decelerated, brown spirits have had a huge success, especially bourbon and cognac. The country's cognac consumption has changed from being emblematic of a community to a generational symbol. Thus, Afro-Americans who used to represent the large majority of cognac consumers now account for no more than one third, Caucasians and Latino-Americans constituting the remaining two thirds for the Rémy Martin brand. This diversification of the customer profile makes the group confident of its growth potential in the US. Rémy Cointreau has astutely repositioned itself in high-end qualities (VSOP and XO), enabling it to virtually-consistently outperform the cognac market over the past two years, the recent slowdown being explained by retailers destocking following the price rises at the beginning of the year. Performance is mainly being driven by 1738, an 'intermediary' product sold at USD60 a bottle, whose sales increased by 50% in 2015/16, partly due to the 'One Life/Live Them' marketing campaign with Jeremy Renner. The fact is that, while Pernod Ricard's increased investment in Martell in the United States might have prompted some concerns, Rémy Cointreau does not currently seem to be suffering from this, in our view. A high single/low double-digit growth in the country seems sustainable in the long term, according to us.

China improving. Rémy Cointreau has lost a significant part if its business in China (mainly gifting and hostess bars) since the implementation of the anti-extravagance policy. Private consumption which had been dampened by a collective paranoia has been normalising since summer 2015, particularly in Mainland China. The company has also benefited from its 'One Life/Live Them' marketing campaign showcasing the Chinese star Huang Xiaoming. Its sales in the country have returned to growth in Q2 2016/17 while its depletions have been positive for a year. The guidance for 2016/17, i.e. a return to growth for Chinese sales and depletions, remains unchanged. The Mid Autumn festival, which is the second spirits consumption occasion, proved to be good, which makes the company confident of the sales trend during the Chinese New Year. Its positioning in China is still very high end and Rémy Cointreau strongly believes in the potential of this part of the market. The increase in HNWI and the upper middle class should drive the group's sales in the long term. So far, its strategy seems appropriate. The best-performing products during the Mid-Autumn festival were XO and Louis XIII. The creation of a dedicated salesforce was key for Louis XIII to return to growth. Private client directors are working with brand ambassadors to target HNWI. A store for Louis XIII was opened in Beijing in September and has proved to be huge success, with sales ahead of budget for the time being. Rémy Cointreau may also have been helped by a more favourable competitive environment in the high end segment. A diversification away from cognac is under way, especially with Cointreau and The Botanist. Of note, the group indicated that the Chinese New Year in 2017 is earlier than last year, which should cause a positive technical effect in the next quarter.

Rémy Cointreau

Simplified Profit & Loss Account (EURm)	31/03/14	31/03/15	31/03/16	31/03/17e	31/03/18e	31/03/19e
Revenues	1,032	965	1,051	1,078	1,152	1,235
Change (%)	*-13,6%*	*-6,4%*	*8,9%*	*2,6%*	*6,9%*	*7,1%*
Gross profit	618	618	666	708	767	833
EBITDA	167	178	200	230	254	286
EBIT	150	156	178	209	231	261
Change (%)	*-38,8%*	*3,9%*	*14,4%*	*17,4%*	*10,3%*	*12,7%*
Financial results	(26,2)	(29,7)	(27,3)	(27,0)	(21,0)	(17,0)
Pre-Tax profits	119	127	151	182	210	244
Tax	(45,8)	(33,5)	(44,1)	(56,6)	(65,1)	(75,5)
Profits from associates	(10,9)	(0,70)	(4,8)	(0,60)	0,0	0,0
Profit from continuing operations	62,4	92,6	103	125	145	168
Net profit (loss) from discontinued operations	0,0	0,0	0,0	0,0	0,0	0,0
Minority interests	0,0	0,0	0,10	0,0	0,0	0,0
Net profit	62,4	92,6	103	125	145	168
Restated net profit	80,2	94,6	110	125	145	168
Change (%)	*-47,1%*	*18,0%*	*16,7%*	*13,5%*	*15,7%*	*15,9%*
Cash Flow Statement (EURm)						
Operating cash flows	110	98,8	157	216	239	270
Change in working capital	(61,7)	(79,4)	(42,4)	(16,2)	(17,3)	(18,5)
Capex, gross	(42,2)	(36,8)	(30,8)	(35,8)	(38,0)	(40,7)
Financial investments / tax paid	(108)	(53,0)	(52,8)	(83,6)	(86,1)	(92,5)
Dividends	(69,3)	(48,0)	(72,8)	(81,9)	(81,9)	(81,9)
Other	(69,4)	(42,8)	6,0	(19,0)	(21,0)	(17,0)
Net debt	414	467	458	435	402	347
Free Cash flow	(43,8)	7,7	75,2	96,6	115	137
Balance Sheet (EURm)						
Tangible fixed assets	191	216	223	232	239	244
Intangibles assets	481	491	488	488	488	488
Cash & equivalents	186	74,1	46,9	11,8	45,0	100
Other current assets	1,443	1,375	1,407	1,299	1,299	1,373
Other non-current assets	164	183	164	165	165	166
Total assets	2,278	2,339	2,282	2,183	2,191	2,270
L & ST Debt	600	541	505	418	418	418
Others liabilities	667	722	663	678	718	763
Shareholders' funds	1,012	1,076	1,113	1,087	1,054	1,089
Total Liabilities	1,267	1,262	1,168	1,096	1,136	1,181
Capital employed	1,390	1,532	1,552	1,476	1,414	1,399
Ratios						
Gross margin	59,77	64,05	63,37	65,70	66,60	67,45
Current operating margin	14,56	16,16	16,98	19,43	20,06	21,10
Tax rate	38,46	26,42	29,13	31,00	31,00	31,00
Net margin	7,77	17,96	10,51	11,63	12,58	13,61
ROE (after tax)	7,93	8,79	9,92	11,53	13,75	15,44
ROCE (after tax)	17,10	15,60	16,50	17,30	18,00	18,30
Gearing	40,86	43,35	41,16	40,05	38,13	31,86
Pay out ratio	52,60	80,10	75,99	65,33	56,46	48,71
Number of shares, diluted (Thousand)	49,312	48,683	48,683	51,167	51,167	51,167
Data per Share (EUR)						
Diluted EPS	1,27	1,91	2,11	2,45	2,83	3,28
Diluted restated EPS	1,63	1,95	2,27	2,45	2,83	3,28
% change	*-47,4%*	*19,9%*	*16,3%*	*8,0%*	*15,7%*	*15,9%*
BVPS	20,52	22,11	22,87	21,24	20,61	21,28
CFPS	2,23	2,03	3,23	4,23	4,68	5,28
FCF	(0,89)	0,16	1,54	1,89	2,25	2,68
Dividend Total	1,27	1,53	1,60	1,60	1,60	1,60
o/w Special Dividends	0,0	0,0	0,0	0,0	0,0	0,0

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

4. MBWS: focus on the strategic plan

The company detailed its strategic plan for 2018 which includes a sales objective of EUR450-500m. The development of pillar brands is key. **William Peel** has been launched in Lithuania, Bulgaria, Spain, Brazil and, most importantly, Poland. This country has become the n°10 Scotch market whisk(e)y in the world. The aim for **Sobieski** is to increase its weight in the United States, notably by concentrating the advertising spend on nine key States. The group is looking to achieve a market share of 10% in the imported vodka segment (i.e. its current market share in Michigan). Before 2014, the strategy for Sobieski was just to exceed the threshold of 1 million cases per year in order to sell the brand at an attractive price. MBWS has a 30% share of the aromatised wines market in France with **Fruits & Wines**. There is no denying that the category is decelerating to basically zero in the country but the group is gaining market shares and international markets represent an opportunity. The brand has been launched in Canada, Denmark and the US. The priority for **Marie Brizard** is expansion outside Spain with a focus on the United States, Asia-Pacific and Duty Free. The international diversification of the brand should be facilitated by the regrouping of the liqueur brands under one umbrella (e.g. Dubar by Marie Brizard and Marie Brizard by Dubar). **Gautier**, which is destined to become the fifth pillar brand, was the subject of a global re-launch in 2016 and should now be rolled out in France, the United Kingdom, Canada, the United States and Duty Free. The brand should thus double its volumes and reach the million-bottle mark, thereby becoming the 10th best-selling cognac worldwide compared with 20th position currently.

The group is targeting an EBITDA of EUR67-75m in 2018 thanks to growth, rationalisation and optimisation. The rationalisation benefits (EUR3.5m) mainly arise from the wholesale activities in Poland and are expected to materialise in H2 2016. The group has already abandoned unprofitable contracts and regrouped a number of functions (notably the back office operations). **In terms of optimisation, five levers should enable the generation of an additional EUR25m of EBITDA**: **1/ Modernisation of the industrial sites**. In 2015, Marie Brizard thus reconfigured the Moncigale logistics networks, modernised the Beaucaire industrial site, transferred part of its liqueurs manufacturing from Bordeaux to Zizurkil and finished adapting the industrial equipment in Lithuania. There had effectively been a real shortfall in efficiency in vodka manufacturing in Eastern Europe, the vodka having been distilled in Lithuania before being rectified in Poland then bottled in Lithuania. **2/ A reduction in direct procurement costs.** The procurement contracts for dry and liquid products have been the subject of a first wave of renegotiations. MBWS has also reached an agreement with La Martiniquaise whereby 50% of their scotch procurement will be realised with their shareholders as of 2019 (contracts still apply for 2016-18). **3/ An improvement in the distribution network.** A reorganisation of the export markets is under way, involving a review of distributors, the alignment of practices in key markets and the appointment of senior executives in Asia and in Duty Free. The company is also seeking to optimise the fixed costs structure via the distribution of third-party brands. **4/ Streamlining the operations.** A rationalisation of references is under way for all product categories and has already been completed for the Marie Brizard liqueur in France. At present, 1% of this brand's sales is generated by 20% of the references, in line with industry practices, whereas previously this percentage had reached 50%. Since the beginning of the year, a number of recipes have been in the reformulation process, notably for vodka. **5/ An improvement in the commercial and industrial strategy.** MBWS has deployed category management tools and commercial and industrial planning in France and Poland. The company also normalised its relationship with the leading retailers in 2015 in France and installed a new inter-cluster transport network in January 2016.

MBWS

Simplified Profit & Loss Account (EURm)	2013	2014	2015	2016e	2017e	2018e
Revenues	539,566	466,678	451,050	441,262	458,404	479,628
Change (%)	*-2,1%*	*-13,5%*	*-3,3%*	*-2,2%*	*3,9%*	*4,6%*
Adjusted EBITDA	0,0	5,146	11,219	18,224	33,555	58,179
Recurring EBIT	279	997	5,093	11,649	27,229	51,512
Change (%)	*-%*	*257%*	*411%*	*129%*	*134%*	*89,2%*
Financial results	226,170	(4,224)	(6,416)	(17,130)	(561)	(17,691)
Pre-Tax profits	190,432	(18,183)	(960)	(6,042)	19,539	44,127
Exceptionals	(36,017)	(14,956)	365	0,0	0,0	0,0
Tax	(272)	(44,0)	7,891	2,000	0,0	0,0
Minority interests	207	897	1,084	1,171	1,264	1,366
Net profit	190,467	(18,228)	6,931	(4,042)	19,539	44,127
Restated group net profit	226,277	(4,168)	5,484	(5,212)	18,274	42,761
Change (%)	*-%*	*-102%*	*-%*	*-195%*	*-%*	*134%*
Cash Flow Statement (EURm)						
NOPAT	279	999	(36,770)	7,793	27,229	51,512
Depreciation	NM	NM	NM	NM	NM	NM
Change in working capital	27,091	21,149	1,118	2,164	5,568	6,075
Capex, net	16,645	(4,370)	(9,017)	(8,825)	(9,168)	(9,593)
Dividends	106	0,0	0,0	0,0	0,0	0,0
Other	(57,148)	10,797	56,900	62,800	(6,000)	(22,000)
Net debt	(22,400)	(41,549)	(70,960)	(23,817)	(50,614)	(86,200)
Free Cash flow	64,032	30,153	(44,974)	9,957	32,797	57,587
Balance Sheet (EURm)						
Tangible fixed assets	51,653	42,922	51,929	56,137	55,333	54,152
Intangibles assets	141,886	140,832	135,198	137,902	138,513	139,136
Cash & equivalents	36,470	77,184	89,112	83,469	110,266	145,853
current assets	291,697	223,613	188,319	185,304	182,663	180,096
Other assets	11,353	4,844	2,410	5,770	5,885	6,003
Total assets	533,059	489,395	466,968	468,582	492,660	525,239
L & ST Debt	0,0	148,454	125,416	202,773	229,571	265,158
Others liabilities	311,674	142,544	146,551	34,505	11,958	(19,302)
Shareholders' funds	221,385	199,514	204,334	231,304	251,132	279,384
Total Liabilities	533,059	490,512	476,301	468,582	492,660	525,239
Capital employed	363,780	295,846	286,335	291,084	285,322	278,689
Ratios						
EBITDA margin	0,0	1,10	2,49	4,13	7,32	12,13
Recurring EBIT margin	0,17	0,68	3,20	2,64	5,94	10,74
Tax rate	0,0	0,0	0,0	0,0	0,0	0,0
Restated group net profit margin	41,94	(0,89)	1,22	(1,18)	3,99	8,92
ROE (after tax)	NM	NM	NM	NM	NM	NM
Net debt / EBITDA	NM	17,60	6,89	(1,31)	(1,51)	(1,48)
Gearing	(10,12)	(20,83)	(34,73)	(10,30)	(20,15)	(30,85)
Pay out ratio	0,0	0,0	0,0	0,0	0,0	0,0
Number of shares, diluted	25,027	32,429	26,506	27,739	28,187	28,187
Data per Share (EUR)						
Diluted EPS	7,60	(0,59)	0,22	(0,19)	0,65	1,52
Restated diluted EPS	9,04	(0,13)	0,21	(0,19)	0,65	1,52
% change	*-%*	*-101%*	*-%*	*-191%*	*-%*	*134%*
BVPS	8,45	5,82	7,26	7,98	8,55	9,56
FCF	2,56	0,93	(1,70)	0,36	1,16	2,04
Net dividend	0,0	0,0	0,0	0,0	0,0	0,0

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

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY — Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

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Distribution of stock ratings

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BRYAN, GARNIER & CO

London
Beaufort House
15 St. Botolph Street
London EC3A 7BB
Tel: +44 (0) 207 332 2500
Fax: +44 (0) 207 332 2559
Authorised and regulated by the Financial Conduct Authority (FCA)

Paris
26 Avenue des Champs Elysées
75008 Paris
Tel: +33 (0) 1 56 68 75 00
Fax: +33 (0) 1 56 68 75 01
Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudential et de resolution (ACPR)

New York
750 Lexington Avenue
New York, NY 10022
Tel: +1 (0) 212 337 7000
Fax: +1 (0) 212 337 7002
FINRA and SIPC member

Munich
Widenmayerstrasse 29
80538 Munich
Germany
+49 89 2422 62 11