

9th December 2016

Food & Beverages

## Pernod Ricard

Price EUR98.39

Acquisition of a craft bourbon player

Fair Value EUR115 (+17%)

BUY

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	110.3 / 91.6
Market Cap (EURm)	26,115
Avg. 6m daily volume (000)	490.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.3%	-6.9%	0.7%	-6.5%
Food & Bev.	-3.1%	-10.1%	-8.0%	-9.4%
DJ Stoxx 600	5.1%	0.8%	2.1%	-3.8%

  

	06/16	06/17e	06/18e	06/19e
P/E	18.9x	17.6x	16.3x	15.2x
Div yield (%)	1.9%	2.1%	2.2%	9.0%

### ANALYSIS

- **Yesterday, Pernod Ricard announced the acquisition of a majority stake in Smooth Ambler Spirits Co**, a US craft company founded in 2009 in West Virginia. It is best known for its high-end bourbons, including Smooth Ambler Contradiction Bourbon and Old Scout Single Barrel Bourbon, but it also produces gins, vodkas and rums. This transaction, which allows co-founder Mr Little to remain CEO, is expected to close in early 2017. The price was undisclosed. Smooth Ambler has already indicated that it will increase production capacity and hire staff.
- **Pernod Ricard is accelerating the changes to its products portfolio.** In 2016, it disposed the Domecq brandies and wines, Fris Vodka and the Irish whiskey Paddy and acquired the gin Monkey 47. It also tried to purchase High West, but was outbid by Constellation Brands, which paid around USD160m for the Utah company. **The acquisition of Smooth Ambler responds to the taste of Millennials for authenticity** which explains both the craft trend and the success of bourbon (see our report [Rising to the generation Y challenge](#)).

### VALUATION

- Buy recommendation. Fair Value of EUR115.

### NEXT CATALYST

- H1 2016/17 results on February 9<sup>th</sup>

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### Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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