



# Consumer, Brands & Retail

Dow Jones: 25,819.65 ( 10.68% ytd) | CAC40: 5286.57 (11.75% ytd) | Stoxx 600: 375.094(11.09% ytd)

5th March 2019

Please find our Research on Bloomberg BRYG <GO>

## HEINEKEN | BUY | EUR100 vs. EUR95

Model maintenance

Model maintenance: increasing 2019 OP expectation by 5.2%

Management incentives geared towards top-line growth

The bad news: gradual loss of exclusivity at Oxxo

## INTERPARFUMS | NEUTRAL | EUR42 vs. EUR39

2019 set to be robust!

2018 sales up 11% same FX

2018 EBIT margin up 30bp

Encouraging start to 2019

Neutral recommendation with new EUR42 FV

## EUROFINS SCIENTIFIC | NEUTRAL | EUR465

FY results: Sustained EBITDA growth above forecasts. Guidance confirmed.

Strong results with margin improvement

Financials nevertheless a bit more tense than expected

Short and medium term guidance confirmed with lower M&A ambitions

## Upcoming BG events :

### Date

7th-Mar	AB inBev   Genève Roadshow with IR
14th-Mar/	4th Annual Technology Conference
15th-Mar	
3rd-Apr	CAPGEMINI   Luxembourg roadshow with CFO / IR
30th-Apr	BIOCARTIS   London roadshow with CEO/IR

## Recent reports :

### Date

19th-Feb	SUMMIT THERAPEUTICS   Superiority: The Right Drug for the Right Bug
12th-Feb	TRANSGENE   The Platform Approach Is Worth Another Look
8th-Feb	CARBIOS   Plastic is fantastic!
8th-Feb	CARBIOS   Le plastique c'est fantastique !
8th-Feb	IANTHUS   Blossom in the USA
5th-Feb	AURORA CANNABIS   Sky High

## Q1 2019 Top Picks

SANOFI (Buy, FV EUR94)

NOVARTIS (Buy, FV CHF96)

ROCHE HOLDING (Buy, FV CHF315)

GALAPAGOS (Buy, FV EUR125)

# HEINEKEN

Consumer, Brands & Retail  
| Brewers

5th March 2019

**BUY**

Fair Value EUR100 vs. EUR95  
(+12%)  
Share price EUR89.16  
EPS 3Y Cagr NM

## Model maintenance

### Model maintenance: increasing 2019 OP expectation by 5.2%

Whereas 2018 revenues were in line with our expectations, operating profit came in 3% better driven by a better level of profitability in the Africa and European units. Adjusting the 2018 base in these two zones, together with an improved currency mix impact (now estimated to be positive by up to EUR60m), drives our increased 5.2% operating profit expectations for 2019 and 3.9% for 2020. The figures also include faster top-line growth (1.8% in 2019 and 2.1% in 2020) mainly driven by the Americas zone. In Brazil, 2018 beer volumes grew double digit but only low-single digit in the last quarter as supply chain constraints and a back-office systems migration impacted operations. This issue should be solved and sets the company up for another strong performance in Brazil and the Americas region.

### Management incentives geared towards top-line growth

Management's short term incentives were 25% weighted each in 2017: organic sales growth, organic net profit, free cash flow and individual leadership measures. For 2018 that changed to a 35% weighting for organic sales growth and 15% for organic net profit growth. And what is maybe even more interesting is that with organic sales growth of 6.1%, management scored "only" between target and maximum, indicating that the board is even more ambitious on top-line growth.

### The bad news: gradual loss of exclusivity at Oxxo

In Mexico, Heineken distributes beer in exclusivity through the Oxxo chain (owned by Femsa) and the chain represents 25% of its Mexican volumes. This exclusivity will be faded out over the next five years as Oxxo will gradually start stocking other beer brands. From April 2019, the large metropolitan area of Mexico City will already open up and AB InBev is very excited to enter that region. AB InBev has a 57% share of the Mexican market compared to 41% for Heineken. Undoubtedly the opening up of the Oxxo stores will lead to a loss of market share for Heineken and we calculate that the swing could be as big as 6% potentially leading to AB InBev with a market share of 64% and Heineken of 35%.

### Market Data

	Bloomberg / Reuters	HEIA NA/HEIN.AS
Market Cap.		EUR51,356m
E.V.		EUR51,356m
Free Float		41.4
Avg. Daily volume (6m)		729.8
12m high / low		93.5 / 75.1
Ytd Perf.		15.5%

	EURM	12/18	12/19e	12/20e	12/21e
Sales		23,676	24,545	25,452	NM
% Change			3.7%	3.7%	100.0%
EBITDA		5,841	6,195	6,584	NM
% Change			6.1%	6.3%	100.0%
EBIT		4,161	4,458	4,773	NM
% Change			7.2%	7.0%	100.0%
Net Income		2,619	2,858	3,111	NM
% Change			9.1%	8.9%	100.0%
ROE		0.17	0.17	0.17	NM

	12/18	12/19e	12/20e	12/21e
EV/Sales	2.7x	2.5x	2.4x	
EV/EBITDA	10.9x	10.1x	9.2x	
EV/EBIT	15.4x	14.0x	12.7x	
EPS	4.59	5.01	5.45	NM
% change		9.1%	8.9%	100.0%
P/E	19.4x	17.8x	16.4x	NM
Div Yield	1.7%	1.8%	2.0%	

Next Catalyst: 24th April 2019: Q1 trading update

### Last rating Change:

2016-2-10, Strong 2015 and positive outlook Last FV Change:

2018-7-30, Strong H1 topline but disappointing operating profit

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### Recap: 2018 delivered strong revenue growth, but no operating leverage

In 2018, Heineken showed a strong top-line performance with robust volume growth throughout the year (4.4% in H1 and 3.7% in H2), and net revenue accelerating in the second half (6.5% in H2 vs 5.6% in H1) driven by price mix. Full year organic revenue growth was 6.1% of which 4.2% volume growth. There was no operating leverage for Heineken in 2018 with EBIT margin of 17.2% declining 17bps. Indeed, operating profit (beia) increased 6.4% organically, at a faster rate in the second half of the year (H2 2018: 11.1%) than in the first (H1 2018: 1.3%) driven by higher revenue growth and overall slower growth of expenses despite continued pressure from higher input and logistics costs. Including consolidation, currency, and exceptional items, most notably an impairment in the Congo in 2018 and exceptional gains and benefits in 2017 (due to the sale of non-beer and cider wholesale operations in the Netherlands), operating profit declined 6.4% to EUR3,868m which was also in line with the consensus of EUR3.84bn.

### 2019 outlook: mid-single digit operating profit growth

For 2019, Heineken expects operating profit (beia) to grow mid-single digit on an organic basis, assuming “superior” top-line growth driven by volume, price and premiumisation, a mid-single digit increase in input and logistic costs per hectolitre on an organic basis and continued cost management and productivity initiatives. We are expecting organic revenue growth of 4% in 2019 and an EBIT margin of 17.3%.

## HEINEKEN

### BUY

**Fair Value** EUR100 vs. EUR95  
(+12%)

**Share price** EUR89.16

**Market Cap.** EUR51,356m

**EPS** 3Y NM

**CAGR**

Simplified Profit & Loss Account (EURm)	2017	2018	2019e	2020e	2021e
Revenues	21,888	22,471	23,676	24,545	25,452
Change (%)	5.3%	2.7%	5.4%	3.7%	3.7%
Adjusted EBITDA	5,346	5,561	5,841	6,195	6,584
EBIT	3,759	3,868	4,161	4,458	4,773
Change (%)	6.2%	2.9%	7.6%	7.2%	7.0%
Financial results	-519	-495	-485	-444	-400
Pre-Tax profits	3,240	3,373	3,676	4,014	4,373
Exceptionals	-407	-731	-384	-380	-376
Tax	-755	-757	-889	-981	-1,079
Profits from associates	75	210	185	200	216
Minority interests	-218	-192	-250	-273	-297
Net profit	1,935	1,903	2,338	2,580	2,837
Restated net profit	2,247	2,424	2,619	2,858	3,111
Change (%)	7.1%	7.9%	8.0%	9.1%	8.9%
<b>Cash Flow Statement (EURm)</b>					
Operating cash flows	4,827	4,855	5,642	6,015	6,424
Change in working capital	69	713	125	90	94
Capex, net	-1,851	-2,142	-2,012	-2,086	-2,163
Financial investments, net	-1,114	-213	0	0	0
Dividends	-1,011	-1,090	-1,181	-1,281	-1,387
Other	-1,210	-1,153	-1,374	-1,426	-1,479
Net debt	13,040	11,682	10,482	9,170	7,682
Free Cash flow	1,835	2,273	2,381	2,593	2,875
<b>Balance Sheet (EURm)</b>					
Tangible fixed assets	11,117	11,359	11,951	12,561	13,173
Intangibles assets	17,670	17,459	17,199	16,939	16,679
Cash & equivalents	2,473	3,304	3,304	3,304	3,304
current assets	5,773	5,766	6,075	6,298	6,531
Other assets	3,999	4,068	4,068	4,068	4,068
Total assets	41,032	41,956	42,598	43,170	43,755
L & ST Debt	15,513	14,986	13,786	12,474	10,986
Others liabilities	12,198	12,612	13,109	13,499	13,916
Shareholders' funds	13,321	14,358	15,702	17,198	18,853
Total Liabilities	41,032	41,956	42,598	43,170	43,755
Capital employed	31,625	30,560	30,768	31,027	31,286
<b>Ratios</b>					
Operating margin	17.2%	17.2%	17.6%	18.2%	18.8%
Tax rate	26.7%	28.7%	27.0%	27.0%	27.0%
Net margin	10.3%	10.8%	11.1%	11.6%	12.2%
ROE (after tax)	16.9%	16.9%	16.7%	16.6%	16.5%
ROCE (after tax)	8.7%	9.0%	9.9%	10.5%	11.1%
Gearing	63%	62%	62%	62%	62%
Pay out ratio	36.8%	40.8%	36.2%	35.8%	35.4%
Number of shares, diluted	571	571	571	571	571
<b>Data per Share (EUR)</b>					
EPS	3.39	3.33	4.10	4.52	4.97
Restated EPS	3.94	4.25	4.59	5.01	5.45
% change	7.0%	7.9%	8.0%	9.1%	8.9%
EPS bef. GDW	3.94	4.25	4.59	5.01	5.45
BVPS	23.37	25.18	27.54	30.16	33.07
Operating cash flows	8.46	8.51	9.89	10.54	11.26
FCF	3.49	3.98	4.17	4.54	5.04
Net dividend	1.25	1.36	1.48	1.62	1.76

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

## INTERPARFUMS

Consumer, Brands & Retail  
| HPC

5th March 2019

**NEUTRAL**

**Fair Value** EUR42 vs. EUR39 (-11%)  
Share price EUR47.10  
EPS 3Y Cagr 12.2%

### 2019 set to be robust!

#### 2018 sales up 11% same FX

Interparfums' 2018 sales were released on 29th January and came out at EUR455m, up 8% or 11% same forex. Note that this performance was achieved with no major launches and implies an increase of 20% in Q4 alone. **Coach** drove growth (+66% to EUR84m) and accounted for 20% of total sales. **Jimmy Choo** sales increased 4% to EUR100m. By region, 2018 sales were strong in APAC (+7%) and in North America (+18% o/w +25% at same FX). NA accounts for 30% of total sales. Sales in WE were down 2%, despite a 3% revenue increase in France (in a market down 2%).

#### 2018 EBIT margin up 30bp

FY 2018 EBIT margin reached 14.5% versus 14.2% in 2017. The 30bp gain was achieved despite a negative forex impact (USD accounts for 46% of sales) which affected gross margin. Gross margin narrowed 80bp to 64.6% despite positive sales momentum. Communication costs grew 3% to EUR105, accounting for 23.1% of sales versus 24.2% in 2018, which was a very dynamic year in terms of launches and explains the decrease in communication expenses as % of sales.

#### Encouraging start to 2019

We have notched up our 2019 sales target to EUR500 vs EUR495 previously, even if management's guidance is only for EUR480 (EUR470m end-January when the company released its 2018 sales). We guess that the start of the year was quite encouraging, allowing management to adjust its FY 2019 sales guidance. 2019 sales growth is set to be driven by many launches. This year, in Q1, **Montblanc** is due to launch a new line throughout the world (the third one after *Montblanc Legend* and *Montblanc Emblem*) called *Montblanc Explorer*. This launch has already been a success allowing management to increase its FY 2019 sales guidance. A second men's line will also be launched in Q4 at **Jimmy Choo**. **Lanvin** will launch a *A girl in Capri* in H2. **Rochas** is also expected to launch a new women's line in Q4 2019 after *Mademoiselle* (launched in 2017). We expect an EBIT margin at 14.4% vs 14.1% previously given gross margin almost stable (more favourable fx offset by higher input costs). Communication costs are expected to increase given more dynamic launches. Furthermore, we are also convinced that **2020 should be another year of robust sales growth** thanks to a strong products pipeline at Montblanc (new women fragrance), at Coach (new women line) and at Jimmy Choo (make up and new men line). And 2021 should also benefit from many launches (Montblanc, Jimmy Choo, Coach) that could fuel positive sales momentum.

#### Neutral recommendation with new EUR42 FV

We upgrade our Fair Value from EUR39 to EUR42. Nevertheless, we remain at Neutral on the stock as the valuation is starting to look demanding at 24x 2019 EV/EBIT.

#### Market Data

Bloomberg / Reuters	ITP FP/IPAR.PA
Market Cap.	EUR2,024m
E.V.	EUR1.763m
Free Float	50
Avg. Daily volume (6m)	25.40
12m high / low	47.1 / 31.8
Ytd Perf.	39.6%

EURM	12/17	12/18e	12/19e	12/20e
Sales	422.0	455.0	500.0	550.0
% Change		7.8%	9.9%	10.0%
EBITDA	65.0	71.0	77.0	82.0
% Change		9.2%	8.5%	6.5%
EBIT	60.1	66.0	72.0	78.0
% Change		9.8%	9.1%	8.3%
Net Income	40.0	47.0	51.0	56.0
% Change		17.5%	8.5%	9.8%
ROE	0.09	0.10	0.10	0.10

	12/17	12/18e	12/19e	12/20e
EV/Sales	4.4x	4.0x	3.6x	3.2x
EV/EBITDA	28.5x	25.9x	23.5x	21.7x
EV/EBIT	30.8x	27.8x	25.1x	22.8x
EPS	0.92	1.09	1.19	1.30
% change		18.4%	8.5%	9.8%
P/E	51.0x	43.1x	39.7x	36.2x
Div Yield	1.3%	1.5%	1.6%	3.7%

**Next Catalyst: Q1 sales to be released on April 25th**

**Last rating Change:**

2018-9-7, Valuation is too demanding! Last FV Change:  
2019-1-29, Healthy EBIT margin in 2018!

**Last Reports:**

2019-1-29, Healthy EBIT margin in 2018!

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## INTERPARFUMS

### NEUTRAL

<b>Fair Value</b>	EUR42 vs. EUR39 (-11%)
<b>Share price</b>	EUR47.10
<b>Market Cap.</b>	EUR2,024m
<b>EPS</b>	3Y 12.2%
<b>CAGR</b>	

Simplified Profit & Loss Account (EURm)	2016	2017	2018e	2019e	2020e
Revenues	366	422	455	500	550
Change (%)	11,7%	15,4%	7,8%	9,9%	10,0%
Adjusted EBITDA	56	65	71	77	82
EBIT	50	60	66	72	78
Change (%)	10,0%	19,2%	9,8%	9,1%	8,3%
Financial results	1	-2	1	1	1
Pre-Tax profits	50	59	67	73	79
Tax	-18	-18	-20	-22	-23
Profits from associates	0	0	0	1	2
Minority interests	0	1	1	1	2
Net profit	32	40	47	51	56
Restated net profit	32	40	47	51	56
Change (%)	11,0%	23,8%	17,5%	8,5%	9,8%
<b>Cash Flow Statement (EURm)</b>					
Operating cash flows	43	54	61	65	70
Change in working capital	-3	19	11	12	13
Capex, net	2	3	3	3	3
Financial investments, net	3	0	0	0	0
Dividends	16	18	19	21	23
Other	0	0	12	0	0
Net debt	-160	-171	-186	-214	-245
Free Cash flow	44	32	47	50	54
<b>Balance Sheet (EURm)</b>					
Tangible fixed assets	7	7	7	7	7
Intangibles assets	163	159	159	159	159
Cash & equivalents	230	221	236	265	295
current assets	159	176	187	200	213
Other assets	15	14	14	14	14
Total assets	574	577	604	644	688
L & ST Debt	70	50	50	50	50
Others liabilities	100	103	103	103	103
Shareholders' funds	404	424	450	491	535
Total Liabilities	574	577	604	644	688
Capital employed	251	266	277	290	303
<b>Ratios</b>					
Operating margin	13,8%	14,2%	14,5%	14,4%	14,2%
Tax rate	34,9%	30,4%	29,5%	30,1%	29,1%
Net margin	8,8%	9,5%	10,3%	10,2%	10,2%
ROE (after tax)	8,2%	9,4%	10,4%	10,4%	10,5%
ROCE (after tax)	13,1%	15,7%	17,1%	17,6%	18,5%
Gearing	-40%	-40%	-41%	-44%	-46%
Pay out ratio	60,4%	65,3%	65,0%	63,2%	134,4%
Number of shares, diluted	36	39	43	43	43
<b>Data per Share (EUR)</b>					
EPS	0,75	0,92	1,09	1,19	1,30
Restated EPS	0,75	0,92	1,09	1,19	1,30
% change	19,6%	23,7%	18,4%	8,5%	9,8%
EPS bef. GDW	0,75	0,92	1,09	1,19	1,30
BVPS	-	-	-	-	-
Operating cash flows	1,21	1,38	1,42	1,51	1,63
FCF	1,24	0,82	1,08	1,16	1,25
Net dividend	0,45	0,60	0,71	0,75	1,75

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

## EUROFINS SCIENTIFIC

Smart Industries  
| Business Services

5th March 2019

**NEUTRAL**

Fair Value EUR465(+22%)  
Share price EUR382.00  
EPS 3Y Cagr 15.0%

### FY results: Sustained EBITDA growth above forecasts. Guidance confirmed.

#### Strong results with margin improvement

The group has reported consolidated revenue of EUR3,781m, in line with the consensus at EUR3,784m, up 27.2% with slightly disappointing organic growth of 4.5% notably affected by Clinical Diagnostics after sharp one-off price reductions in Q4 in France (excluding organic would have been 6%). As a reminder, FY 2018 was another year of sustained M&A activity with about 50 acquisitions for total revenue of EUR720m and a total amount of EUR1.2bn.

Adjusted EBITDA reached EUR720m, well ahead of consensus expectations at EUR695m, representing adjusted EBITDA margin of 19%, up 30bps vs. 2017. Note that mature businesses i.e. 93% of consolidated revenue generated an adjusted EBITDA margin of 20.5% flat vs. last year.

Finally, management will propose a dividend of EUR2.88 per share (consensus at EUR2.82)

#### Financials nevertheless a bit more tense than expected

Operating cash flow of EUR544m was up a robust 34% benefiting notably from strict control of working capital, which was below 5% of consolidated revenue. With higher capex at EUR361m (our estimates was at 290m) representing 9.5% of consolidated revenue vs. 7.2% in 2017 or 7.7% in 2016 due to significant investments in laboratories and systems to strengthen the group global testing platform, the ramping up of costs for the group's third start-up program and finally the integration of significant acquisitions over the last two years, free cash flow decreased slightly to EUR183m vs. EUR192m last year.

At the end of the year net debt stood at EUR2,651m vs. EUR1,396m a year ago representing financial leverage of 3.38x i.e. not far from the group's covenant of 3.5x.

#### Short and medium term guidance confirmed with lower M&A ambitions

After significant acquisitions closed, management upgraded its expectation for 2019 and 2020 after Q3 revenue. Most management ambitions have been confirmed i.e. 2019 consolidated revenue of 4.5bn (EUR4.6bn previously) with an adjusted EBITDA of EUR850m (consensus at respectively EUR4,494m with EBITDA of EUR845m). For 2020, management expectation is to reach total revenue of EUR5bn with and EBITDA of EUR1bn. However, following two years of exceptional M&A levels (about EUR700m per annum of revenue added) i.e. significantly higher management targets of about EUR300m, management will be more selective with a focus on deleveraging. In all, for the next two years, the objective is to be focused on margins and cash flow generation with capex and M&A each below EUR300m.

#### Market Data

Bloomberg / Reuters	ERF FP/EUFI.PA
Market Cap.	EUR6,742m
E.V.	EUR6,742m
Free Float	58.3
Avg. Daily volume (6m)	40.10
12m high / low	501.5 / 302.2
Ytd Perf.	17.2%

EURM	12/17	12/18e	12/19e	12/20e
Sales	2,971	3,863	4,256	4,669
% Change		30.0%	10.2%	9.7%
EBITDA	556.6	731.6	825.1	921.4
% Change		31.4%	12.8%	11.7%
EBIT	399.5	541.8	609.8	681.3
% Change		35.6%	12.5%	11.7%
Net Income	302.3	350.2	409.1	466.4
% Change		15.8%	16.8%	14.0%
ROE	0.00	12.38	12.65	12.62

	12/17	12/18e	12/19e	12/20e
EV/Sales	2.3x	2.1x	1.9x	1.7x
EV/EBITDA	12.1x	11.3x	9.8x	8.8x
EV/EBIT	16.9x	15.2x	13.3x	11.8x
EPS	15.85	17.39	20.81	24.14
% change		9.7%	19.7%	16.0%
P/E	24.1x	22.0x	18.4x	15.8x
Div Yield	0.6%	0.7%	0.8%	1.0%

**Next Catalyst:** FY 2018 results presentation today at 2.15pm (CET)

Q1 IMS on 26<sup>th</sup> April 2019

**Last rating Change:**

2018-4-25, Feedback CC: *Not as good as it was before, but no drama.* Last FV Change:

2018-10-2, Feedback CC: *further significant expansion in the US environmental sector*

**Last Reports:**

2018-10-23, Q3 revenue broadly in line with estimates.

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## Bryan Garnier stock rating system

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

### Stock rating

<b>BUY</b>	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.
<b>NEUTRAL</b>	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
<b>SELL</b>	Negative opinion for a stock where we expect an unfavourable 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 downside 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.

### Distribution of stock ratings

BUY ratings 55.1%

NEUTRAL ratings 38.1%

SELL ratings 6.8%

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