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Davy Research

July 25, 2011

Equity Report: Company update

Pernod Ricard

Price: 6865c

Jameson - one of the pillars of Pernod's growth story; reiterate 'outperform' rating

Rating: OUTPERFORM *Issued 22/03/11*

Previous: NEUTRAL *Issued 27/04/10*

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Jameson Irish whiskey – a meaningful contributor to growth

- Jameson is one of Pernod's key brands, driving organic growth. It is now Pernod's second-largest brand in the US market (20% of Pernod profits). We estimate that it will be one of the top five sales contributors, by brand, this year.
- Jameson's sales growth (15-20%) is unique for a brand of its size in mature markets. Pernod is doubling capacity and believes Jameson can reach 5m cases by 2015 (3m in 2010). There is considerable room for the brand to grow in the US market, its key focus. In the longer term, we see opportunity to further premiumise the brand/category and increase exposure to emerging markets. We see no reason why it cannot be a 10m-case brand over time.

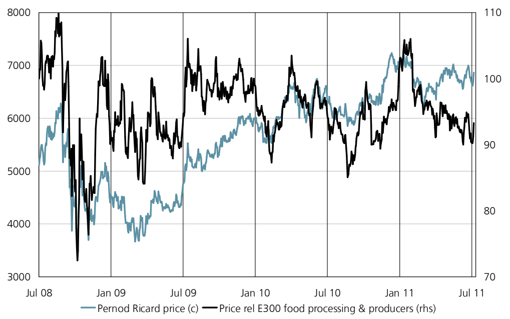
Irish whiskey is only a fraction of the global market, a significant fall from grace given its dominance historically

- Irish whiskey accounts for just 3% of the international whiskey market. This compares with Scotch at 61%, American at 21% and Canadian at 15%.
- We expect Irish whiskey to continue to grow strongly off this low base for a number of reasons, including investment from global players, its provenance/heritage and the relative scarcity of brands/assets.

Reiterate 'outperform' rating; valuation looks attractive relative to peers

- Pernod has a mix of fast-growing emerging markets and relatively well-positioned mature markets. It has a commanding position in China and India; it is more relatively exposed to 'core' Europe than its peers; and its more premium US portfolio is outperforming, aided by Jameson's +20% growth.
- We forecast organic sales and profit to grow by 7% and 9-10% per annum respectively over the next two years. Jameson is adding over 1% to this net sales growth. Combined with the balance sheet de-leveraging, this fuels (mid-teen) EPS above the sector. Pernod's valuation, on 14.3x (forward P/E), is in-line with the sector and compares favourably to its average P/E of 15.1x over the last five years.

Share Price Performance



Key financials (€m)			
Year end	*Jun11E*	*Jun12F*	*Jun13F*
Revenue	7612.9	8156.1	8806.1
EBITDA	2082.3	2254.2	2464.1
PBT	1471.3	1688.2	1943.1
EPS Basic	426.4	490.6	565.7
EPS Diluted (Adj)	416.1	478.8	552.0
Cash EPS (Diluted)	465.5	528.2	601.4
Dividend	137.0	158.0	183.0
NBV	3478.5	3813.7	4202.5
Valuation			
P/E	16.5	14.3	12.4
FCF Yld (pre div) (%)	5.4	5.8	6.8
Dividend Yield (%)	2.0	2.3	2.7
Price / Book	2.0	1.8	1.6
EV / EBITDA	13.1	11.8	10.5
Group Int. Cover (x)	4.3	5.2	6.4
Debt / EBITDA (x)	4.3	3.6	3.0

Company data	
Reuters/Bloomberg/Xetra	PERP.PA/RI FP/
Sector	Beverage
Shares (m)	264.5
Daily No. Shares Traded (m)	0.606
Free Float (%)	72.0
52 Week High/Low	7207/5855

Capital Structure	
Mkt. Cap (€m)	18156.3
Net Debt/(Cash)	8183.4
Deferred consideration/debt-related	N/A
Pref Shares/Non Eq Min	N/A
Minority interests	274.0
E.V. (€m)	26613.7

Recent research and research resources

Recent research and financial data on *Pernod Ricard*
Sector research and data on *Beverage*

Introduction: Jameson and Irish whiskey

- Jameson Irish whiskey is now Pernod's second-largest brand in the US

Jameson is one of Pernod's key brands, driving organic growth. It is now Pernod's second-largest brand in the US market (20% of Pernod profits). We estimate it will be one of the top five sales contributors, by brand, this year after Absolut, Chivas, Ballantine's and Martell.

Accelerating growth – a 5m-case brand by 2015

- Jameson's growth in developed markets is unique for a brand of its size

Jameson's growth in developed markets is unique for a brand of its size, especially when viewed in the context of mature drinks markets. To put it in context, Jameson is a substantial 1m case brand in the US and grew volumes by over 20% in the FY ending June 2011. This compared to US spirits market growth of 3% and a beer market that declined 2%.

- Jameson has delivered double-digit volume growth globally for the last five years, and the growth rate is accelerating

Jameson has delivered double-digit volume growth globally for the last five years, and the growth rate is accelerating – the brand now sells close to 3.5m cases. Pernod believes Jameson can become a 5m case brand by 2015 (implying that the double-digit growth rate will continue), and it is investing over €100m to double capacity over the next two years at its Midleton distillery in County Cork. Given a number of structural factors, we see no reason why the brand could not achieve 10m cases in the longer term.

Jameson a driving force in Irish whiskey category

- Jameson is the clear number-one Irish whiskey

Irish whiskey accounts for only a fraction of the global whiskey market, a significant fall from grace given its dominance historically. In 2010, Irish whiskey sold some 5m cases globally. This compared with Scotch, which sold close to 90m cases; American, which sold 30m cases; and Canadian, which sold 20m cases. Jameson is the clear number-one Irish whiskey with sales of over 3m cases in 2010. It has been the driving force in the Irish whiskey category and represents two-thirds of global volume and three-quarters of US volume. Tullamore Dew (William Grant) holds the number-two Irish whiskey position with approximately 600,000 cases sold per annum. Bushmills (Diageo) sells about 500,000 cases per annum.

Key factors driving Jameson and Irish whiskey growth

We believe that Jameson and the Irish whiskey category will grow, driven by Pernod's accelerated investment behind the brand and William Grant's investment in the category following its acquisition of Tullamore Dew.

In addition, factors that will aid this growth include:

- Irish whiskey is coming off its small relative base (Irish whiskey sells 5m cases globally, Scottish whisky sells 90m cases);
- its heritage/provenance (Irish is the original whiskey);
- the scarcity of Irish brands (production assets) and the limited number of players (there are four distilleries in Ireland compared to 108 in Scotland) make Irish whiskey valuable compared to some cluttered spirits categories that have no barriers to entry;
- its accessible taste profile (triple distilled);
- the youthful demographic of its US drinkers.

Brand will benefit from Pernod's enhanced US ambitions

In a US context, Pernod's recently enhanced route to market (it now has two primary distribution partners, SWS and Republic) and its stated ambition to accelerate growth in the US will undoubtedly aid the brand's prospects.

US peers three times the size of Jameson; considerable room to grow

Pernod believes Jameson (1m cases) is taking share from a host of categories in the US. Its brand peer set is very broad, but we would suggest whiskey brands such as Jim Beam (3m cases), Crown Royal (4m cases), Jack Daniels (4.7m cases), Dewars (1.2m cases) and perhaps other brown spirits such as Captain Morgan (6m cases) and Jagermeister (2.7m cases).

Two phases of development

We would view the Jameson/Irish whiskey category story as having two phases:

- In the short to medium term, the focus will be on a volume/value building strategy (primarily in the US market, where we believe it could it be a 2m-plus case brand). Historically, drinks trends have emanated from the US. The global success of brands that built critical mass in the US such as Absolut, Jack Daniels and Patron are a testament to this. We believe Pernod will first look to achieve critical mass in this globally influential market.
- In the longer term, we see significant potential to premiumise/segment the category as the brand cycle evolves and then to increase Irish whiskey's exposure to emerging markets.

Pernod USA's average portfolio price is $17-18. Jameson has the fourth-highest price per bottle/case in its US portfolio. Jameson's price, at $22-23, is premium positioned. However, it is still priced below imported premium Scotch and there has been little segmentation into sub-categories such as super-premium and prestige. The average price of a premium Scotch is $30, and the average price for a super-premium American whiskey is $40.

- **Emerging markets offer a significant opportunity in the medium term**

Emerging markets offer a significant opportunity in the medium term as Irish whiskey has almost no presence in most emerging markets (other than pockets of Eastern Europe and South Africa). With Pernod's commanding position and strong route to market in a number of emerging markets, there is a significant opportunity over time.

Meaningful contributor to Pernod's bottom line

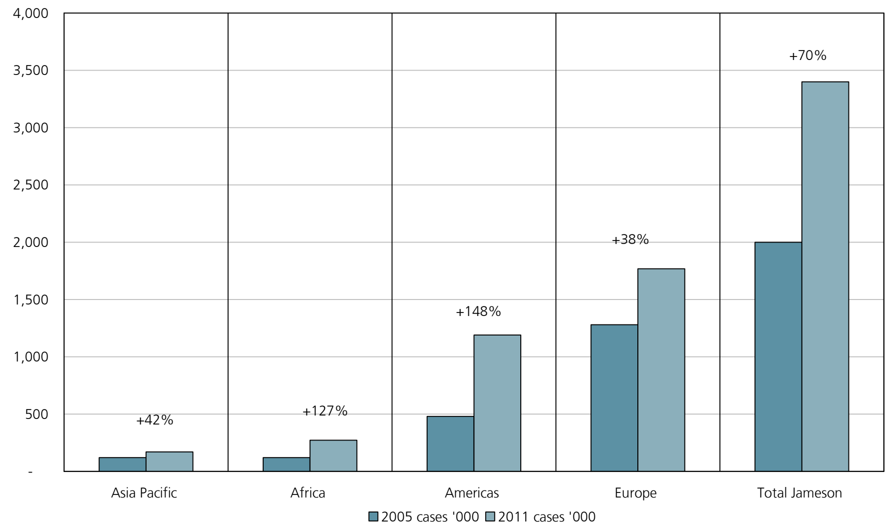
In Jameson and Irish whiskey, Pernod has a powerful asset that can be a key growth engine in mature markets in the short to medium term. We estimate that it will be in the top five brands in terms of contribution this year and will add c.1% to organic sales growth this year and next. We believe that it can reach its 5m-case target, primarily driven by growth in the US market. In the longer term, the premiumisation of the Irish category and increasing emerging market penetration offer further opportunity. We see no reason why Jameson cannot be a 10m-case brand in time.

Reiterate 'outperform' rating; valuation looks attractive relative to peers

Pernod has a mix of fast-growing emerging markets and relatively well-positioned mature markets. It has a commanding position in China and India; it is more relatively exposed to 'core' Europe than its peers; and its more premium US portfolio is outperforming, aided by Jameson's +20% growth.

We forecast organic sales and profit to grow by 7% and 9-10% per annum respectively over the next two years. Jameson is adding over 1% to this net sales growth.Combined with the balance sheet de-leveraging, this fuels (mid-teen) EPS above the sector. Pernod's valuation, on 14.3x (forward P/E), is in-line with the sector and compares favourably to its average P/E of 15.1x over the last five years.

Figure 1: Jameson volume growth 2005-2011



Source: Pernod Ricard

A brief history of Irish whiskey

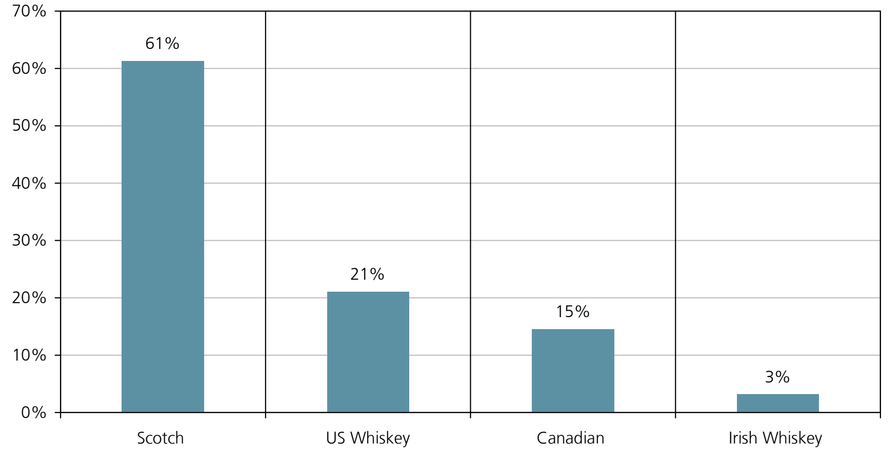
6th Century: whiskey, as we know it, was first distilled as far back as the 6th Century. The first known recorded text of distillation in Europe goes back to Ireland in 584AD and Saint Ruadan.
13th Century: whiskey distillation methods and knowledge were brought to Scotland.
1850-1900: Irish whiskey was the leading whiskey category in the world and only second to rum in global spirit sales. Large quantities were exported to the UK, the US and British colonies.
1932: prohibition ended in US and the damaged Irish whiskey industry (Irish War of Independence and Civil War, higher taxes imposed by UK on Irish goods) could not produce the volumes needed by the awakened US market. Because of the development of continuous distillation (Column Still) in Scotland, its new blended whisky could easily meet the increased demand and the Scottish whisky industry boomed.
1960: exports of Irish whiskey were virtually nonexistent and survival seemed threatened even on the domestic Irish market
1966-1972: Jameson and Powers of Dublin, Murphy's of Cork and Old Bushmills merge to form Irish Distillers Group.
1975: new distillery in Midleton opened to replace old Midleton Distillery, Power's in John Lane, Jameson in Smithfield.
1987: Cooley Distillery was founded by John Teeling. This was the first new Irish distillery in 100 years. Cooley subsequently acquired the assets of the Kilbeggan Distillery, which was established in 1757, making it one of the oldest licensed distilleries in the world.
1988: Pernod takes over Irish Distillers, owner of the Jameson, Bushmills, Paddy and Powers brands. Jameson was a 0.4m case brand at the time.
2005: Bushmills distillery is bought by Diageo from Pernod Ricard for €300m (14.5x EBITDA).
2009: Leading Irish brand Jameson shows very strong growth through recession (+15% in 2009). Irish whiskey accounts for 3% of global whiskey market (Scotch, Bourbon, Canadian, Irish).
2010: Tullamore Dew, the second-largest Irish whiskey, is sold for €171m (23x EBITDA) to William Grant.
2011: Jameson surpasses 1m cases in the US. Pernod Ricard announces doubling of capacity at Midleton.

The Irish whiskey category

Without wishing to state the obvious, Irish whiskey must be distilled and matured in Ireland to be called Irish whiskey. As the history on the previous page shows, Irish whiskey has collapsed in the last century. However, with the renewed investment from global players, its small base, its valuable Irish heritage and the scarcity of brands/assets, it is likely to be a strong growing category over the next decade.

Irish whiskey accounts for only a fraction of the global whiskey market. In 2010, Irish whiskey sold some 5m cases globally. This compared with Scotch, which sold close to 90m cases; American, which sold 30m cases; and Canadian, which sold 20m cases.

Figure 2: Global whiskey market share (ex-Indian whiskeys)



Source: IWSR

Jameson is the number-one Irish whiskey

- **Jameson is the clear number-one Irish whiskey with sales of approximately 3m cases in 2010**

Jameson is the clear number-one Irish whiskey with sales of approximately 3m cases in 2010; Tullamore Dew (William Grant) holds the number-two position with approximately 600,000 cases sold per annum; Bushmills (Diageo) sells about 500,000 cases per annum.

Irish whiskey driven by Jameson

- **Pernod's Irish whiskey brand holds over 66% share globally and 75% (primarily Jameson) in the US**

- Irish whiskey growth has been driven by Jameson. Pernod's Irish whiskey brand holds over 66% share globally and 75% (primarily Jameson) in the US.

Tullamore grew despite little investment or focus

- Tullamore Dew has doubled its volume (from 350,000 cases in 2003 to over 600,000 now) over the last decade. Its main markets are focused in North and Central Europe.
- Tullamore Dew was part of C&C prior to being acquired by William Grant in 2010 for €171m or 23x EBITDA. As C&C's primary management focus and investment were in cider rather than in spirits, the success of Tullamore Dew over the last decade with limited resources is notable. C&C's other three spirits brands showed little growth over the period.

Independent Cooley is a unique asset

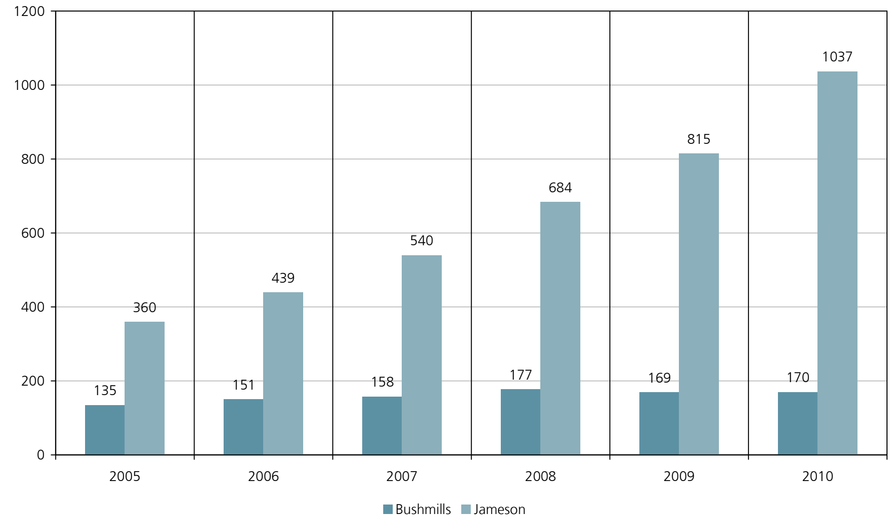
- The only independent Irish whiskey distiller, Cooley, has started to benefit from the growth in the category with its brands growing 15% in the US last year.

Diageo's performance has been poor

- The performance of Diageo's main Irish whiskey brand, Bushmills, has been very poor relative to other Irish brands. Diageo acquired Bushmills from Pernod in 2005 (as part of negotiation on Pernod's Allied Domecq bid) for €298m. Following the deal, Diageo set a target to grow the brand to 1m cases by 2012. With Bushmill's volume now at just half a million cases, this target is highly improbable. Why Bushmills has been such as poor performer relative to the rest of the category is unclear. One could argue that Bushmill's Irish whiskey is lost in Diageo's hierarchy of all-important Scotch whisky brands and struggles to receive attention or required investment.

The chart below shows the stark contrast between the US case growth of Jameson and Bushmills.

Figure 3: Bushmills and Jameson case growth in US market



Source: The Beverage Information Group – Liquor handbook

Table 1: Leading Irish whiskey brands in US market

Brand	*Company*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*% Chg 2009/2010*	*5-year CAGR*
Jameson	Pernod Ricard	360	439	540	684	815	1,037	27.20%	23.60%
Bushmills	Diageo	135	151	158	177	169	170	0.60%	4.70%
Tullamore Dew	William Grant	42	48	58	62	67	68	1.50%	10.20%
John Power	Pernod Ricard	23	25	28	30	32	35	9.40%	8.80%
Kilbeggan	Cooley	12	13	13	13	13	15	15.40%	4.60%
Total Irish whiskey		615	732	855	1,040	1,175	1,420	20.90%	18.20%

Source: Liquor handbook

Irish whiskey under-represented among international players

The following table shows that Irish whiskey is under-represented across the main spirits categories and the listed and unlisted major international players. When compared to the cluttered categories of vodka, Scotch and rum, Irish whiskey has few brands and players. Note that there are also (medium-term) production barriers to entry with only four distilleries in the country.

Table 2: Main categories, key brands and International players – Irish whiskey under-represented

	Irish whiskey	*Blended Scotch whisky*	*Malt Scotch whisky*	*US whiskey*	*Canadian whiskey*	*Vodka*	*Rum*	*Gin*	*Cognac*	*Liqueurs*	*Tequila*	*Bitters/Anise /Fortified wine*	*Wines*	*Champagne*
Diageo	Bushmills	Johnnie Walker, J&B, Buchanan's	Dalwhinnie, Glenkinchie, Talisker		Crown Royal	Smirnoff, Ketel One*, Ciroc	Captain Morgan	Tanqueray, Gordons		Baileys	Jose Cuervo*	Pimms	Sterling Vineyard, Blossom Hill	
Pernod	Jameson	Ballantines, Chivas, Royal Salute	The Glenlivet		Walker Special	Absolut, Wyborowa	Havana Club	Beefeater, Seagrams	Martell	Kahlúa Malibu	Avion Olmeca	Ricard, Pernod, Pastis,	Jacobs Creek, Brancott,	Mumm, Perrier Jouet
Barcardi		Dewar's				Grey Goose, Eristoff	Bombay Sapphire				Patron*, Cazadores	Martini		
Beam		Teachers	Laphroaig, Ardmore	Jim Beam, Makers Mark	Canadian Club	Effen	Cruzan	Larios	Courvoisier	DeKuyper	Sauza	Harveys		
Brown Forman				JD, Early Times,	Canadian Mist	Finlandia				Southern Comfort, Tuaca	Herradura, El Jimador,		Sonoma Cutrer	Korbel
Campari		Glen Grant, Old Smuggler		Wild Turkey		Skky	Rum Des Antilles			Frangelico, Carlolans	Cabo Wabo	Campari, Aperol, Cinzano	Mondoro, Riccadonna, Sella&Mosca	
Constellation					Black Velvet	Svedka							Robert Mondavi	
Moet Hennessy			Glenmorangie			Belvedere	10 Cane Rum		Hennessy				Cloudy Bay, Bodega Chandon	Moet, Krug, Veuve Clicquot
Remy							Mount Gay		Rémy Martin	Cointreau, Funador				
Edrington		The Famous Grouse, Cutty Sark	Macallan, Highland Park,				Brugal							
William Grant	Tullamore Dew	Grants	Glenfiddich, Balvenie			Stolichnaya*	Sailor Jerry	Hendricks						

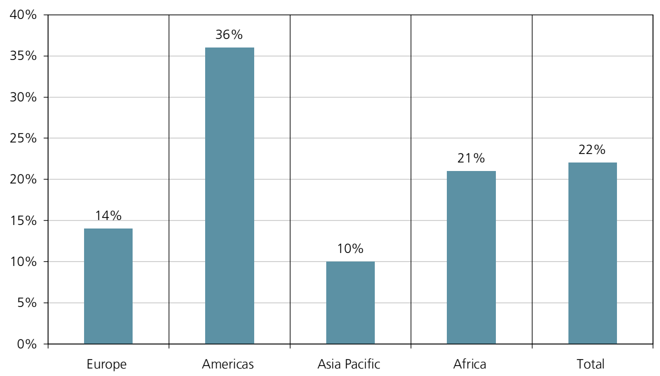
* JV or distribution agreement
Source: Company reports; Davy

Jameson should reach 5m case target by 2015

Jameson's growth has accelerated of late. In the nine months to March 2011, sales rose 22% with the brand growing double digit in all regions. Since 2007, it has delivered 14.5% CAGR growth. Pernod is currently doubling capacity of its Irish distillery in Midleton, County Cork.

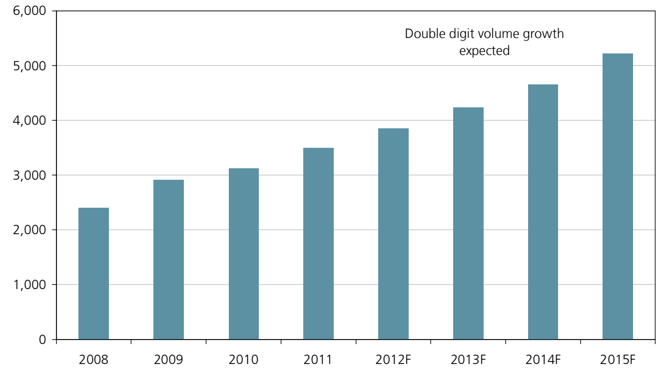
Pernod believes the brand can reach 5m cases by 2015 from an estimate of 3.5m at the end of FY June 2011F (implying double-digit growth CAGR will continue).

Figure 4: Nine-month sales yoy % – double-digit growth in all regions



Source: Pernod Ricard

Figure 5: Jameson global case sales – 5m case target 2015



Source: Pernod Ricard

The following table indicates that Jameson is growing double-digit in 58% of its markets and is showing single-digit growth in 33% of its markets.

Table 3: Jameson global share and market growth

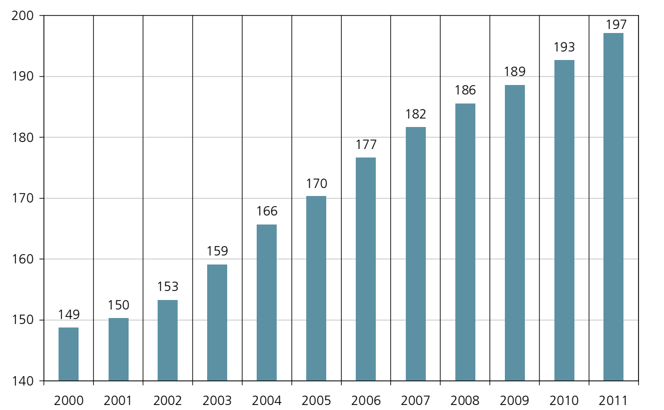
Volume decline and market share loss	2%
Volume decline and market share gain	6%
Single-digit growth	33%
Double-digit growth	58%
Triple-digit growth	1%

Source: Pernod Ricard

US market is growing 3% per annum

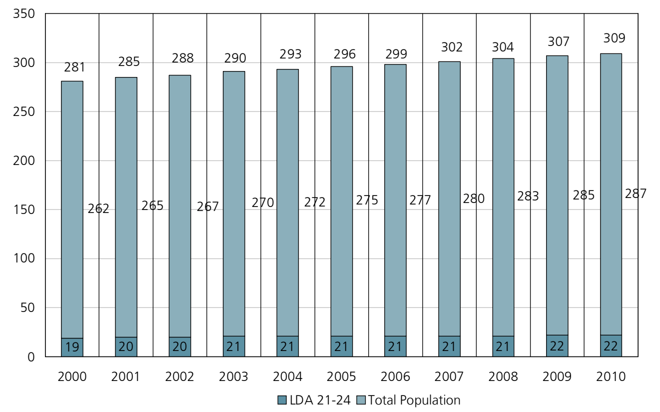
The US is the largest profit pool supplier opportunity at $10bn. The US spirits market is growing volumes at c.3% year-to-date and has grown 2.8% CAGR over the last decade. We believe the spirits market will continue to grow due to the growth in the legal drinking age (LDA) population and further immigration.

Figure 6: US spirits consumption growth last decade – 9 litre cases



Source: Beverage Information Group – Liquor handbook

Figure 7: LDA 21+ population of US continues to grow

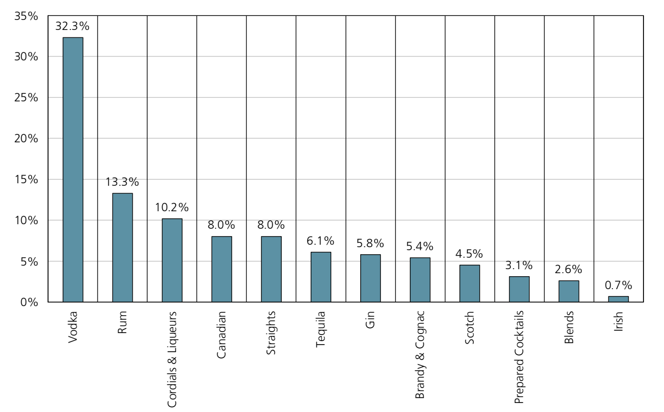


Source: US Census

Irish whiskey has grown four-fold in the US over the last decade but remains a small category

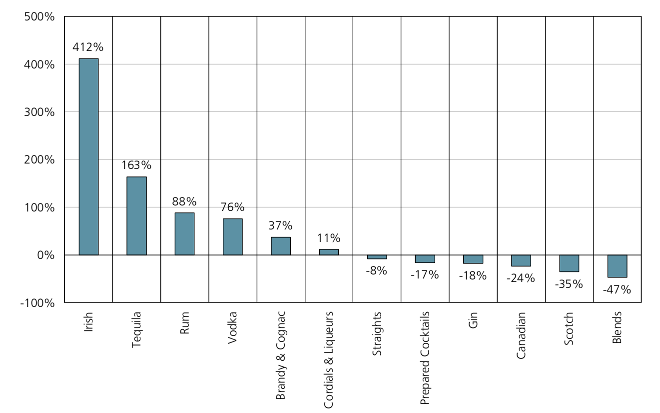
Irish whiskey has grown four-fold in the US over the last decade off a low base. It remains a small category – for instance, Canadian whiskey is 11x its size as a category in the US. In 2010, it was the fastest-growing category at 21% volume growth. Vodka (+6%), tequila (4%) and cognac (3%) were the next three fastest-growing categories. Prepared cocktails (-5%), Scotch (-2.7%) and gin (-2.5%) were the laggards.

Figure 8: US distilled spirits category volume share



Source: Beverage Information Group – Liquor handbook; Davy

Figure 9: Category % change – 1990 versus 2010



Source: Beverage Information Group – Liquor handbook; Davy

Table 4: Distilled spirits consumption by category, 2009-2010

Category	*Cases 2009*	*Cases 2010*	*Volume change %*	*Volume share %*	*Value share %*
Irish	**1,175**	**1,420**	**20.9%**	**0.7%**	**1.2%**
Vodka	58,505	62,100	6.1%	32.3%	31.2%
Tequila	11,190	11,640	4.0%	6.1%	8.9%
Cognac	3,398	3,509	3.3%	1.8%	2.7%
Rum	25,000	25,540	2.2%	13.3%	11.8%
American whiskey	20,130	20,355	1.1%	10.6%	10.0%
Canadian	15,620	15,395	-1.4%	8.0%	7.6%
Cordials and liqueurs	20,065	19,650	-2.1%	10.2%	10.1%
Brandy	7,002	6,846	-2.2%	3.6%	3.0%
Gin	11,370	11,090	-2.5%	5.8%	4.8%
Scotch	8,830	8,590	-2.7%	4.5%	7.0%
Prepared cocktails	6,345	6,010	-5.3%	3.1%	1.6%
Total domestic spirits	113,315	114,534	1.1%	59.6%	n/a
Total imported spirits	75,315	77,611	3.0%	40.4%	n/a
Total imported whiskey	25,625	25,405	-0.9%	13.2%	n/a
Total whiskey	45,755	45,760	0.0%	23.8%	n/a
Total distilled spirits	**188,630**	**192,145**	**1.9%**	**100.0%**	**100.0%**

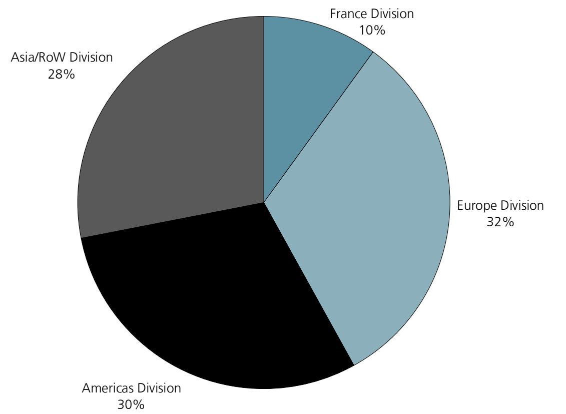
Source: Beverage Information Group – Liquor handbook; Davy

US accounts for 20% of Pernod's group profits

- **The Americas account for 28% and 30% respectively of Pernod's group sales and operating profit**

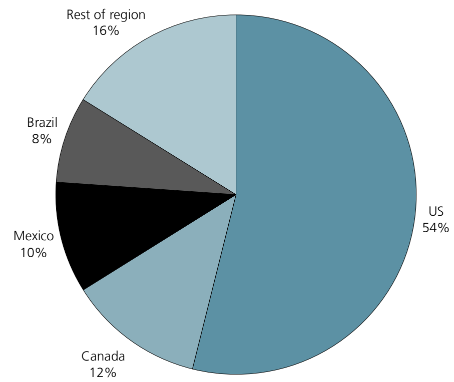
The Americas account for 28% and 30% respectively of Pernod's group sales and operating profit. Within this regional division, the US accounts for 54% of sales and 65-70% of operating profit. Canada, Brazil and Mexico are the three largest markets after the US, each representing broadly 10% of sales.

Figure 10: Group op. profit split % – Americas is 30% of profit



Source: Company reports; Davy

Figure 11: Americas – country sales breakdown FY 2010



Source: Company reports; Davy

Pernod holds number-two position in US premium spirits market

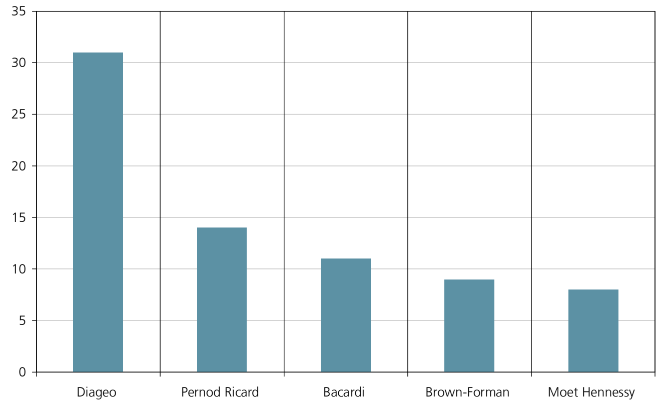
Pernod holds the number-two position in the US market in premium spirits (Pernod defines premium spirits as brands with a $17 retail selling price and above) with 14% share compared to Diageo (number-one) with 31% and Bacardi (number-three) at 11%.

- **Pernod's portfolio is skewed to the more premium end of the spirits market**

More focused on premium end of market

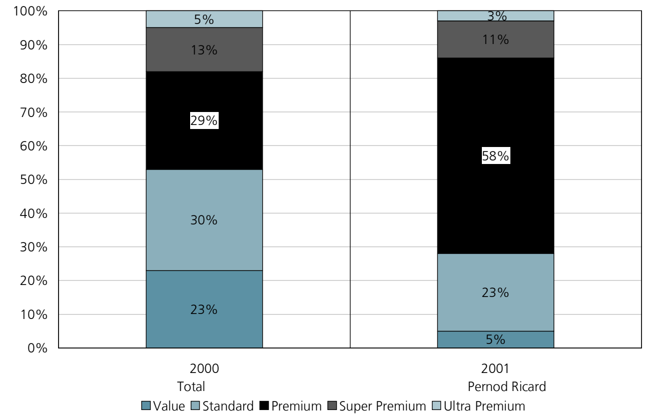
Pernod's portfolio is skewed to the more premium end of the spirits market. The average recommended selling price for Pernod USA is $17.07 compared to an average market price of $14.57. Pernod has six priority brands in the US – Absolut, Jameson, Malibu, Chivas Regal, The Glenlivet and Kahlua. These comprise c.60% of volume, c.75% of value and some 85% of marketing spend.

Figure 12: US premium spirits market share (%)



Source: Pernod Ricard; Adams; Nielsen

Figure 13: Premium split – Pernod's portfolio vs US market



Source: Pernod Ricard

Pernod's US portfolio is displayed in the table below. The top six priority brands, together with Seagram's gin and Beefeater gin, are the main brands in value and volume terms. Absolut is the largest brand, contributing one-third of value sales.

Table 5: Pernod USA supplier $ value 2010 and volume (9 litre cases)

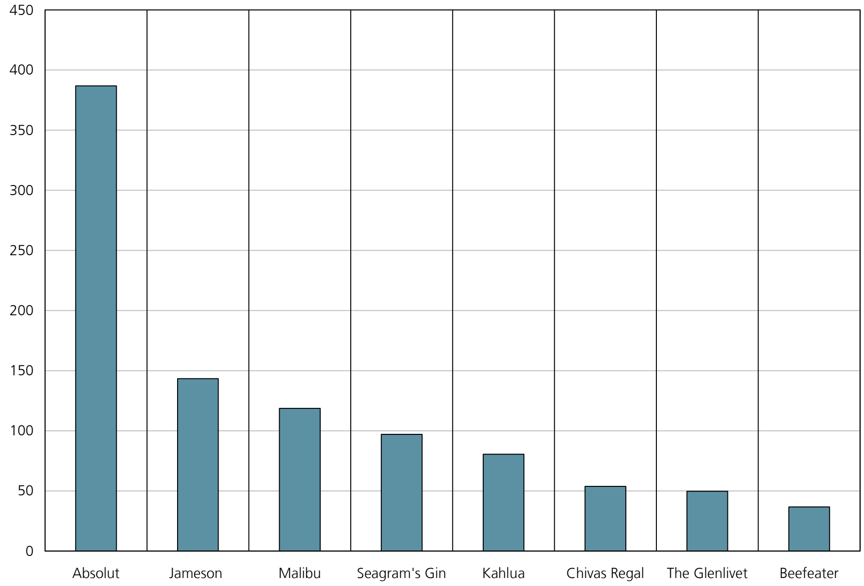
Brand	*Category*	*Supplier $ value*	*Value share*	*Sales per case*	*Cases '000*	*Volume share*
Absolut	Vodka	736,679	36.1%	159	4,630	31.6%
Malibu	Rum	228,206	11.2%	139	1,636	11.2%
Seagram's Gin	Gin	200,372	9.8%	81	2,486	17.0%
Jameson	Irish	192,778	9.5%	186	1,037	7.1%
Kahlua	Liqueur	161,197	7.9%	162	998	6.8%
Chivas Regal	Scotch	102,414	5.0%	255	402	2.7%
The Glenlivet	Single Malt	94,653	4.6%	306	309	2.1%
Beefeater	Gin	69,884	3.4%	137	511	3.5%
Hiram Walker Cordials	Cordial	61,481	3.0%	69	890	6.1%
Kahlua RTD	Prep. Cktl.	49,110	2.4%	121	405	2.8%
Others		31,312	1.5%	166	189	1.3%
Fris	Vodka	25,195	1.2%	70	359	2.5%
Martell	Cognac	20,268	1.0%	263	77	0.5%
Seagram's Twisted Gin	Gin	17,307	0.8%	75	232	1.6%
Ballantine's	Scotch	15,145	0.7%	103	147	1.0%
Presidente	Brandy	14,136	0.7%	105	135	0.9%
Seagram's Gin & Juice	Prep. Cktl.	5,992	0.3%	74	81	0.6%
Passport	Scotch	5,669	0.3%	111	51	0.3%
John Power	Irish	4,582	0.2%	131	35	0.2%
Seagram's Brazilian	Rum	3,543	0.2%	82	43	0.3%
Total Pernod Ricard USA		2,039,922	100.0%	139	14,653	100.0%

Source: Beverage Information Group – Liquor handbook

Jameson is Pernod's second-largest US brand

Jameson overtook Malibu last year as the second-largest brand in Pernod's US portfolio. We estimate that by 2013, Jameson will account for c.14% of sales and 15% of US contribution after A&P.

Figure 14: Major Pernod brands supplier $ forecast 2012F



Source: Beverage Information Group – Liquor handbook; Davy

Jameson – US market P&L

We model the Jameson US brand below.

Table 6: Jameson brand US sales and profit contribution estimates (€)

Jameson	*2010*	*2011F*	*2012F*	*2013F*
Volume	**920,000**	**1,100,000**	**1,265,000**	**1,454,750**
Volume growth	20%	20%	15%	15%
Price per case €	113	114	115	116
Price/mix	2%	2%	3%	3%
Revenue growth %	22%	22%	18%	18%
Revenue	104	125	148	175
COGS	27	32	38	45
Gross profit	77	93	110	130
Gross margin %	74%	74%	74%	74%
A&P	23	28	31	36
A&P to Sales	22%	22%	21%	21%
Contribution after A&P (CAPE)	54	65	79	94
CAPE margin	52%	52%	53%	54%
Structure cost	17.7	20.3	23.4	26.9
Structure cost as % of sales	17.0%	16.2%	15.8%	15.4%
Profit for brand	36.4	45.0	55.7	67.1
Profit margin	35.0%	35.9%	37.6%	38.4%
US sales	**1041**	**1109**	**1170**	**1235**
US profit from recurring operations (PRO)	**367**	**389**	**420**	**445**
Jameson % share of US sales	**10.0%**	**11.3%**	**12.6%**	**14.1%**
Jameson % share of US PRO	**9.9%**	**11.6%**	**13.3%**	**15.1%**

Source: Davy

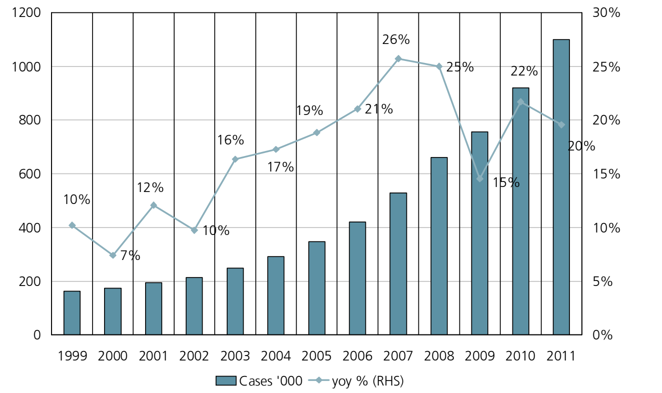
- **Jameson has grown volume by 20% CAGR over the last five years with case sales growth accelerating**

Jameson's US growth accelerates

Jameson's US growth from 2003-2006 from a low base (200,000 cases) was aided by Pernod's increasing scale following the Seagrams/AD deal. Since that time, increased A&P spend and the critical mass that Absolut has brought in the US have accelerated Jameson's growth.

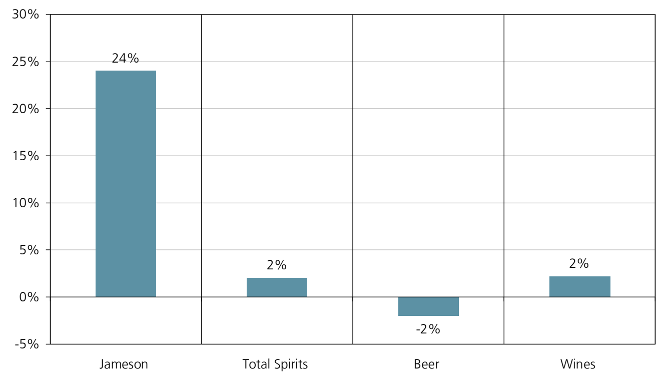
Jameson has grown volume by 20% CAGR over the last five years with case sales growth accelerating. There was little slowdown through the US recession. Value growth has exceeded volume growth as pricing/mix has improved. All US states are currently growing double digit. The like-for-like brand growth or velocity over the last five years is 15% with 6% growth through distribution. Importantly, the brand is growing at a faster rate in states where it has deeper distribution.

Figure 15: Jameson US case growth and yoy % change



Source: Pernod Ricard

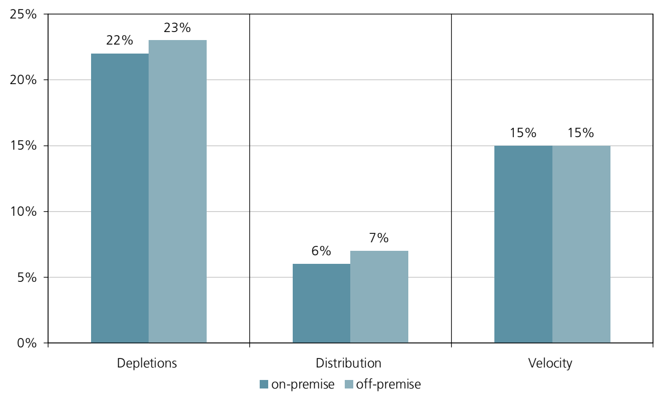
Figure 16: Jameson US growth 2010 versus spirits, beer, wines – on-trade



Source: Beverage Information Group

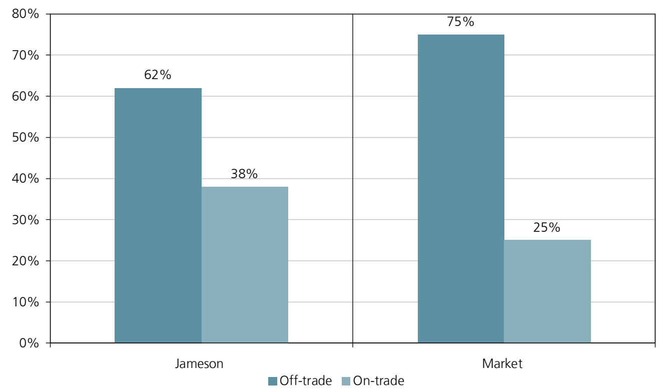
The brand has a higher share of the on-premise relative to the market – 38% of volume sold through the on-premise compared with 25% for the overall spirits market.

Figure 17: 2006-2011 – like-for-like (velocity) growth of 15%



Source: Pernod Ricard

Figure 18: Jameson on/off channel split versus US market



Source: Pernod Ricard

Jameson's key demographic in US

Pernod has highlighted the key demographic of Jameson drinkers in the US as LDA to 34 years. This is a 36m cohort in the US and is expected to grow by 6% by 2020. Pernod categorises the core Jameson drinker as young "ambitious socials" in key urban areas in the US.

This may be somewhat subjective, but Irish whiskey is seen to have a less challenging taste profile than, for example, Scotch. This makes it more accessible for people entering branded spirits and whiskey in general.

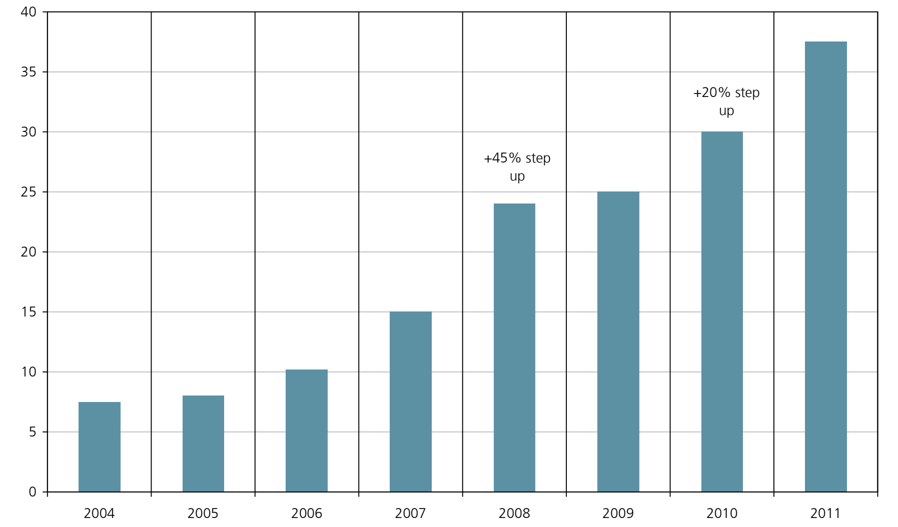
Broadly speaking (this does not hold true for every brand in each category), Irish whiskey is triple distilled, Scotch is distilled twice and American once – giving Irish whiskey a smoother taste. Irish whiskey uses pot and grain still distillation and malt and unmalted grains. Peat is not used in the malting barley process as is the tradition in many Scotch whiskys.

Significant A&P and media investment in US market

- **In 2011, A&P spend will grow in line with sales growth of c.20%**

A&P and media investment behind the Jameson brand is significant. In 2011, A&P spend will grow in line with sales growth of c.20%. Spend increased by 45% in 2008, slowed in 2009 but was stepped up again in 2010 by 20%.

Figure 19: Jameson A&P spend in US market



Source: Pernod Ricard

The investment is a mix of advertising spend and consumer marketing, with the weighting towards consumer marketing (focused on such strategies as on-trade trial/promotion and bar tender incentives). The brand also benefits from unsolicited brand advocacy from a number of celebrities.

The brand's Irish heritage is undoubtedly a beneficial attribute for Jameson. Arguably, the only globally 'Irish' brands are Guinness and Baileys.

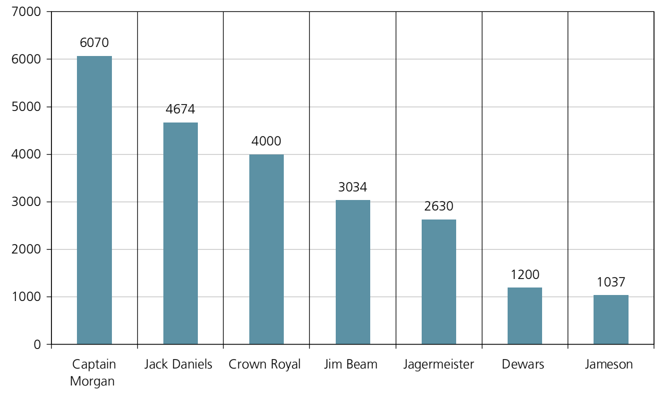
Peer brands; still significant scope for Jameson to grow in US

Pernod believes Jameson (1m cases) is taking share from a host of categories in the US. Its brand peer set is very broad, but we would suggest whiskey brands such as Jim Beam (3m cases), Crown Royal (4m cases), Jack Daniels (4.7m cases), Dewars (1.2m cases) and perhaps other brown spirits such as Captain Morgan (6m cases) and Jagermeister (2.7m cases).

- **There is still significant scope for Jameson and Irish whiskey to grow**

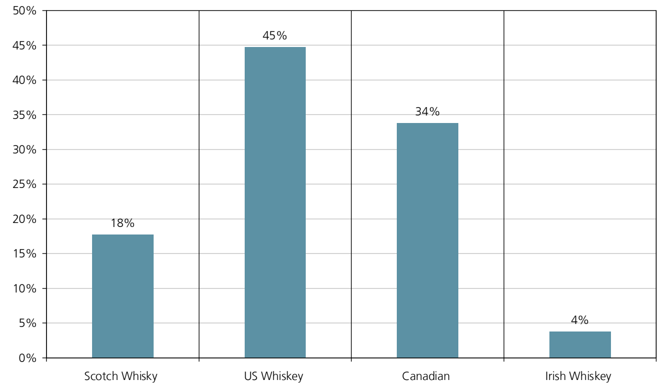
A look at the aforementioned US case numbers for these brown spirits brands and the small share of the Irish whiskey category highlights that there still is significant scope for Jameson and Irish whiskey to grow.

Figure 20: Jameson brand peers US market – 9 litre cases ('000)



Source: The Beverage Information Group – Liquor handbook

Figure 21: Whiskey market share in US (%)



Source: The Beverage Information Group – Liquor handbook

Further premiumisation opportunity for Pernod

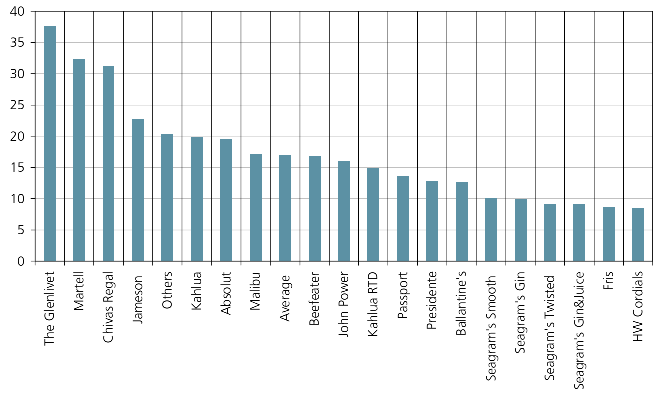
Pernod USA's average portfolio price is $17-18. Jameson has the fourth-highest price per bottle/case in its US portfolio.

Jameson's price, at $22-23, is premium positioned. However, it is still priced below imported premium Scotch and there has been little segmentation into sub-categories such as super-premium and prestige. The average price of a premium Scotch is $30, and the average price for a super-premium American whiskey is $40.

As defined by IWSR, the 'standard' category is 97% of Pernod's Irish whiskey volume. Only 3% of Pernod's Irish whiskey is positioned in 'premium' and above whiskeys compared to 22% for blended Scotch, 48% for American and 93% for malt Scotch.

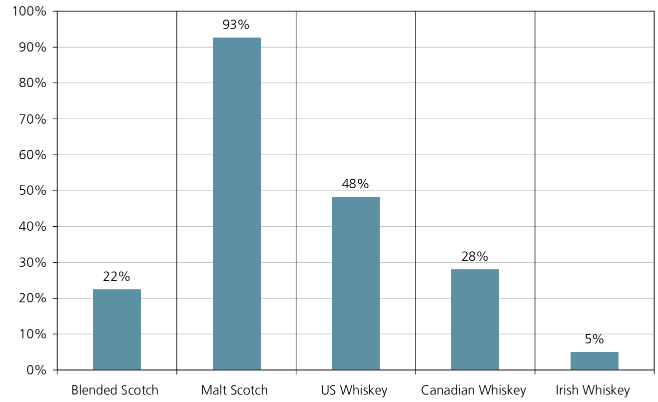
We feel over time that there is an obvious premiumisation/segmentation angle here. Pernod can exploit more aged variants of Jameson (18-year, 12-year). It has recently launched a portfolio of Jameson Select Reserve and has some interesting super-premium brands such as the Pot Still whiskey Redbreast and the high end Midleton. In single pot still distillation, Irish has a unique sub-category. Irish players will look to the Scotch single malt example and how a value creating sub-category was developed (Scottish single malt was unheard of 40 years ago).

Figure 22: US retail price per bottle ($)



Source: Beverage Information Group – Liquor handbook; Davy

Figure 23: US whiskey market – premium and above share of total



Source: IWSR; Davy

Jameson and other markets

- **Jameson is also performing strongly in Russia, South Africa, France and the UK**

We have focused on the key US market, but Jameson is also performing strongly in a number of other markets. While US sales grew by 24% in the year to June 2010, key markets such as Russia (+8%), South Africa (+7%), France (+7%) and UK (+4%) also enjoyed success.

Significant opportunity in French market

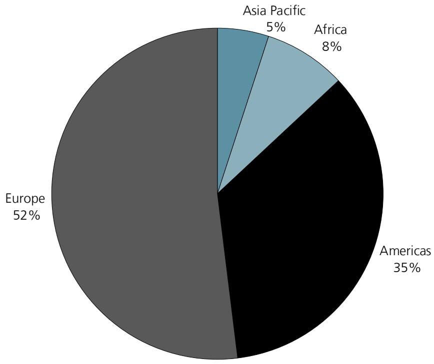
- **Jameson has a significant opportunity in the French market**

It strikes us that Jameson has a significant opportunity in the French market. France is a dynamic whiskey market – it is the largest Scotch market in the world and Jack Daniels' second-biggest market. We would expect Pernod to leverage its distribution strength in this market. Jameson grew 7% last year in France; in comparison, the Scotch market there grew 2%. Irish whiskey holds a 2-3% share of the overall whiskey category in France.

South Africa and Russia – other interesting markets

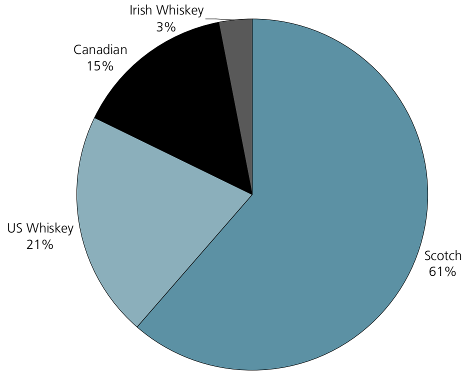
We estimate that South Africa and Russia combined account for 12% of Jameson volumes. Jameson is positioned as the number-four international whiskey brand in South Africa, where its key target market is the new emerging middle class. In Russia, whiskey has been growing strongly for the last number of years with a CAGR of 33.9% over the last decade. Whiskey is regarded as a prestigious drink, and the market is more brand-focused than category-focused. Irish whiskey holds a relatively high share at 8% of total whiskey sales in Russia. Jameson grew volumes by 33% in 2010 and represents approximately 80% of the Irish category there.

Figure 24: Jameson sales regional split 2010 %



Source: Pernod Ricard

Figure 25: Irish whiskey global market share ex-Indian %



Source: IWSR

- **Pernod is more exposed than its peers to emerging markets and has stronger positions there**

Emerging markets for Jameson offer a significant opportunity in the medium term

Emerging markets offer a significant opportunity in the medium term – Irish has virtually no presence in most emerging markets other than pockets of Eastern Europe, Russia and South Africa. Global whiskey's share (ex-Indian whiskey) is Scotch 61%; US 21%; Canadian 15%; Irish 3%. With Pernod's commanding position and strong route to market in a number of emerging markets, there is a significant opportunity over time.

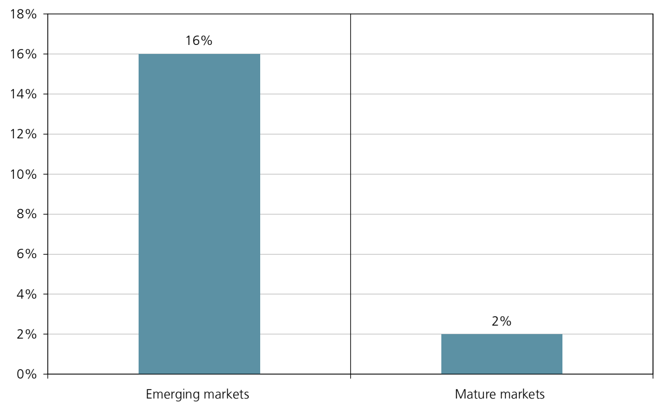
Pernod model can deliver mid-teen EPS growth

We believe organic growth will accelerate from 7% EBIT growth in 2010/2011F to high-single-digit or possibly low-double-digit over the next two years. As the balance sheet de-levers, this will flow down into mid-teen EPS growth. This will be driven by the following factors:

Commanding position in Asia and strong Latin-American exposure

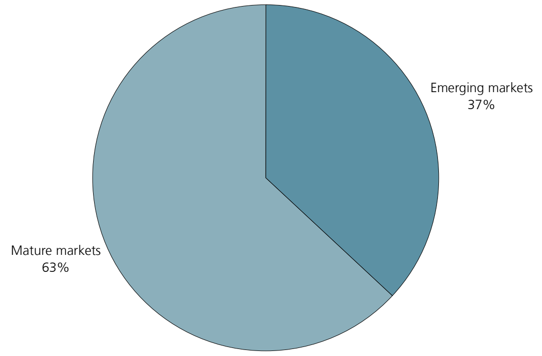
Pernod is more exposed than its peers to emerging markets and has stronger positions there (37% of group and growing profits at 15-20%). While its growth in Asia (China and India account for 15% of group) receives the most focus, it also has leading positions in Latin America (Brazil and Mexico offer the greatest opportunity).

Figure 26: Emerging markets strong – 9-month sales growth %



Source: Pernod Ricard

Figure 27: Emerging market exposure is 37% of group sales



Source: Pernod Ricard

More premium-focused US portfolio with Jameson as the value/volume growth engine

In the US, as we have already stated, Pernod has a more premium-focused portfolio and is benefiting from a US spirits market that is witnessing trading up and an improving on-trade. Its Jameson Irish whiskey is the fastest-growing major brand in the US (+25% revenue growth run rate).

More relative exposure than peers to 'core' Europe

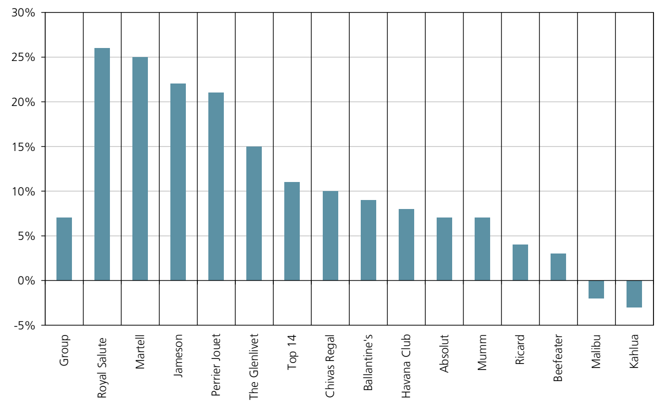
In Europe, Pernod has exposure to peripheral countries but less so than Diageo, with 'core' Europe accounting for the majority of group volumes. In addition, it is in a better position in Central and Eastern Europe (which grew organic sales by 20% in the nine months year-to-date) with a leading role in the Russian international spirits market.

Top 14 brands to fuel further margin expansion and operating leverage

- **Pernod's top 14 brands continue to grow at a faster rate than the group**

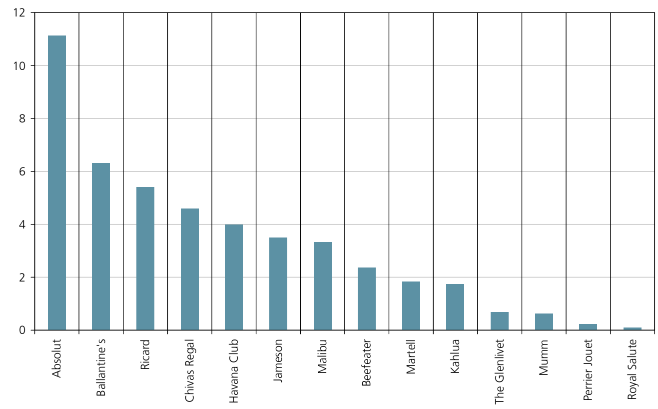
Pernod's top 14 brands continue to grow at a faster rate than the group, driven by higher brand investment. The top 14 brands' higher gross margin is in turn fuelling further margin expansion and operating leverage.

Figure 28: Top 14 brands growth 9 months to March yoy %



Source: Pernod Ricard; Davy

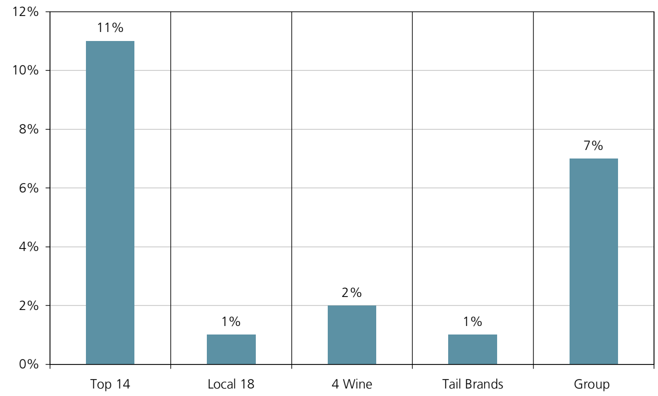
Figure 29: Top 14 brands 9 litre case sales 2011F



Source: Pernod Ricard; Davy

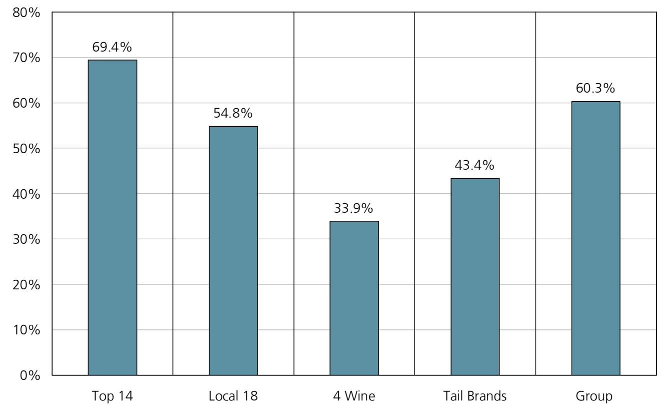
Pernod's top 14 brands grew sales by 11% in the nine months to March year-on-year. These brands grew 13% in 2007 and 11% in 2008 but slowed to flat growth in 2009. These brands have a higher gross margin (better price/mix) at c.70%. This compares to the group average of 61%. A&P spend is also higher for these 14 brands, driving the faster sales growth. The higher gross margin also fuels bottom-line margin expansion and leaves room for further investment in A&P, which in turn drives further top-line growth.

Figure 30: Top 14 brands outperform – 9-month sales growth %



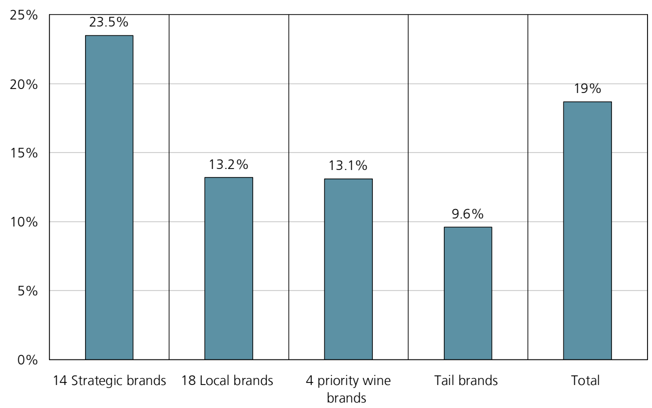
Source: Pernod Ricard; Davy

Figure 31: Top 14 higher gross margin drives bottom-line growth



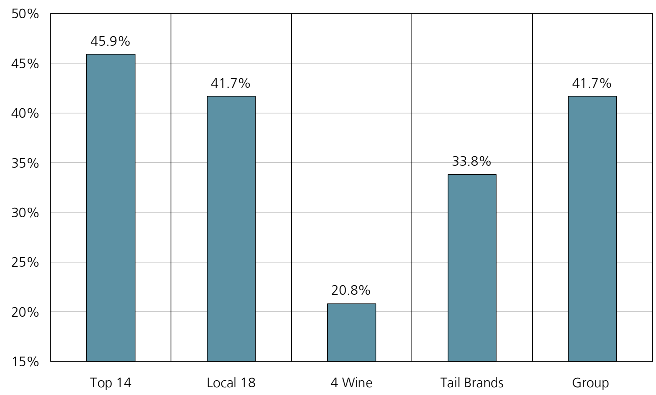
Source: Pernod Ricard; Davy

Figure 32: Top 14 brands higher A&P to sales (%)



Source: Pernod Ricard; Davy

Figure 33: Top 14 brands higher CAPE margin



Source: Pernod Ricard; Davy

Forecasts

We forecast that Pernod will grow organic operating sales and profit by 7-8% and 9-10% respectively per annum over the next two years. This, combined with the de-leveraging of the net debt position, fuels mid-teen EPS growth (we had previously forecast 12-13%) above the sector average of 12%.

We expect growth to be driven by the Asia/RoW division and the Americas division. Operating leverage to the model should kick in given that the significant step-up in A&P investment has taken place and is now back at peak levels. The incremental increase in A&P spend as a percentage of sales will be smaller going forward. Also, operating margin will be aided by the top 14 brands continuing to grow at a faster rate than the group. Jameson is one of the key brands; we estimate that it is adding some 1% to organic sales growth.

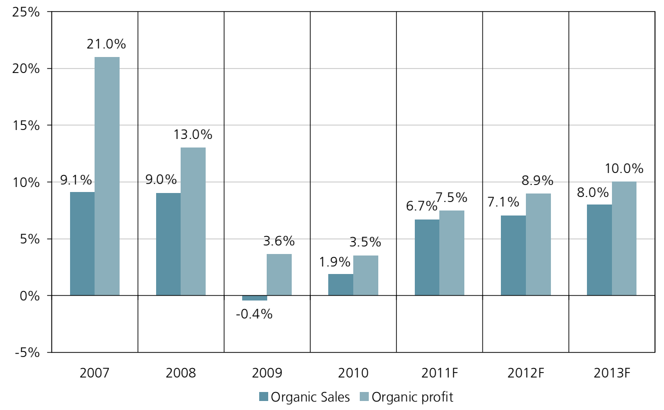
We expect Pernod’s net debt to EBITDA to fall to 3x by June 2013 from 4.3x for June 2011F. Once Pernod reaches/goes below this level, we believe it will look to re-engage in value-creating M&A. The group throws off circa €1bn in free cash flow pre-dividend each year, which is helping pay down the debt. Note that Pernod's debt is roughly split 55% $/45% €. A good rule of thumb is that every 1% move in the €/$ has a €55m impact on net debt; the opposite effect on the P&L is that every 1% in the €/$ has a net €9m impact on profits.

Table 7: Pernod forecasts (June year-end)

	2011F	*2012F*	*2013F*
Profit and loss			
Sales	7613	8156	8806
Organic sales growth	**6.7%**	**7.1%**	**8.0%**
PRO	1921	2093	2303
Organic PRO growth	**7.5%**	**8.9%**	**10.0%**
Interest	-450	-405	-360
PBT	1471	1688	1943
Tax	23%	23%	23%
Tax charge	-338	-388	-447
Net income	1133	1300	1496
Minorities	-30	-30	-30
Net income post minorities	1103	1270	1466
Shares	265	265	265
EPS	**4.16**	**4.79**	**5.52**
Earnings growth	**10%**	**15.1%**	**15.5%**
Previous forecast EPS	**4.18**	**4.71**	**5.44**
Consensus	**4.14**	**4.63**	**5.32**
Above/below consensus	**0.5%**	**3.4%**	**3.9%**
Net debt to EBITDA	**4.3x**	**3.6x**	**3.0x**
Net debt	**8909**	**8183**	**7340**
A&P	1421	1543	1693
A&P % sales	18.7%	18.9%	19.2%
Cash flow			
EBIT	1921	2093	2303
Depreciation and amort.	161	161	161
Change in working capital	-130	-200	-200
Interest	-428	-385	-342
Tax	-321	-369	-425
Capex	-215	-244	-264
Free cash flow pre dividends	**988**	**1056**	**1233**
Dividends	-331	-381	-440
Acqusitions/disposals	100	50	50
Free cash post divs and disposals	**757.5**	**725.1**	**843.6**
Net debt pre FX	9827	8183	7340
FX and other	-918	0	0
Net debt/cash	**8909**	**8183**	**7340**
Change in net debt	1675	-725	-844

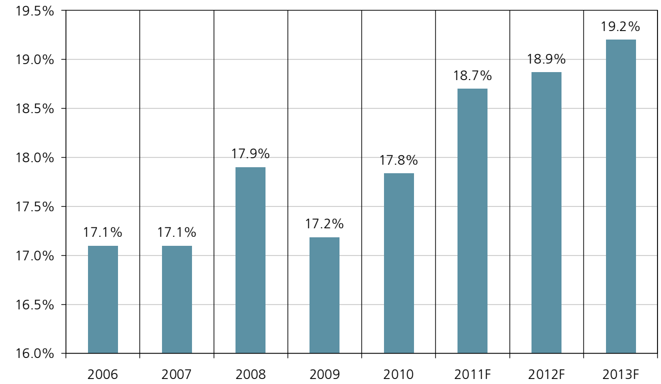
Source: Pernod; Davy

Figure 34: Group organic sales and profit growth



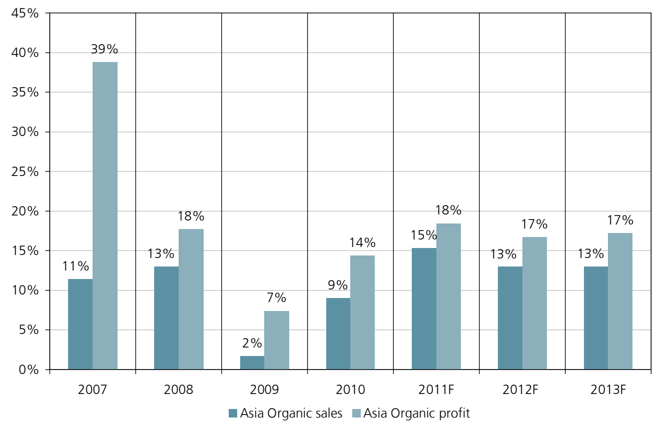
Source: Pernod Ricard; Davy

Figure 35: A&P spend as a percentage of revenues



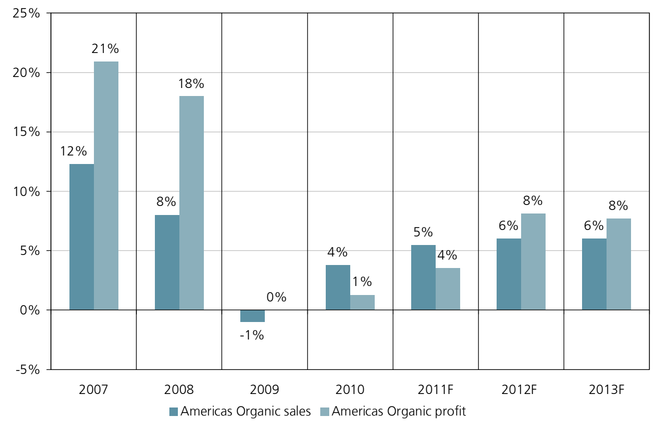
Source: Pernod Ricard; Davy

Figure 36: Asia/RoW organic sales and operating growth



Source: Pernod Ricard; Davy

Figure 37: Americas organic sales and operating growth



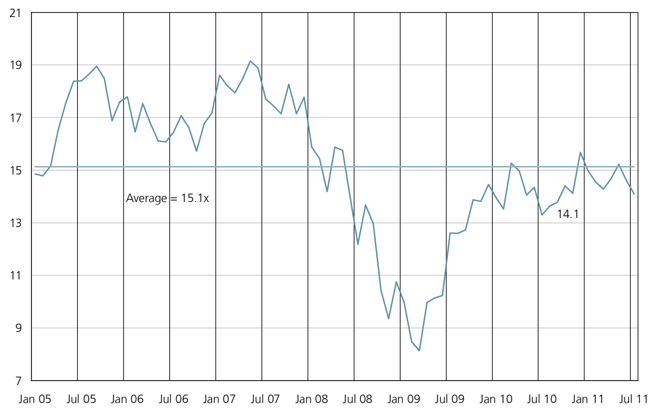
Source: Pernod Ricard; Davy

Valuation

Pernod's valuation on a forward basis, currently 14.3x, is in-line with the beverage sector and compares to its average P/E of 15.1x over the last five years. Looking at its closest peers, Diageo (14.4x) and Remy (20.6x), we think Pernod looks attractive. Diageo's earnings growth (at 10%) is below that of Pernod and Remy's multiple is too rich for us, even given its high-teen earnings growth profile.

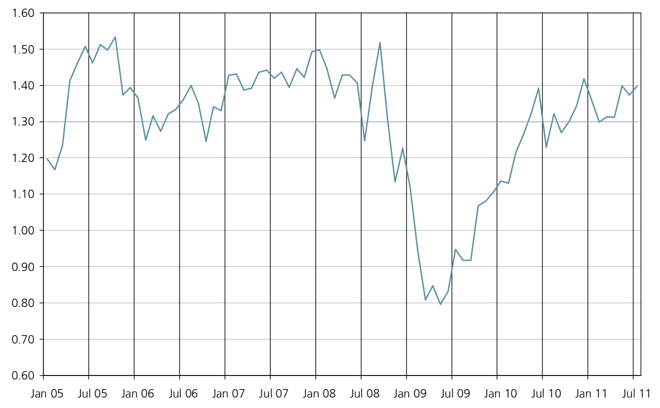
The stock (and beverage sector) has historically traded in a range of 20-50% premium to the market (excluding the debt crisis of 2009 when Pernod's rating suffered due its stretched leverage position following the Absolut deal). The stock/beverage sector is currently trading at a 40% premium to the market (EuroStoxx 600), reflecting its defensive nature, strong free cash flow, consolidated market positions and mix of developing and emerging market exposure.

Figure 38: Pernod's 12-month forward P/E



Source: Factset

Figure 39: Pernod's P/E relative to market



Source: Factset

Reiterate 'outperform' rating; valuation looks attractive relative to peers

Pernod has a mix of fast-growing emerging markets and relatively well-positioned mature markets. It has a commanding position in China and India; it is more relatively exposed to 'core' Europe than its peers; and its more premium US portfolio is outperforming, aided by Jameson's +20% growth.

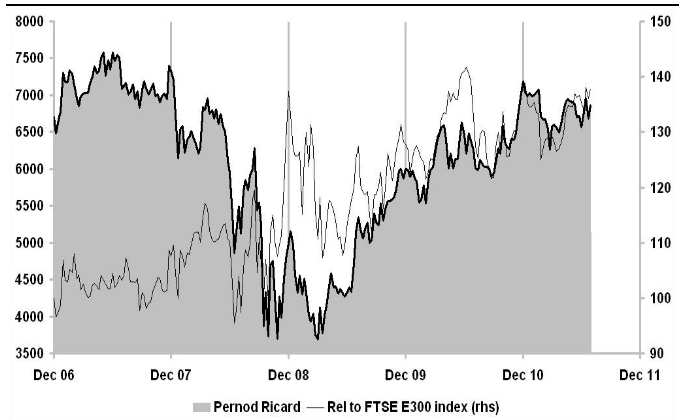
Price (c)	Shares (m)	Mkt. Cap (€m)	E.V. (€m)	Mkt. Cap. / EV (%)	Mkt. Weight (%)	Free Float (%)	Daily No. Shares Traded (m)	Daily Value Traded (€m)
6865	264.5	18156.3	26613.7	68.2		72.0	0.606	41.245

SUMMARY ACCOUNTS	Jun09	Jun10	Jun11E	Jun12F	Jun13F
INCOME STATEMENT (€M)					
Revenue	7203.0	7080.9	7612.9	8156.1	8806.1
EBITDA	**2013.6**	**1951.7**	**2082.3**	**2254.2**	**2464.1**
Depreciation	137.6	127.0	131.0	131.0	131.0
Amortisation of intangibles	30.0	30.0	30.0	30.0	30.0
Operating profit	1846.1	1794.7	1921.3	2093.2	2303.1
Other income from operations	0.0	0.0	0.0	0.0	0.0
Share of associate / JV after-tax profits	0.0	0.0	0.0	0.0	0.0
PBIT before exceptionals	**1846.1**	**1794.7**	**1921.3**	**2093.2**	**2303.1**
Group net interest	-690.0	-507.0	-450.0	-405.0	-360.0
Other finance costs	0.0	0.0	0.0	0.0	0.0
Total finance costs	-690.0	-507.0	-450.0	-405.0	-360.0
Exceptionals	-89.0	-88.0	0.0	0.0	0.0
PBT	**1067.1**	**1199.7**	**1471.3**	**1688.2**	**1943.1**
Tax	-108.0	-223.0	-338.4	-388.3	-446.9
Minorities (incl. pref. divs.)	-21.0	-26.0	-30.0	-30.0	-32.0
Earnings (basic)	**938.1**	**950.7**	**1102.9**	**1269.9**	**1464.2**
Average no. of shares (m) - basic	258.0	258.0	258.7	258.8	258.8
Average no. of shares (m) - diluted	261.2	263.9	265.1	265.2	265.2
PER SHARE DATA (C)					
EPS Basic	363.6	368.5	426.4	490.6	565.7
EPS Diluted (Adj)	**383.6**	**379.2**	**416.1**	**478.8**	**552.0**
Cash EPS (Diluted)	436.2	427.4	465.5	528.2	601.4
Dividend	50.3	130.2	137.0	158.0	183.0
NBV	3157.5	3444.1	3478.5	3813.7	4202.5
NBV (incl. amortisation of intangibles)	3221.9	3512.8	3558.4	3904.9	4305.1
CASH FLOW (€M)					
EBITDA	2013.6	1951.7	2082.3	2254.2	2464.1
Change in working capital	246.0	-48.0	-130.0	-200.0	-200.0
Share-based payments	0.0	0.0	0.0	0.0	0.0
Other operating cashflows	-81.6	-127.1	0.0	0.0	0.0
Cash generated from operations	**2178.1**	**1776.6**	**1952.3**	**2054.2**	**2264.1**
Net capital expenditure	-241.0	-184.0	-215.0	-244.5	-264.0
Operating cashflow	**1937.1**	**1592.6**	**1737.3**	**1809.7**	**2000.0**
Net interest	-629.9	-493.0	-427.5	-384.8	-342.0
Tax	-164.0	-79.0	-321.5	-368.9	-424.6
Dividends from associates	0.0	0.0	0.0	0.0	0.0
Dividends to minorities	0.0	0.0	0.0	0.0	0.0
Free cash flow	**1143.2**	**1020.6**	**988.4**	**1056.1**	**1233.5**
Dividends to shareholders	-283.0	-136.0	-330.9	-381.0	-439.8
Acquisitions & investments	-5561.0	21.0	0.0	0.0	0.0
Business disposals	0.0	0.0	0.0	0.0	0.0
Share Issues / (Buybacks)	0.0	-27.5	0.0	0.0	0.0
Translation differences	0.0	-755.1	0.0	0.0	0.0
Other	290.8	116.0	1017.0	50.0	50.0
Change in net cash / debt	**-4410.0**	**239.0**	**1674.5**	**725.1**	**843.6**
BALANCE SHEET (€M)					
Property, plant & equipment	1757.0	1823.0	1877.0	2045.0	2220.6
Intangible assets	16198.0	17757.0	17757.0	17020.0	17020.0
Investments in associates / jv's	0.0	0.0	0.0	0.0	0.0
Working capital	**2858.0**	**3178.4**	**3436.7**	**3502.9**	**3787.2**
Other	183.0	261.0	261.0	261.0	261.0
Capital Employed	**20996.0**	**23019.4**	**23331.7**	**22828.9**	**23288.7**
Financed by					
Equity capital & reserves	7451.0	9122.0	9225.9	10114.9	11139.2
Minority interests	164.0	216.0	244.0	274.0	306.0
Preference shares	0.0	0.0	0.0	0.0	0.0
Net Debt/(Cash)	**10822.0**	**10583.0**	**8908.5**	**8183.4**	**7339.8**
Deferred consideration/debt-related	0.0	0.0	0.0	0.0	0.0
Retirement benefit obligations	0.0	0.0	0.0	0.0	0.0
Net deferred tax	927.0	1193.0	2254.0	2291.0	2540.4
Other long-term liabilities	1632.0	1905.4	2699.3	1965.6	1963.3
Capital Employed	**20996.0**	**23019.4**	**23331.7**	**22828.9**	**23288.7**
Intangibles amortised	152.0	182.0	212.0	242.0	272.0
Capital employed inc. intangibles	21148.0	23201.4	23543.7	23070.9	23560.7
Invested capital inc. intangibles	18589.0	20103.0	18590.5	18814.3	19057.0

GEOGRAPHIC ANALYSIS	Jun11E	Jun12F	Jun13F	Jun11E	Jun12F	Jun13F
	Revenue (€m)			*Operating Profits (€m)*		
Asia/ROW	2720.0	3088.0	3535.0	699.0	823.0	966.0
Americas	2074.0	2206.0	2361.0	571.5	618.8	668.1
Europe	2070.0	2091.0	2112.0	461.7	454.7	465.5
France	749.0	771.3	798.0	189.5	196.7	203.6
Total	**7613.0**	**8156.3**	**8806.0**	**1921.7**	**2093.2**	**2303.1**

CALENDAR	Date	Ex-Div
Interims	17-02-11	
Finals	01-09-11	12-11-10
AGM	15-11-11	
Updated	22-07-11	

VALUATION	Jun11E	Jun12F	Jun13F	Dec10E	Dec11F	Dec12F
					Rel to Sector	
P/E	16.5	14.3	12.4	1.0	1.0	0.9
Dividend Yield (%)	2.0	2.3	2.7	1.0	1.0	1.0
Free Cash Flow Yield (pre divs) (%)	5.4	5.8	6.8			
Price / Book	1.97	1.80	1.63	0.8	0.8	0.8
EV / Revenue	3.59	3.26	2.93			
EV / EBITDA	13.1	11.8	10.5			
EV / EBITA	14.0	12.5	11.1			
EV / Operating Cashflow	15.7	14.7	12.9			
EV / Invested Capital	1.47	1.41	1.35			
PEG (Hist P/E/4yr gwth)	1.73					



PRICE PERFORMANCE (%)	1 Wk	1 Mth	3 Mths	6 Mths	YTD	1 Yr
Absolute	2.5	2.4	3.8	-1.8	-2.4	9.2
Rel to CAC 40	0.7	4.0	9.4	3.4	-2.7	0.0
Rel to E300	1.2	1.8	7.5	2.3	-0.8	0.8
Rel to E300 Beverages	1.6	0.2	3.5	-3.2	-2.3	1.2

PRICE AND P/E HISTORY	Price			Hist P/E		
	High	*Low*	*Yr End*	*High*	*Low*	*Average*
2011	7191	6183		19.0	16.3	17.9
2010	7207	5533	7036	19.1	14.4	16.3
2009	6043	3665	5991	15.8	9.9	12.8
2008	7341	3699	4898	20.2	10.2	15.1
2007	7615	6461	7310	25.7	18.9	23.1
2006	6704	5432	6704	23.4	17.1	20.9

KEY RATIOS	Jun09	Jun10	Jun11E	Jun12F	Jun13F
GROWTH					
EPS Diluted (Adj) (%)	0.3	-1.1	9.7	15.1	15.3
Dividend (%)	-58.9	159.0	5.2	15.3	15.8
Revenue (%)	9.3	-1.7	7.5	7.1	8.0
EBITDA (%)	19.2	-3.1	6.7	8.3	9.3
PROFITABILITY / ACTIVITY					
EBITDA margin (%)	28.0	27.6	27.4	27.6	28.0
EBITA margin (%)	26.0	25.8	25.6	26.0	26.5
Revenue / Capital Employed (x)	0.39	0.32	0.33	0.35	0.38
RETURN					
ROCE (before tax, ex. invs) (%)	10.2	8.2	8.3	9.1	10.0
ROE (after tax) (%)	14.2	11.8	11.8	12.8	13.5
Ret. on Inv. Cap. (after tax) (%)	10.8	7.8	7.8	8.8	9.5
WACC (%)	7.4	5.8	5.4	5.3	5.4
FINANCIAL / GENERAL					
EBITDA Int. Cover (x)	2.9	3.8	4.6	5.6	6.8
Group Interest Cover (x)	2.7	3.5	4.3	5.2	6.4
Debt / EBITDA (x)	5.4	5.4	4.3	3.6	3.0
Debt / Equity (%)	142.1	113.3	94.1	78.8	64.1
Debt / Free Cash Flow (x)	9.5	10.4	9.0	7.7	6.0
Avg. Cost of Debt (before tax) (%)	8.0	4.7	4.6	4.7	4.6
Ret. benefits deficit / market cap (%)	N/A	N/A	N/A	N/A	N/A
Dividend Cover (x)	7.6	2.9	3.0	3.0	3.0
Working Capital / Revenue (%)	39.7	44.9	45.1	42.9	43.0
Net Capex / Depreciation (%)	175.2	144.9	164.1	186.6	201.6
Tax rate (%) (unadjusted)	10.1	18.6	23.0	23.0	23.0

CAGR(%)	5 Year	10 Year
Revenue (%)	4.6	N/A
EBITDA (%)	8.2	N/A
EPS Diluted (Adj) (%)	6.0	N/A
Cash EPS (Diluted) (%)	4.9	N/A
Dividend (%)	8.3	N/A
TSR	5.6	11.4

MAJOR SHAREHOLDERS	%
Societe Paul Ricard	14.3
Groupe Bruxelles Lambert	8.9
Morgan Stanley	4.2
Capital Research & Mgmt	4.1

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