



Q3 PREVIEW: STRONG RECOVERY BUT...

Pernod will report Q3 sales on Thursday 29 April. We forecast 8.0% organic sales growth in the Quarter and zero for the first nine months. Consensus is a bit higher, at +9.9% organic. After LVMH and Rémy, it is tempting to expect a higher number from Pernod but LVMH's recovery slightly undershot the decline a year earlier and Rémy's growth was partly company-specific. We are Holders but expect good share price performance through these figures.

- 8.0% organic growth:** We forecast Q3 sales of €1,456m and 9M sales of €5,245m. This assumes 8.0% organic sales growth in Q3 and zero organic growth in the 9M. Our regional split estimates appear in the table below.
- An easy comp (-12%):** In Q3 2009, Pernod took a major destocking hit, reporting -12% organic sales in Q3. It estimated that underlying consumer off-take was -4%, and destocking was -8%. For Q3 2010 we forecast +8%, a bounce-back from the 8% destocking hit in Q3 2009, boosted by the benefit of the later timing of Chinese New Year. We have not built-in any assumption of additional growth above the recovery from destocking last year. Consensus has factored-in 2% of additional sales growth. Our estimate was deliberately prudent but we do now see upside risk to this as recent data points have been quite positive: competitor trends (see below) and improving US figures from Nielsen.
- Recent industry trends look very positive:** For the same Quarter, Moët-Hennessy reported organic sales growth of +20%; however, it is important to note that this was against a decline of -22% a year earlier. Rémy Cointreau reported organic sales growth of +100%, versus a decline of around -42% a year earlier. After adjusting for the one-off negative technical factors that depressed Rémy's sales a year earlier, the growth this year was +29% (see separate report published today), but this compares with a decline of 10% a year earlier on this basis, so Rémy is clearly seeing strong underlying growth. However we view most of this as company-specific, related to Rémy's higher sales & marketing investment after it left Maxxium distribution network in April 2009.
- More easy comps lie ahead:** In Q4 2009 sales fell -2%, leaving FY sales flat. In Q1 2010 organic sales fell -4% and in Q2 they fell -2%. This means that Pernod has three more "easy comp" quarters ahead of it.

		Asia	Americas	Europe	France	Total	Organic growth
Q3	2008/09	458	347	411	129	1,345	-12.0%
Q3	2009/10	527	368	432	129	1,456	8.0%
9M	2008/09	1,588	1,528	1,908	533	5,557	0.3%
9M	2009/10	1,672	1,368	1,679	526	5,245	0.0%

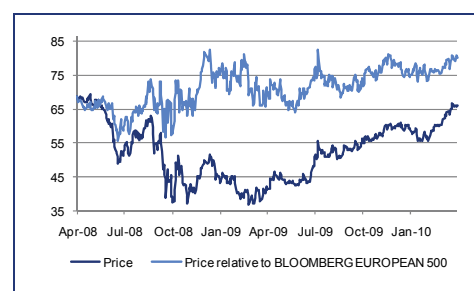
Source: Pernod Ricard, Matrix Corporate Capital forecasts

Research

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Rating	HOLD
Target price (€)	63.00
Current price (€)	66.00
Market cap (€m)	17,416
52-wk range (€)	40.39-67.51

Year-end June (€m)	2009	2010E	2011E
Revenue	7,203	6,985	7,535
EBITDA	2,003	1,919	2,095
EBITA	1,846	1,766	1,931
PBT	1,227	1,277	1,464
Net profit	1,002	979	1,121
Net (debt)/cash	(10,927)	(10,326)	(9,847)
Net assets/(def)	7,615	8,381	9,190
Dil EPS (€)	4.24	3.70	4.23
DPS (€)	1.32	1.32	1.40
FCF (€m)	1,043	799	848
P/E (x)	15.7	18.0	15.7
EV/EBITDA (x)	13.4	14.7	13.3
Net debt:EBITDA (x)	5.45	5.38	4.70
Interest cover (x)	3.0	3.6	4.1
ROIC (%)	8.9	7.0	7.4



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Company	Disclosure
Pernod Ricard (RI)	None

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