

Company: Pernod Ricard	Ticker: \$PRNDY	Price: \$31.70	Industry: Consumer Discretionary
Target Price: \$35.33 Stop Loss: \$26.50 52 Week High/Low: \$30.61-\$47.87	TTM P/E: 18.22x Forward P/E: 16.64x EPS (FY23): \$1.74	Beta (5Y): .45 Credit Rating: BBB+ (S&P) Rating Outlook: Stable	Market Cap: \$39.99B Avg. Vol: 260,563 Dividend Yield: 3.17%

**Company Background:**

Pernod Ricard, renowned as the 10th largest drink producer and the 7th largest alcoholic beverage producer globally, recorded an impressive revenue of \$12.1 billion in FY23. Operating across 75 countries with distribution networks spanning 160, the company boasts 18 top 100 brands under its umbrella. Notable among its portfolio are beloved names such as Jameson, Kahlua, Malibu, Redbreast, Jeffersons, and Absolut, resonating well with consumers across North America. Pernod Ricard's strategy revolves around the premiumization of its brands, catering to discerning consumers seeking high-quality and luxurious experiences. It tailors its diverse array of brands for specific target markets across the Americas, Asia, Europe, the Middle East, and Africa. With six brand companies—Chivas Brothers, Irish Distillers, Martell Mumm Perrier-Jouët, The Absolut Group, Pernod Ricard Winemakers, and Havana Club International—the company manages a staggering portfolio of 240 brands, each carefully curated to meet the preferences and tastes of its diverse global clientele.

**Industry Outlook:**

The alcoholic beverages market is poised for steady growth, projected to expand at a compound annual growth rate (CAGR) of 3.40% from 2024 to 2029. This indicates a promising trajectory for the industry as a whole. Within this landscape, the spirits segment stands out, experiencing a notable surge in demand, particularly for premium and super-premium products. Consumers are displaying a growing preference for spirits that offer unique and high-quality experiences, reflecting a shift towards more discerning tastes. Additionally, there is a noticeable trend towards increased health consciousness among consumers, which has further fueled the demand for premium alcoholic beverages. This emphasis on quality and health-consciousness is reshaping the market, driving innovation and prompting companies to prioritize the development of premium offerings to cater to evolving consumer preferences.

**Investment Thesis:**

The market dynamics within the alcoholic beverages industry are witnessing a significant shift, with consumer preferences moving away from beer and towards wine and spirits. This trend underscores the evolving tastes and preferences of consumers, prompting companies like Pernod Ricard to adapt their strategies accordingly. Pernod Ricard has demonstrated a keen focus on targeting diverse markets, with particular attention to those showing growth potential. The company maintains a commitment to capital expenditures aimed at expanding its brands and extending their reach into new territories and demographics. Furthermore, Pernod Ricard has established a solid track record of returning growing earnings to shareholders, demonstrating its ability to generate value and maintain shareholder confidence.

This commitment to growth and shareholder returns positions Pernod Ricard as a formidable player in the ever-changing landscape of the alcoholic beverages market.

**Risks:**

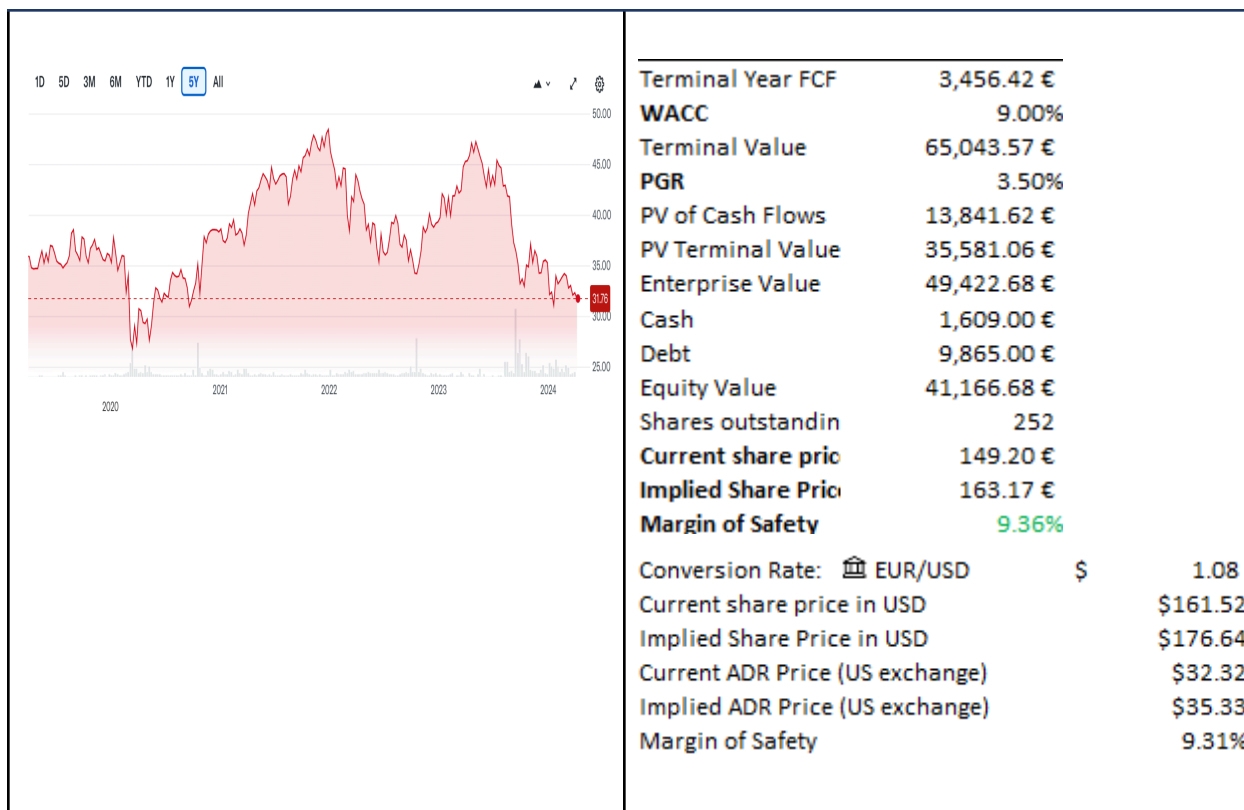
Pernod Ricard faces several risks related to economic sensitivity and social and health concerns within its market landscape. To mitigate the impact of economic downturns, the company relies on the diversification of its product offerings, which can help buffer against fluctuations in consumer spending. Additionally, Pernod Ricard benefits from its geographically diversified market presence, which provides some insulation against localized economic challenges. However, during periods of economic uncertainty, demand for the company's products, particularly premium beverages, may decline as consumers tighten their discretionary spending. On the front of social and health risks, Pernod Ricard has recognized the importance of catering to health-conscious consumers by investing in and promoting a range of low-alcohol or non-alcoholic alternatives. Heightened awareness of the health impacts associated with alcohol consumption presents a challenge, potentially leading to reduced demand for alcoholic beverages overall. To address these concerns, Pernod Ricard is likely to continue innovating and diversifying its product portfolio to meet changing consumer preferences and societal expectations regarding health and wellness.

**ESG**

Pernod Ricard demonstrates a strong commitment to environmental, social, and governance (ESG) principles across its operations. The company actively promotes sustainable agriculture practices, including regenerative vineyard agriculture, and implements strategic biodiversity initiatives such as banning animal testing and requiring each portfolio brand to undertake biodiversity-focused projects. Additionally, Pernod Ricard prioritizes water resource preservation by efficiently treating wastewater and replenishing watersheds in stressed areas. On the social front, the company is dedicated to advancing diversity, equity, and inclusion (DE&I) initiatives, ensuring gender pay equity, diverse management teams, and fostering a diverse workforce. Furthermore, Pernod Ricard upholds ethical standards in its supply chain through rigorous social and ethical audits, alongside sustainability assessments. The company's commitment to ESG values is reflected in its industry leadership ratings and governance structure, which includes a majority of independent board members and various governance committees facilitating thoughtful decision-making processes.

5-Year Financial Performance:

DCF Valuation:



### Comparable Companies Analysis:

Summary of Current Multiples								
Name	2Y Corr	Mkt Cap (EUR)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV	
11) Pernod Ricard SA		38.19B	16.8x	13.2x	15.2x	4.1x	2.3x	
Current Premium to Comps Mean			-12%	-5%	-3%	-3%	-46%	
Mean (Including RI FP)		28.34B	19.1x	13.8x	15.6x	4.3x	4.3x	
12) Remy Cointreau SA	0.73	4.74B	23.2x	14.5x	16.5x	4.3x	2.7x	
13) Diageo PLC	0.73	76.60B	19.0x	14.3x	16.2x	4.8x	8.5x	
14) Davide Campari-Milano NV	0.65	11.37B	24.7x	15.6x	18.3x	4.0x	3.6x	
15) Brown-Forman Corp	0.25	22.75B	26.1x	19.4x	20.7x	6.3x	7.5x	
16) Constellation Brands Inc	0.08	45.60B	19.9x	15.1x	17.1x	5.8x	5.2x	
17) Jiangsu Yanghe Brewery Joint-S	0.07	19.05B	11.7x	7.2x	7.0x	2.9x	2.9x	
18) Thai Beverage PCL	0.02	8.44B	11.2x	11.3x	13.9x	1.8x	1.7x	