MARKET DIGEST

LINDT&SPRUENGLI 2016 FINANCIAL RESULTS

07.03.2017

Lindt&Spruengli reported this morning 2016 full results, in line with market expectations but with a 10% dividend increase.

Lindt's 2016 organic sales improved by 6% (vs. 5.7% consensus) as strong growth in Europe, in Japan and in Brazil as well as an ongoing own store roll out offset some weakness in North America. Retail sales rose by 13% amid a 16% increase in stores to 370 (+60).

The Group's operating profit (EBIT) rose by 8.4% to CHF 562.5 million. EBITDA margin increased by +60 bps vs. an EBIT margin improvement of +20 bps. Net income improved by 10.2% to CHF 419.8 million.

Lindt's North America margin fell by 120bps as it continued to integrate Russell Stover and experience tough trading conditions. This should improve in 2017 as Russell stores repositioning should begin to bear fruits. Elsewhere, it reported decent organic sales growth while both Europe and the rest of the world saw strong margin expansion. Free cash flow of CHF291m was strong but in line with consensus.

Outlook:

Lindt's guidance did not change. It confirmed its mid to long term goal of organic sales growth of 6–8% combined with an increase in the operating profit margin of 20–40 basis points. For the 2017 financial year, the Group expects sales growth to be broadly in line with the previous year, and a further improvement in the operating margin.

In 2017 Lindt should benefit from a positive basis effect in the US and from Russell stores product mix improvement and from lower input prices. The US chocolate market contracted in 2016 but seems to gradually improve by now.

With these numbers, we are confirming our Buy rating and our 12m price target to CHF 6500.

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