

COUNTRY RISK

Hermès International S.A. in Brazil

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Bilet Caroline
Bouchoux Tristan
Bouhdadi Adil
Boulay Arnaud
Breton Thomas

History of Hermès



Hermès International S.A. (or Hermès): French manufacturer of quality goods established in 1837 in the Latin Quarter in Paris



Top of mind company regarding leather goods, lifestyle accessories, perfumery, luxury goods and ready-to-wear.




Unchanged Hermès logo since the 1950's: Duc carriage with horse




Throughout history, worldly famous artistic directors at the head of Hermès design: Martin Margiela or Jean-Paul Gaultier

Hermès in 2012

 Consolidated sales: €1,591.4 million up by 15.4% at constant exchange rates

 Consolidated net incomes reaching €335.1 million

 Operating profitability reaches 31.2% of sales

 9,526 employees with 445 new jobs created in the first half of 2012

 328 stores all around the world in 2011 (123 dealers and 205 branches)

Source: <http://finance-en.hermes.com/2012/1ST-HALF-2012-RESULTS>

Brazil's internal analysis

STRENGTHS

- Scale and potential of the domestic market
- Abundant mineral and agricultural resources
- Significant manufacturing industry
- Primary budget surplus
- Significant margins for contra-cyclical policies
- Net external creditor since 2008
- Considerable currency reserve

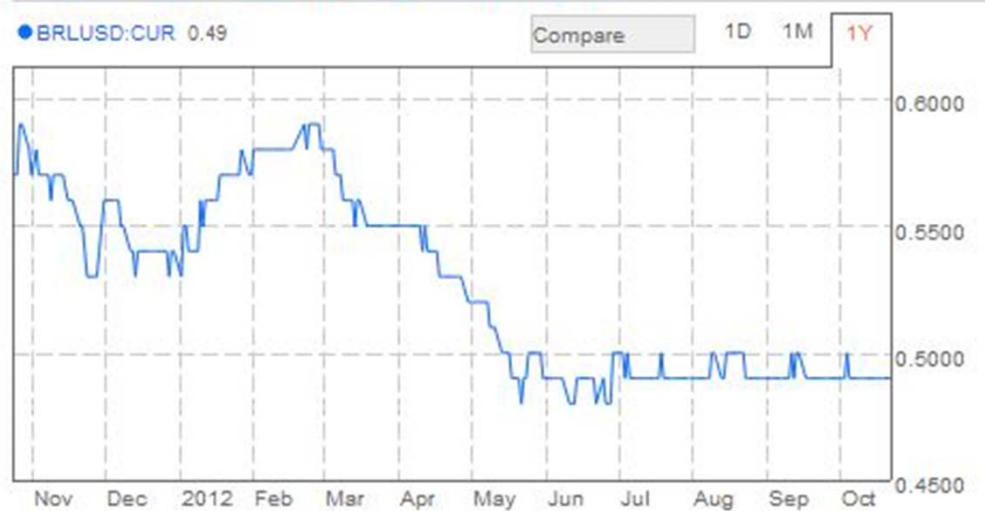
WEAKNESSES

- Dependence on raw materials and foreign capital
- Global general government deficit linked to debt service
- Deficient infrastructures (energy, transport)
- Lack of skilled labor
- Shortfall in household savings rate and high cost of credit
- High taxes primarily devoted to operating expenditures
- Corruption and crime flourishing on inequalities (Transparency CPI Index: 3.8/10, 73rd/183 countries)

Source: Coface

Brazil's healthiness indicators

Currency Chart for BRL-USD Exchange Rate >>

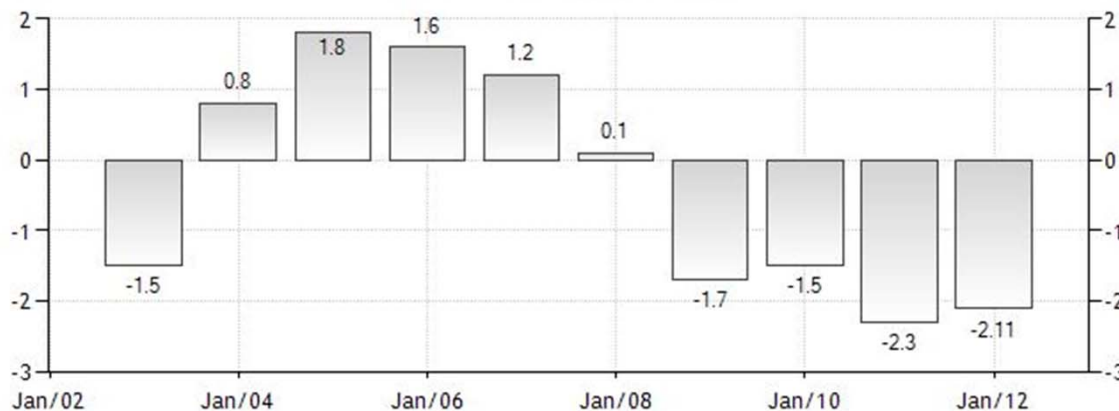


Source: Bloomberg

BRL 1 = USD \$0.49

Exchange rate stabilized since June 2012

BRAZIL CURRENT ACCOUNT TO GDP



SOURCE: WWW.TRADINGECONOMICS.COM

Current account to GDP = -2.11%

Reducing from 2011

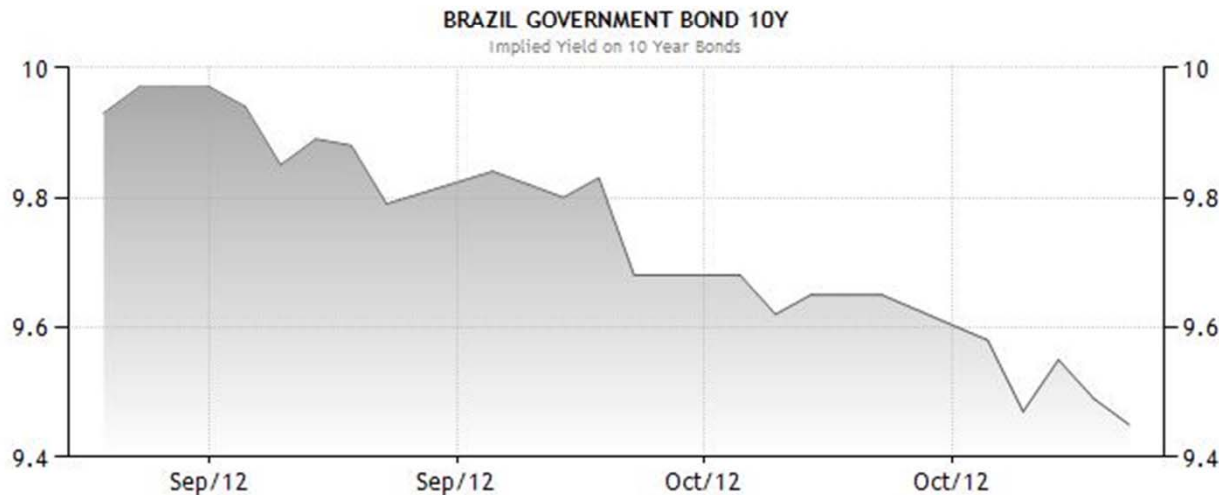
Strong imports, low savings rate & high personal consumption

Brazil's healthiness indicators



Inflation rate = 5.28%

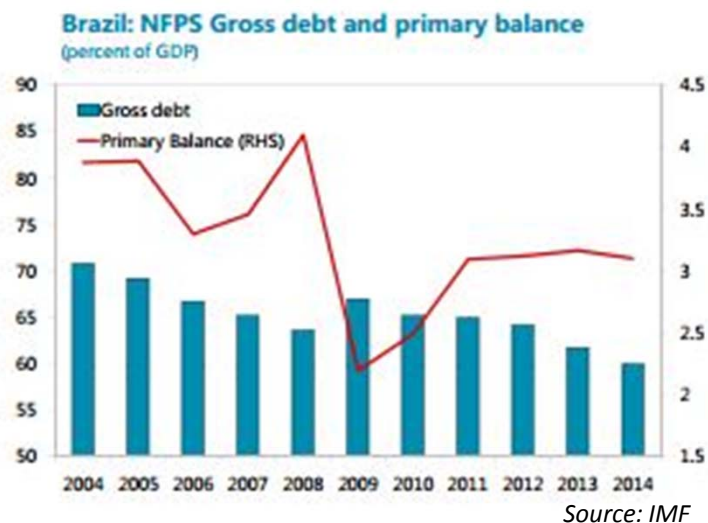
Decreasing from 2011



Yield of 10Y bonds = 9.45%

Low risk and interesting yield to attract investors

Brazil's healthiness indicators



For 2011,
Growth rate: 2.7% (1.6% forecasted for 2012)
GDP PPP \$2.324 trillion
Exports \$256 bn (23rd)
Imports \$219.6 bn (23rd)

Debt \$397.5 bn (26th) with Public debt 54.2% GDP

Debt/GDP ratio : 66.20%

➔ Low risk of default

Exports/GDP ratio: 11%

➔ Not too much reliance on exports

In 2012, Household consumption and public administrations will be the main source of growth.

In total, the external situation is comfortable with gross debt representing 12% of GDP and 125% covered by foreign currency reserves, and a net credit position.