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Remy Cointreau Earnings Top Estimates on China Cognac Sales (1)  
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(Updates with shares in third and sixth paragraphs, analysts' comment in fourth.)

By Clementine Fletcher and Jerrold Colten

Nov. 29 (Bloomberg) -- Remy Cointreau SA, France's second- biggest distiller, said first-half earnings increased 27 percent and forecast a "substantial" gain for the year as the company sells more cognac in markets such as China.

So-called current operating profit, or earnings before interest and taxes excluding some items, rose to 106.2 million euros (\$142 million) in the six months ended Sept. 30, Paris- based Remy said today. That exceeded the 101 million-euro average estimate of seven analysts surveyed by Bloomberg News.

Remy rose as much as 3.3 percent in Paris trading, climbing to the highest in more than two months. Earnings growth was led by Remy Martin cognac, which the company said benefited from a "thriving" Asian economy. Liquor makers are looking to emerging markets including China to drive growth as economic turmoil in Europe restrains sales.

"Remy continues to report sector leading earnings growth," Nik Oliver, an analyst at Bank of America Merrill Lynch, wrote in a note. The brokerage has an "underperform" recommendation on the stock, citing a "full" valuation of 18 times estimated earnings, more than spirits and luxury peers.

Remy shares traded up 3 percent at 61.95 euros at 9:47 a.m. in Paris, heading for the highest close since Sept. 14.

The company said its performance remained strong in Europe, particularly in France, Germany and Russia. Remy wrote down the Metaxa brand by 45 million euros last year due to slumping sales in Greece as government austerity measures stint spending.

#### Remy Martin

Remy Martin cognac increased current operating profit by 34 percent to 91.2 million euros, the company said. Better qualities of the brand led growth in China, it said.

Market concern about a slowdown in the high-end consumer segment in China "have recently reduced, but this remains the key risk for Remy," which earns about 40 percent of profit in the country, analysts Jamie Isenwater and Jonathan Fell at Deutsche Bank AG in London wrote in a note before the results.

"Remy remains unaffected at present."

Remy's first-half operating margin, a measure of profitability, widened to 22.4 percent from 19.5 percent as the company focused more on the premium end of the market.

Pernod-Ricard SA, the maker of Smirnoff vodka, said last month it aims for 6 percent growth in "organic" earnings from recurring operations this year, after emerging-market sales boosted revenue in its first quarter. Diageo Plc, the world's biggest distiller, said in

August it would target organic sales growth of 6 percent in the "medium term" and improve margins.

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