



RÉMY COINTREAU

Paris, 28 November 2019

First-half results 2019/20
(April - September 2019)

Current Operating Profit showing good growth for the Group Brands Sustained increase in strategic investments Medium-term guidance unchanged

Over the six-month period ending September 2019, Rémy Cointreau generated sales of €523.9 million, **virtually stable** on a reported basis (-0.6%) and down 3.6% in organic terms (at constant exchange rates and consolidation scope).

Current Operating Profit (COP) was stable at €138.3 million: The good growth of the Group Brands' COP (+5.5%) was offset by a €3.3 million decrease in Partner Brands' COP (voluntary withdrawal from certain distribution contracts) and the usual volatility in Holding costs (up €4.3 million).

Consequently, the **current operating margin stood at 26.4%** at the end of September, **up 0.2 point**. While the strategy of upscaling the Group Brands was once again reflected in a substantial rise in gross margin (+4.0 points), this was reinvested into strategic investments in communications (+13.3%) and into higher Holding costs. Currency effects were favourable over the period for €6.5 million.

Excluding non-recurring items, the Group share of net profit came in at €84.6 million, down 5.6%.

Key figures

Millions of euros (€m)	At 30/09/19 Reported	At 30/09/18 Reported	Change:	
			Reported	Organic*
Sales	523.9	527.0	(0.6%)	(3.6%)
Current Operating Profit – Group Brands	147.9	140.2	+5.5%	+0.8%
Current Operating Profit – Group	138.3	138.2	+0.0%	(4.7%)
Current operating margin	26.4%	26.2%	+0.2 pt.	-0.3 pt.
Net profit (Group share)	90.5	87.5	+3.5%	+0.8%
Net margin (Group share)	17.3%	16.6%	+0.7 pt.	+0.7 pt.
Net profit excl. non-recurring items	84.6	89.6	(5.6%)	(8.2%)
Net margin excl. non-recurring items	16.2%	17.0%	-0.8 pt.	-0.8 pt.
EPS Group share (€)	1.82	1.75	+4.1%	+1.3%
EPS excluding non-recurring items (€)	1.70	1.79	(5.0%)	(7.7%)
Net debt/EBITDA ratio	1.39	1.21	+0.18 pt.	-

(*) Organic growth is calculated assuming constant exchange rates and consolidation scope

Current Operating Profit by division

Millions of euros (€m)	At 30/09/19 Reported	At 30/09/18 Reported	Change:	
			Reported	Organic*
House of Rémy Martin	126.9	119.5	+6.2%	+0.9%
<i>As % of sales</i>	33.4%	33.2%	+0.2 pt.	-0.4 pt.
Liqueurs & Spirits	21.0	20.6	+1.6%	+0.3%
<i>As % of sales</i>	16.0%	16.9%	-0.9 pt.	-0.7 pt.
Subtotal: Group Brands	147.9	140.2	+5.5%	+0.8%
<i>As % of sales</i>	29.0%	29.1%	-0.1 pt.	-0.6 pt.
Partner Brands	(0.6)	2.8	(121.0%)	(119.6%)
<i>As % of sales</i>	-4.5%	6.1%	-	-
Holding company costs	(9.0)	(4.7)	+92.4%	+91.9%
Total	138.3	138.2	+0.0%	(4.7%)
<i>As % of sales</i>	26.4%	26.2%	+0.2 pt.	-0.3 pt.

The House of Rémy Martin

The House of Rémy Martin continued to grow during the first half of the financial year (+2.1% in organic terms). Our cognac brands enjoyed excellent momentum in China, but the fall in tourism in Hong Kong and slower-than-anticipated stock replenishment by US retailers mitigated the overall performance. The Group's global strategy of upscaling once again bore fruit over the period, with organic growth of 2.1% breaking down into a volume decline of 5.0% and a +7.1% benefit from price and mix.

Current Operating Profit totalled €126.9 million, up 6.2% and the current operating margin came out at 33.4%, up 0.2 point. This modest improvement reflected a significant increase in communication investments (+9.8%) ahead of the launch of the Rémy Martin brand's new global communication campaign, "Team up for excellence."

Liqueurs & Spirits

The Liqueurs & Spirits division experienced strong growth in the first half (+4.9% organic), driven by the majority of its brands and in particular by the House of Cointreau, whose "The Art of the Mix" campaign continued to prove a success in the United States.

Current Operating Profit totalled €21.0 million, up 1.6%. The substantial increase in communication investments (+18.3%), focused on strengthening awareness and accelerating the internationalization of the division's brands, translated into a 0.9-point contraction in current operating margin, which came out at 16.0% for the period.

(*) Organic growth is calculated assuming constant exchange rates and consolidation scope

Partner Brands

The fall in the sales of Partner Brands has accelerated this year (-71.4% in organic terms), with the termination of sizable distribution contracts in the Czech Republic, Slovakia and the United States. Adjusted for the termination of these contracts, the sales of Partner Brands were down 2.8% in organic terms, the result of persistent weakness in Belgium.

Thus, **Current Operating Profit was a €0.6 million loss** compared with a gain of €2.8 million at 30 September 2018.

Consolidated results

Current Operating Profit (COP) totalled €138.3 million, stable on a reported basis and down 4.7% in organic terms. The good performance of the **Group Brands' Current Operating Profit, up 5.5%** to €147.9 million (+0.8% in organic terms) was offset by the termination of some Partner Brands' distribution contracts and the increase in holding costs. The latter resulted from the non-recurrence of a provision reversal that reduced holding costs in the first-half 2018/19 and from costs related to organisational changes announced recently.

COP benefited from favourable currency effects over the period, for **€6.5 million**. The average EUR/USD exchange rate improved (1.12 compared with 1.18 at 30 September 2018), while the average collection rate (linked to the Group's hedging policy) came out at 1.16 for the period, compared with 1.19 at 30 September 2018.

Consequently, **the current operating margin rose 0.2 point to 26.4%** over the first half (down 0.3 point on an organic basis).

Operating profit totalled €137.7 million after taking into account a net operating expense of €0.6 million.

Net financial expenses amounted to **€14.4 million** over the period, down €2.3 million. This resulted from a decrease in the cost of gross financial debt and the non-recurrence of a €5.2 million expense related to the early repayment of the vendor loan by the EPI Group in the first-half 2018/19. In contrast, net currency losses (unrealized foreign exchange gains/losses) amounted to €2.4 million compared with a gain of €0.6 million at 30 September 2018.

The **tax expense** totalled **€39.1 million**, for an effective tax rate of 31.7% (similar rate excluding non-recurring items), higher than the rate in September 2018 (29.2% on a reported basis and 29.3% excluding non-recurring items) due to the geographical spread of profits.

After taking into account the net proceeds from the disposal of the subsidiaries in the Czech Republic and Slovakia (€6.3 million), **the Group share of net profit** amounted to **€90.5 million**, up 3.5%. The Group's net margin thus stands at 17.3% (up 0.7 point).

Excluding non-recurring items, the Group share of net profit amounted to **€84.6 million**, down 5.6% and net margin was 16.2% (down 0.8 point).

() Organic growth is calculated assuming constant exchange rates and consolidation scope*

Excluding non-recurring items, net earnings per share were **€1.70** (down 5.0%).

Net debt totalled **€458.9 million** (owing to a seasonal peak in the working capital requirement), an increase of €115.6 million on March 2019 and €127.2 million on September 2018. This was mainly the result of an increase in cash outflows linked to dividend payments. An exceptional dividend of €1.00 was attributed to shareholders at the Annual General Meeting in July 2019 (in addition to the regular dividend of €1.65) and all the payments were made in cash this year, while 89% of the rights were exercised in favour of a payment in shares in the year-ago period.

As a result, the **net debt to EBITDA ratio** came out at **1.39**, compared with 1.21 at the end of September 2018.

Post-closing events

On **26 November 2019**, as previously announced, the Board of Directors appointed Eric Vallat as Chief Executive Officer of the Rémy Cointreau Group, effective from 1 December 2019, for a period of 3 years.

Outlook for the year and medium term

For the fiscal year 2019/20, against the backdrop of H1 earnings and an uncertain geopolitical environment, **Rémy Cointreau expects slight organic growth in COP for the Group Brands and stable COP for the Group.** As a reminder, the year includes the termination of distribution contracts for Partner Brands (in the Czech Republic, Slovakia and United States), which are estimated to have an overall impact of €56 million on sales and €5 million on COP.

The Group's medium-term guidance remains unchanged: Rémy Cointreau reiterates its ambition to become the world leader in exceptional spirits. This will result in 60 to 65% of its turnover being generated by exceptional spirits (retail sales price over USD50). The Group also expects its current operating margin to continue to benefit from its value strategy, including significant investments behind its brands and its distribution network. Rémy Cointreau's objective is thus to **build an ever more sustainable, resilient and profitable business model.**

() Organic growth is calculated assuming constant exchange rates and consolidation scope*

APPENDICES

Sales and Current Operating Profit by division

Millions of euros (€m)	At 30/09/19		At 30/09/18	Change:	
	Reported	Organic*	Reported	Reported	Organic*
	A	B	C	A/C-1	B/C-1
Sales					
House of Rémy Martin	379.6	367.2	359.6	5.6%	2.1%
Liqueurs & Spirits	131.2	128.0	121.9	7.6%	4.9%
Subtotal: Group Brands	510.8	495.1	481.5	6.1%	2.8%
Partner Brands	13.1	13.0	45.5	(71.2%)	(71.4%)
Total	523.9	508.1	527.0	(0.6%)	(3.6%)
Current Operating Profit					
House of Rémy Martin	126.9	120.6	119.5	+6.2%	+0.9%
<i>As % of sales</i>	33.4%	32.8%	33.2%	+0.2 pt.	-0.4 pt.
Liqueurs & Spirits	21.0	20.7	20.6	+1.6%	+0.3%
<i>As % of sales</i>	16.0%	16.2%	16.9%	-0.9 pt.	-0.7 pt.
Subtotal: Group Brands	147.9	141.3	140.2	+5.5%	+0.8%
<i>As % of sales</i>	29.0%	28.5%	29.1%	-0.1 pt.	-0.6 pt.
Partner Brands	(0.6)	(0.6)	2.8	(121.0%)	(119.6%)
<i>As % of sales</i>	-4.5%	-4.2%	6.1%	-	-
Holding company costs	(9.0)	(9.0)	(4.7)	+92.4%	+91.9%
Total	138.3	131.7	138.2	+0.0%	(4.7%)
<i>As % of sales</i>	26.4%	25.9%	26.2%	+0.2 pt.	-0.3 pt.

(*) Organic growth is calculated assuming constant exchange rates and consolidation scope

Summary profit and loss account

Millions of euros (€m)	At 30/09/19		At 30/09/18	Change:	
	Reported A	Organic* B	Reported C	Reported A/C-1	Organic* B/C-1
Sales	523.9	508.1	527.0	-0.6%	-3.6%
Gross margin	348.3	337.4	329.1	+5.8%	+2.5%
Gross profit margin	66.5%	66.4%	62.5%	+4.0 pts.	+3.9 pts.
Current Operating Profit	138.3	131.7	138.2	+0.0%	(4.7%)
Current operating margin (as % sales)	26.4%	25.9%	26.2%	+0.2 pt.	-0.3 pt.
Other operating income and expenses	(0.6)	(0.6)	2.0	-	-
Operating profit	137.7	131.1	140.3	(1.8%)	(6.5%)
Financial result	(14.4)	(11.3)	(16.7)	(13.8%)	(32.3%)
Income tax	(39.1)	(38.0)	(36.1)	+8.3%	+5.3%
Tax rate	31.7%	31.7%	29.2%	+2.5 pts.	+2.5 pts.
Share in profit (loss) of associates/minority interests	0.0	0.0	0.0	-	-
Net profit after taxes of discontinued operations	6.3	6.3	0.0	-	-
Net profit Group share	90.5	88.1	87.5	+3.5%	+0.8%
Net profit excluding non-recurring items	84.6	82.2	89.6	(5.6%)	(8.2%)
Net profit (excluding non-recurring items) as % of sales	16.2%	16.2%	17.0%	-0.8 pt.	-0.8 pt.
Group earnings per share (€)	1.82	1.77	1.75	+4.1%	+1.3%
Earnings per share excluding non-recurring items (€)	1.70	1.65	1.79	(5.0%)	(7.7%)

Reconciliation between net profit and net profit excluding non-recurring items

Millions of euros (€m)	At 30/09/19	At 30/09/18
Group share of net profit	90.5	87.5
Other operating income and expenses	0.6	(2.0)
Expense on vendor loan (finance costs)	-	5.2
Tax on "Other operating income and expenses" and associated with expense on vendor loan	(0.2)	(1.1)
Net profit after taxes of discontinued operations	(6.3)	-
Net profit excluding non-recurring items attributable to the Group	84.6	89.6

(*) Organic growth is calculated assuming constant exchange rates and consolidation scope

Definitions of alternative performance indicators

Rémy Cointreau's management process is based on the following alternative performance indicators, selected for planning and reporting purposes. The Group's management considers that these indicators provide users of the financial statements with useful additional information for understanding the Group's performance. These alternative performance indicators should be considered as supplementing those included in the consolidated financial statements and the resulting movements.

Organic growth in sales and Current Operating Profit

Organic growth is calculated excluding the impact of exchange rate fluctuations, acquisitions and disposals. This indicator serves to focus on Group performance across both financial years, which local management is more directly capable of influencing.

The impact of exchange rates is calculated by converting sales and Current Operating Profit for the current financial year using average exchange rates (or, for COP, the hedged exchange rate) from the previous financial year.

For acquisitions in the current financial year, sales and Current Operating Profit of acquired entities are not included in organic growth calculations. For acquisitions in the previous financial year, sales and Current Operating Profit of acquired entities are included in the previous financial year; however, they are only included in current year organic growth calculations with effect from the anniversary date of the acquisition.

For significant disposals, data is post-application of IFRS 5, under which results of entities disposed of are systematically reclassified under "Net earnings from discontinued operations".

Indicators "excluding non-recurring items"

The two items set out below constitute key indicators for measuring recurring business performance, since they exclude significant items which, by virtue of their unusual nature, cannot be considered inherent to the Group's ongoing performance:

- **Recurring operating profit** corresponds to operating profit before other non-recurring operating income and expenses.
- **Net profit Group share, excluding non-recurring items:** Current net profit (Group share) corresponds to the net profit (Group share) adjusted for other non-current operating income and expenses, associated tax effects, profit from deconsolidated and discontinued activities and the contribution upon distribution of the dividend in cash.

Gross operating profit (EBITDA)

This measure, which is used in particular to calculate certain ratios, equates to Current Operating Profit less amortisation and depreciation expenses on intangible assets and property, plant and equipment for the period, expenses arising from stock option plans, and dividends received from affiliates during the period.

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Net debt

Net financial debt as defined and used by the Group corresponds to the sum of long- and short-term financial debt and accrued interest, less cash and cash equivalents.

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Regulated information in connection with this press release can be found at www.remy-cointreau.com

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