



RÉMY COINTREAU

Paris, 26 November 2020

2020/21 first-half results
(April – September 2020)

Better than expected interim results amid a global pandemic Full-year results now expected to show growth*

Over the six-month period ending September 2020, Rémy Cointreau posted sales of **€430.8 million**, down 17.8% on a reported basis and 16.4% on an organic basis (assuming constant exchange rates and consolidation scope), against the backdrop of a global pandemic.

Current Operating Profit came in at **€106.2 million**, down 23.2% (down 22.5% on an organic basis). **The current operating margin proved resilient at 24.7%**, down only 1.7 percentage points. While the gross margin fell 2.1 percentage points (on an organic basis) as a result of lower volumes and an unfavourable product mix, investment in communications (ratio down 0.6 percentage point) and overheads, distribution and holding company costs (ratio up only 0.4 percentage point) were well controlled. Foreign exchange effects were slightly unfavourable over the period (-€1.0 million).

Excluding non-recurring items, net profit attributable to the Group came in at **€65.2 million**, down 23.0%.

Key figures

Millions of euros (€m)	To 30/09/20 Reported	To 30/09/19 Reported	Change	
			Reported	Organic*
Sales	430.8	523.9	(17.8%)	(16.4%)
Current Operating Profit – Group Brands	112.2	147.9	(24.1%)	(23.4%)
Current Operating Profit – Group	106.2	138.3	(23.2%)	(22.5%)
Current operating margin	24.7%	26.4%	-1.7 pts	-1.9 pts
Net profit attributable to the Group	65.0	90.5	(28.1%)	(28.5%)
Net profit excl. non-recurring items	65.2	84.6	(23.0%)	(23.6%)
Net margin excluding non-recurring items	15.1%	16.2%	-1.1 pts	-1.4 pts
EPS after minority interests (€)	1.30	1.82	(28.3%)	-
EPS excluding non-recurring items (€)	1.31	1.70	(23.1%)	-
Net debt/EBITDA ratio	2.04	1.39	+0.65 pt	-

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

Current Operating Profit by division

Millions of euros (€m)	To 30/09/20 Reported	To 30/09/19 Reported	Change	
			Reported	Organic*
Cognac	93.6	126.9	(26.3%)	(25.1%)
<i>As % of sales</i>	30.6%	33.4%	-2.8 pts	-2.8 pts
Liqueurs & Spirits	18.6	21.0	(11.1%)	(13.4%)
<i>As % of sales</i>	16.6%	16.0%	+0.6 pt.	+0.0 pt.
Subtotal: Group Brands	112.2	147.9	(24.1%)	(23.4%)
<i>As % of sales</i>	26.9%	29.0%	-2.1 pts	-2.3 pts
Partner Brands	0.5	(0.6)	-	-
<i>As % of sales</i>	3.6%	-4.5%	+8.1 pts	+7.5 pts
Holding company costs	(6.5)	(9.0)	(28.4%)	(29.1%)
Total	106.2	138.3	(23.2%)	(22.5%)
<i>As % of sales</i>	24.7%	26.4%	-1.7 pts	-1.9 pts

Cognac

Cognac sales declined 18.1% on an organic basis (down 19.5% on a reported basis) over the period, showing a genuine improvement between the first and second quarters. This decline was the combined result of an 8.1% fall in volumes and a 10.0% deterioration in price mix effects against the backdrop of a pandemic not conducive to celebratory events. Sales were also adversely affected by destocking by wholesalers, the fall in duty-free sales and the slow reopening of the on-trade channel. These factors were partly offset by strong growth in at-home consumption in a number of countries, and particularly in the United States, where the Group's brands benefited from buoyant demand, in a favourable context of move upmarket. Moreover, remarkable growth in the Group's brands during the Mid-Autumn Festival confirmed the recovery in the Chinese market over the second quarter.

Current Operating Profit totalled €93.6 million, down 26.3% on a reported basis, while the current operating margin came out at 30.6%, down 2.8 percentage points. This decline was the result of a lower gross margin (affected in particular by the unfavourable price/mix), while investment in communications was adjusted in response to circumstances, with a reduction in non-strategic spend and a tangible increase in digital spend. Strict control over other costs also helped the margin.

Liqueurs & Spirits

Sales of Liqueurs & Spirits declined 13.6% on an organic basis (down 14.6% on a reported basis) over the first half. The House of Cointreau showed resilience thanks to strong growth in its main market, the United States, while other brands all posted marked declines, mainly due to a disappointing summer tourist season and their significant exposure to the on-trade and duty-free channels.

Current Operating Profit totalled €18.6 million, down 11.1% on a reported basis, giving a current operating margin of 16.6%, up 0.6 percentage point, buoyed by a significant uplift in profitability at the House of Cointreau,

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

which was helped by a very favourable country mix (United States) and distribution channel mix (at-home consumption).

Partner Brands

Partner Brand sales were up 2.1% on an organic basis in the half-year thanks to a genuine recovery in the Benelux countries in the second quarter, the effects of which are also reflected in Group brands.

Current Operating Profit thus came in at €0.5 million, compared with a €0.6 million loss in the six months to 30 September 2019.

Consolidated results

Current Operating Profit (COP) came in at €106.2 million, down 23.2% on a reported basis and 22.5% on an organic basis. This was mainly due to a 24.1% decline in Current Operating Profit from Group brands, partly offset by an improvement in Partner Brands' COP and a significant fall in holding company costs.

Foreign exchange effects were slightly unfavourable over the half-year, coming in at -€1.0 million: the average euro/dollar exchange rate deteriorated (coming out at 1.14, compared with 1.12 for the six months to 30 September 2019), while the average collection rate (linked to the Group's hedging policy) over the period came out at 1.16, stable relative to the six months to 30 September 2019.

Consequently, the current operating margin fell 1.7 percentage points to 24.7% over the first half (down 1.9 percentage points on an organic basis).

Operating profit came in at €106.0 million after taking into account a net operating expense of €0.2 million.

Net financial income/expense showed a net expense of €8.0 million over the period, down €6.4 million. While the cost of gross financial debt held more or less steady at €6.1 million, other finance costs declined €4.4 million as a result of changes in the terms of some eaux-de-vie supply contracts since the start of the financial year. Net foreign exchange gains/losses showed a €0.6 million loss in the half-year, compared with a €2.4 million loss in the six months to 30 September 2019.

The tax expense totalled €33.1 million, giving an effective tax rate of 33.8% (similar rate excluding non-recurring items), higher than the rate at September 2019 (31.7% on a reported basis and excluding non-recurring items) as a result of changes in the geographical breakdown of profit and, in particular, weak performance in duty-free and the Asia-Pacific region over the half-year.

Net profit attributable to the Group came in at €65.0 million, down 28.1% on a reported basis. For reference, net profit for the first half of financial year 2019/20 included net proceeds of €6.3 million from the disposal of the Group's subsidiaries in the Czech Republic and Slovakia.

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

Excluding non-recurring items, net profit attributable to the Group came in at €65.2 million, down 23.0%, giving a net margin of 15.1% (down 1.1 percentage points).

Excluding non-recurring items, net earnings per share came in at €1.31, down 23.1%.

Net debt stood at €427.3 million, down €23.6 million from the position at end March 2020 and €31.6 million from the position at end September 2019. This was a result of strict control over manufacturing investment amid the global pandemic as well as the fact that 80% of shareholders opted to take their dividends in shares this year, with the cash balance paid in October (i.e. in the second half). Last year, all dividends (ordinary and extraordinary) were paid in cash during the first half of financial year 2019/20.

As a result, the net debt/EBITDA ratio came out at 2.04x, compared with 1.39x at end September 2019.

Post-closing events

On 16 October 2020, the Rémy Cointreau Group announced that it had acquired a majority stake in Champagne J. de Telmont, including its brands, inventory, production facilities and property assets on its estate as well as vineyards in the Champagne region.

Full-year outlook 2020/21

In a still uncertain public health, economic and geopolitical environment, the Rémy Cointreau Group remains confident of its ability to emerge stronger from the crisis.

With the first half over, the Group continues to expect a real recovery in the second half, driven by the United States and Mainland China. For financial year 2020/21, Rémy Cointreau is thus forecasting positive organic growth in its Current Operating Profit. On current estimates, this performance is likely to be slightly tempered by adverse foreign exchange and scope effects of €5.0 million and €3.0 million respectively.

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

APPENDICES

Sales and Current Operating Profit by division

Millions of euros (€m)	To 30/09/20		To 30/09/19	Change	
	Reported	Organic [*]	Reported	Reported	Organic [*]
	A	B	C	A/C-1	B/C-1
Sales					
Cognac	305.4	310.9	379.6	(19.5%)	(18.1%)
Liqueurs & Spirits	112.1	113.4	131.2	(14.6%)	(13.6%)
Subtotal: Group Brands	417.5	424.3	510.8	(18.3%)	(16.9%)
Partner Brands	13.3	13.4	13.1	1.8%	2.1%
Total	430.8	437.7	523.9	(17.8%)	(16.4%)
Current Operating Profit					
Cognac	93.6	95.0	126.9	(26.3%)	(25.1%)
<i>As % of sales</i>	30.6%	30.6%	33.4%	-2.8 pts	-2.8 pts
Liqueurs & Spirits	18.6	18.2	21.0	(11.1%)	(13.4%)
<i>As % of sales</i>	16.6%	16.0%	16.0%	+0.6 pt.	+0.0 pt.
Subtotal: Group Brands	112.2	113.2	147.9	(24.1%)	(23.4%)
<i>As % of sales</i>	26.9%	26.7%	29.0%	-2.1 pts	-2.3 pts
Partner Brands	0.5	0.4	(0.6)	-	-
<i>As % of sales</i>	3.6%	3.0%	-4.5%	+8.3 pts	+7.5 pts
Holding company costs	(6.5)	(6.4)	(9.0)	(28.4%)	(29.1%)
Total	106.2	107.2	138.3	(23.2%)	(22.5%)
<i>As % of sales</i>	24.7%	24.5%	26.4%	-1.7 pts	-1.9 pts

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

Summary profit and loss account

Millions of euros (€m)	To 30/09/20		To 30/09/19	Change	
	Reported A	Organic* B	Reported C	Reported A/C-1	Organic* B/C-1
Sales	430.8	437.7	523.9	(17.8%)	(16.4%)
Gross profit	278.6	281.9	348.3	(20.0%)	(19.1%)
<i>As % of sales</i>	64.7%	64.4%	66.5%	-1.8pts	-2.1pts
Current Operating Profit	106.2	107.2	138.3	(23.2%)	(22.5%)
<i>COP as a % of sales</i>	24.7%	24.5%	26.4%	-1.7pts	-1.9pts
Other operating income and expenses	(0.2)	(0.2)	(0.6)	-	-
Operating profit	106.0	107.0	137.7	(23.0%)	(22.1%)
Net financial income	(8.0)	(9.8)	(14.4)	(44.4%)	(31.9%)
Corporate income tax	(33.1)	(32.8)	(39.1)	(20.5%)	(21.0%)
<i>Tax rate</i>	33.8%	33.8%	31.7%	+2.1pts	+2.1pts
Share in profit (loss) of associates/minority interests	0.1	0.1	0.0	-	-
Net profit after tax from discontinued operations	0.0	0.0	6.3	-	-
Net profit attributable to the Group	65.0	64.5	90.5	(28.1%)	(28.5%)
Net profit excluding non-recurring items	65.2	64.7	84.6	(23.0%)	(23.6%)
<i>Net profit (excluding non-recurring items) as % of sales</i>	15.1%	14.8%	16.2%	-1.1pts	-1.4pts
Earnings per share after minority interests (€)	1.30	1.29	1.82	(28.3%)	-
Earnings per share excluding non-recurring items (€)	1.31	1.30	1.70	(23.1%)	-

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

Millions of euros (€m)	To 30/09/20	To 30/09/19
Net profit attributable to the Group	65.0	90.5
Other operating income and expenses	0.2	0.6
Tax on "Other operating income and expenses"	(0.1)	(0.2)
Net profit after tax from discontinued operations	(0.0)	(6.3)
Net profit excluding non-recurring items attributable to the Group	65.2	84.6

(*) 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 (COP) 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:

- **Current Operating Profit** corresponds to operating profit before other non-recurring operating income and expenses.
- **Net profit attributable to the Group, excluding non-recurring items** corresponds to net profit attributable to the Group adjusted to exclude other non-recurring operating income and expenses, associated tax effects, profit from deconsolidated, divested and discontinued operations and the contribution from dividends paid 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.

Contact: *Laetitia Delaye – +33 (0)7 87 25 36 01*

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

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