H1 FY24 Sales and Results
Press Release – Paris, 15 February 2024

# ROBUST PERFORMANCE, PERNOD RICARD STEERING THROUGH SPIRITS MARKET NORMALIZATION

## ORGANIC SALES DECLINE -3% (-7% REPORTED)
## ORGANIC PRO[1] DECLINE -3% (-12% REPORTED)

**Alexandre Ricard**, Chairman and Chief Executive Officer, stated,

*"We delivered a robust performance in the first half of the year, as we confidently steer Pernod Ricard through the normalization of the spirits market, following two years of outstanding growth.*

*We achieved strong Gross Margin expansion on the back of substantial pricing actions, thanks to the power of our premium portfolio. With a diversified footprint spanning mature and emerging regions and a broad presence across spirits categories, we are able to weather volatility and continue to gain share in many markets.*

*I am convinced that our sound strategy, together with the dedication, agility, and exceptional engagement of all our teams around the world, will enable us to deliver our ambitions."*

**SALES**

**H1 FY24 Sales totalled €6,590m,** in organic decline of -3% (-7% reported), with a negative FX impact of **€(576)m** mainly linked to the US dollar, Turkish lira, Chinese yuan and Argentinian peso, with broadly half of it offset by a **positive perimeter impact of +€264m.**

**By regions:**

- **Americas -7%:**
  - USA -7%:
    - Consumer demand resilient as spirits market continues to normalize
    - Net Sales -7% with value depletions c. -6%, due to high comparison basis and compounded by inventory adjustments (c. 3pts)
    - Share gains on Jameson Original, Malibu, Kahlua, The Glenlivet, Código and Jefferson's
    - Significant investments behind our brands with A&P at c. 20% of Net Sales
    - Improvement expected in H2, with strong brand activations, despite further inventory adjustments
  - Canada Sales decline with adverse phasing last year
  - LATAM high comparison basis in Brazil and Mexico, improvement expected in H2 and easing comparables.

[1] Profit from Recurring Operations

- **Asia-RoW +1%:**
  - China -9%:
    - Softened consumer demand in a challenging macro environment
    - Dynamism of international premium spirits notably strong growth of Absolut, Jameson, tequila and gin
    - Martell Noblige resilient, Premium and Super premium whiskies performance including Chivas Regal in growth
    - Cautious trade sentiment ahead of CNY
  - India +4%:
    - Strong market demand for spirits
    - Acceleration in Q2 Net Sales against easing comparables
    - Strategic International Brands in very strong growth notably Jameson, Absolut and The Glenlivet
    - Good growth on Seagram's whiskies
    - Strong growth expected in H2
  - Good growth in Japan, Taiwan market, Travel Retail and Australia. Africa Middle East in very sharp growth driven by Turkey acceleration and Nigeria.
- **Europe -4%:**
  - Net Sales excluding Russia +1% with overall resilience in the region. Strong growth[2] in Central and Eastern Europe led by Poland. Resilience in Western Europe led by Germany and offsetting softer performance in France, UK, and normalization in Spain. Gaining share in premium+ category in many markets.
- **Global Travel Retail -3%:**
  - Ongoing normalization of passenger traffic, now at c. 95% vs pre-covid, with Chinese travel recovery lagging
  - Net Sales impacted by phasing in H1 with strong growth expected in H2

**By categories:**

- **Strategic International Brands -4%:** good growth of Royal Salute, Havana Club and Perrier-Jouët offset by decline of Martell, Jameson, Chivas Regal and Ballantine's due to exposure to China, USA and LATAM. Jameson continuing its international expansion, Absolut in dynamic growth in Asia-RoW and Europe
- **Strategic Local Brands +4%:** growth across Seagram's Indian whiskies portfolio and Kahlua in many markets
- **Specialty Brands -5%:** solid performance of Altos, Italicus, Ki No Bi. Category impacted by overall exposure to US market normalization and inventory adjustment
- **Strategic Wines -11%:** decline notably in USA, UK and Canada.

[2] Excluding Russia

Premium portfolio driving **high-single digit pricing in all regions**, with lower volumes and adverse market mix. **Holding or gaining share in many markets**.

## RESULTS

**H1 FY24 PRO reached €2,144m,** an organic decline of -3%, **sustaining organic operating margin (+7 bps)**:

- **Strong Gross Margin expanding significantly +126 bps**:
    - Superior Revenue Growth Management and focus on operating costs efficiencies,
    - Offsetting easing inflation on Costs of Goods and adverse market mix
- **Strong portfolio activation with A&P at c. €1bn**
- **Very strict discipline on Structure costs**

**H1 FY24 reported Operating margin was down -152 bps with an overall negative FX impact on PRO of €(311)m** mainly from Turkish lira, US dollar, Chinese yuan and Argentinean peso, partly offset by a **positive perimeter effect of +€100m**.

**Group share of Net PRO was €1,439m, -17% reported** vs. H1 FY23 and the **Group share of Net Profit was €1,569m, -12% reported**, mainly reflecting lower PRO and non-recurring operating income, driven mainly by asset disposal.

**Earnings Per Share in decline at €5.68,** reflecting softer PRO and increase of recurring financial expenses with an average cost of debt at 3.1%, following significant increase of interest rates.

## FREE CASH FLOW AND DEBT

**Free Cash Flow at c. €301m**, -68% vs H1 FY23, driven by lower reported profit and acceleration of our planned strategic investments to fuel future growth.

**Net debt up €1,110m** vs. 30 June 2023 to **€11,383m. The Net Debt/EBITDA** ratio at average rate[3] increased to **3.3x** at 31 December 2023 reflecting **lower year on year Reported PRO and higher Net Debt.**

## OUTLOOK

Building on a very strong FY23 and a robust performance in H1 FY24, we are confident in our medium-term financial framework of +4% to +7% top line growth, aiming for the upper end of the range, with Organic Operating leverage of +50/+60 bps.

In a challenging environment, we expect for FY24:

- Dynamic H2 Net Sales, improving versus H1, **and leading to broadly stable organic Net Sales in full year**
- Continued focus on **Revenue Growth Management** and **operational efficiencies**
- A&P ratio at c. 16% of Net Sales and very **strict control of Structure Costs**
- Organic Operating Margin expansion, with **Organic Operating Profit growing low-single digit**
- **Negative FX** impact partially offset by perimeter effect

[3] Based on average EUR/USD rate: 1.08 and calculation made of H2 FY23 and H1 FY24

- Investments in strategic inventories at a similar level to FY23, and **increase in Capex to c. €800m**
- Free Cash Flow reflecting lower reported PRO and increase in strategic investments
- **c. €300m share buyback for the year**, with c. €150m completed in H1

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*All growth data specified in this press release refers to organic growth (at constant FX and Group structure), unless otherwise stated. Data may be subject to rounding.*

*A detailed presentation of H1 FY24 Sales & Results can be downloaded from our website:* www.pernod-ricard.com

## Definitions and reconciliation of non-IFRS measures to IFRS measures

*Pernod Ricard's management process is based on the following non-IFRS measures which are chosen for planning and reporting. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. These non-IFRS measures should be considered as complementary to the comparable IFRS measures and reported movements therein.*

*Organic growth*

- *Organic growth is calculated after excluding the impacts of exchange rate movements, acquisitions and disposals and changes in applicable accounting principles and hyperinflation.*
- *Exchange rates impact is calculated by translating the current year results at the prior year's exchange rates.*
- *For acquisitions in the current year, the post-acquisition results are excluded from the organic movement calculations. For acquisitions in the prior year, post-acquisition results are included in the prior year but are included in the organic movement calculation from the anniversary of the acquisition date in the current year.*
- *Where a business, brand, brand distribution right or agency agreement was disposed of, or terminated, in the prior year, the Group, in the organic movement calculations, excludes the results for that business from the prior year. For disposals or terminations in the current year, the Group excludes the results for that business from the prior year from the date of the disposal or termination.*
- *The impact of hyperinflation on Net Sales and PRO in Turkey is excluded from P&L organic growth calculations by capping unit local price/cost increases to a maximum of +26% per year, equivalent to +100% over 3 years.*
- *This measure enables to focus on the performance of the business which is common to both years and which represents those measures that local managers are most directly able to influence.*

*Profit from recurring operations*

*Profit from recurring operations corresponds to the operating profit excluding other non-current operating income and expenses.*

## About Pernod Ricard

*Pernod Ricard is a worldwide leader in the spirits and wine industry, blending traditional craftsmanship, state-of-the-art brand-building, and global distribution technologies. Our prestigious portfolio of premium to luxury brands includes Absolut vodka, Ricard pastis, Ballantine's, Chivas Regal, Royal Salute, and The Glenlivet Scotch whiskies, Jameson Irish whiskey, Martell cognac, Havana Club rum, Beefeater gin, Malibu liqueur and Mumm and Perrier-Jouët champagnes. Our mission is to ensure the long-term development of our brands with full respect for people and the environment, while empowering our employees around the world to be ambassadors of our purposeful, inclusive and responsible culture of authentic conviviality. Pernod Ricard's consolidated sales amounted to € 12,137 millions in fiscal year FY23.*
*Pernod Ricard is listed on Euronext (Ticker: RI; ISIN Code:FR0000120693) and is part of the CAC 40 and Eurostoxx 50 indices.*

## Contacts


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# Appendices

Financial Tables can be consulted on www.pernod-ricard.com

## 15th February 2024 call details

Available in the media section of Pernod Ricard's website