Pernod Ricard
Créateurs de convivialité

H1 FY25 Sales and Results
Press Release – Paris, 6 February 2025

DETERMINED TO NAVIGATE CURRENT CYCLICAL HEADWINDS WITH RESILIENCE AND AGILITY

H1 FY25 ORGANIC SALES DECLINE -4% (-6% REPORTED)
H1 FY25 ORGANIC PRO[1] DECLINE -2% (-7% REPORTED)

H1 Organic Operating Margin expansion, despite Sales decline, amidst ongoing challenges in the US and China

- ✓ **H1 Organic Net Sales decline -4%.** Sequential improvement in Q2 and with good performances in some mature and emerging markets partially offsetting the declining but improving US and a continuing very weak China
- ✓ Volume in growth with price/mix down -6% largely due to market mix
- ✓ **H1 Organic PRO Margin expansion at +65bps** with Revenue Growth Management and Marketing Agility, supported with our KDPs, and Operational Efficiencies and very strong cost discipline
- ✓ **Continuous improvement initiatives, driving c.€900m of efficiencies[2]** since FY23, contributing to Organic Operating Margin expansion
- ✓ **Investing in long-term sustainable growth** with strategic investments in Capex and Inventories, both having peaked in FY24
- ✓ Leading to improved **Free Cash Flow at €440m**
- ✓ H1 unfavourable foreign currency exchange impact to PRO of €110m, with FX expected to be positive in H2, leading to an improvement over the full year versus H1

SALES

Sales for H1 FY25 totaled €6,176m, an organic decline of -4% and -6% reported, with unfavourable Foreign Exchange impact of -€177m mainly linked to Argentinian Peso, Turkish Lira and Nigerian Naira, partly offset by positive perimeter impact of +€29m.

By region:

- **Americas -4%,**
  - **USA -7%,**
    - H1 US Spirits market growth c.+1% inc. RTD
    - PR Sell-Out c.-6%
    - OND sees improving sell-out performance on key brands, notably Jameson
    - Expect to see continuing improvement in sell-out through H2
  - **Canada** good growth, particularly RTD growth, gaining share

[1] Profit from Recurring Operations; 2. Estimate includes forecast for Full Year 2025

- **Brazil** in growth with favourable comparison basis & consumer demand recovery, gaining share
- **Mexico** declining though with flat sell-out, gaining share in Off-Trade

- **Asia-RoW -5%,**
  - **India +6%,**
    - Strong, broad-based growth reflecting underlying market demand
    - Very strong growth of Jameson and good performance on Ballantine's, The Glenlivet and Royal Salute
    - Good growth on Seagram's whiskies, notably Royal Stag
    - Continued strong momentum expected in H2
  - **China -25%**
    - Ongoing challenging macro-economic environment, and weak consumer demand
    - Sharp declines on Martell and Royal Salute. Good growth on premium brands Absolut, Olmeca, Jameson
    - Early signs of a very soft CNY, significant decline in gifting
    - Leading to a deeper decline than expected for the full year
    - MSD price increase for Martell post CNY
  - Very good growth in Japan and Vietnam, gaining share, sales decline in Taiwan market while gaining share, Korea decline in both sales and share
  - Very strong organic and reported sales results in Turkey, with strong performance of Chivas and Ballantine's
  - South Africa in slight growth and share gains, amidst difficult macro-economic conditions

- **Europe -2% (ex-Russia +1%),**
  - Resilient sales in Europe excluding Russia, with growth in Poland, France and Ireland
  - Spain in slight decline, growing share in Off Trade
  - Germany in sharper decline with consumer spending pressures, growing share
  - Good brand performance on Bumbu, Ballantine's, Kahlúa, Absolut, Jameson and Chivas plus strong RTD performance
- **Global Travel Retail -9%,**
  - Growth in Europe driven by air travel and in Americas by cruises
  - Weakness in China further deteriorated by technical suspension of duty-free regime on Cognac due to anti-dumping measures starting early December, expected to heavily impact H2
  - Weakness in Korea impacted by political crisis and weak macro environment

By brand:

- **Strategic International Brands -6%,**
  - Martell, in strong decline contributing to c. 90% of total Group Net Sales decline, due to China and Global Travel Retail
  - Jameson broadly flat with positive volumes, strong growth in India
  - Absolut positive 'halo effect' from RTDs, good growth in Europe
  - Strong performance of Scotch brands Ballantine's and Chivas Regal

- **Strategic Local Brands +2%,**
    - Seagram's whiskies enjoying good growth, led by Royal Stag
    - Kahlúa strong, broad-based momentum across regions
    - Olmeca double-digits growth, off a low basis of comparison
- **Specialty Brands -5%,** Bumbu in strong growth, but overall category impacted by US exposure
- **RTDs +15%,** solid growth across the portfolio of brands, led by Absolut RTDs

RESULTS

H1 FY25 PRO reached €1,985m, an organic decline of -2%, a reported decline of -7%

- Gross Margin -20bps organic decline, impacted by negative market mix, increased promotions and despite COGS decrease benefitting from efficiency programs
- A&P c.14% of net sales, adapted to softer market conditions in China
- Strict discipline and continuous improvement on Structure costs, reduced organically by -2%
- Operating Margin expands organically +65bps, but declines on a reported basis by -39bps to 32.1%
- Reported Operating Margin impacted by adverse foreign exchange impact of -€110m, and a -€2m Perimeter impact with favourable hyper-inflation offset by disposal of Clan Campbell and Becherovka
- Foreign Exchange impact largely on Turkish Lira, Nigerian Naira and Argentinian Peso. H2 FX expected to be favourable

Group share of Net PRO was €1,274m, down -11%. Higher interest rates led to increased Recurring Financial Expenses with an average cost of debt at 3.4%. Reduction in Income Tax on Recurring Operations is in line with the reduction of Profit from Recurring Operations.

Group Share of Net Profit was €1,190m, down -24%. Non-Recurring Operating Expenses include mainly costs of Group Transformations projects and Restructuring.

Earnings Per Share in decline of -11% at €5.06, reflecting lower Group Share of Net Profit from Recurring Operations and higher financial expenses.

FREE CASH FLOW AND DEBT

Free Cash Flow at €440m, +€139m vs H1 FY24, driven by improved working capital with lower increase in receivables and continued improvement in finished goods inventory level. Slight decrease in strategic inventories and Capex starting to normalise following last year's peak investment level. Capex spend is driven notably by capacity expansion in Ireland, US and Scotland and by casks and maturation warehouses. For FY25, expect Capex spend of €700m for the full year and strategic inventories increase comparable to last year.

Net debt up €1,099m vs. 30 June 2024 to **€12,050m. The Net Debt/EBITDA** ratio at average rate [3] increased to **3.5x** at 31 December 2024 reflecting lower Reported PRO and higher Net Debt. Leverage ratio expected to improve as Reported PRO growth and Strategic investments coming down from their peak last year normalise and with proceeds from announced disposals. H1 M&A mainly includes the Ste Marguerite vineyard acquisition and exercise of call options on recent M&A. H2 is expected to have a positive contribution from announced M&A proceeds.

3. Based on average EUR/USD rates: 1.082 CY24

FY25 Outlook and medium-term update

Ongoing challenging macroeconomic environment and intense geopolitical uncertainties continue to impact the Spirits market, particularly the worsening context in China and Travel Retail Asia, notably impacting Martell. This leads us to revisit our outlook for FY25 and beyond.

Anticipating low single digit decline in Organic Net Sales for FY25 and sustaining our Organic Operating Margin.

Conditional on the challenges posed by the global tariff environment, FY26 is expected to be a transition year with improving trends in Organic Net Sales. Amid extraordinary trade tensions, we are focused on defending Organic Operating Margin to the fullest extent possible. Cash conversion to improve.

From FY27 to FY29, projecting stronger Organic Net Sales growth, aiming for a range, on average of +3% to +6%, accompanied with Organic Operating Margin expansion.

Delivering continuing efficiency initiatives that optimize Operations and simplify the organisational structure, expected to deliver c.€1bn in efficiencies from FY26 to FY29.

Throughout these periods we aim to maintain consistent investments behind our brands with c.16% A&P/NS, with agility and responsiveness to maximise opportunity by brand and market.

Focusing on strong cash generation aiming for c.80% and above cash conversion, to fund our financial policy priorities, with strategic investments normalizing to c. €1bn from FY26.

We are confident in our strategy, in our operating model's ability to deliver and in the engagement of our teams. We are determined to navigate with agility these cyclical headwinds.

The Board of Directors met on February 5, 2025 and reviewed the financial data for the first half of FY25 year and approved this press release. These financial data are preliminary, the financial results for the first half of FY25 will be approved by the Board of Directors on February 12th, 2025. The limited review procedures by the Statutory Auditors are ongoing.

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.

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, 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 and adding the year-on-year variance in the reported transaction impact between the current year and the previous year.*
- *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 calculations of the current year only from the anniversary date of the acquisition.*
- *The impact of hyperinflation on Profit from Recurring Operations in Turkey and Argentina is excluded from organic growth calculations by capping local unit price/cost increases to a maximum of +26% per year, equivalent to +100% over three years.*
- *Where a business, brand, brand distribution right or agency agreement was disposed of or terminated in the prior year, the Group excludes the results for that business from the prior year in the organic movement calculations. 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.*
- *This measure enables users to compare the Group's performance on a like-for-like basis, focusing on areas that local management is most directly able to influence.*

Profit from recurring operations

Profit from recurring operations corresponds to the operating profit excluding other non-recurring 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 €11,598 million in fiscal year FY24.
Pernod Ricard is listed on Euronext (Ticker: RI; ISIN Code:FR0000120693) and is part of the CAC 40 and Eurostoxx 50 indices.

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Appendices

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

Upcoming Communications

Date (subject to change)	Event
13th February 2025	Publication of H1 FY25 Audited Accounts
17th April 2025	Q3 FY25 Sales
15th May 2025	US Market Webcast
28th August 2025	FY25 Sales and Results

Login details for the conference-call on February 6, 2025

Available in the media section of the Pernod Ricard website