



RÉMY COINTREAU

Des terroirs, des hommes et du temps



First Half Results
2018/19
(half-year ended 30 September 2018)

22.11.18



RÉMY COINTREAU

Introduction

MARC HERIARD DUBREUIL

PRESIDENT

Key figures (as of 30 September 2018)

	Proforma Pre-IFRS 15, 16 & 9	Proforma Change		Post-IFRS 15, 16 & 9
		Reported	Organic*	
• Sales	€571.4m	+5.0%	+7.7%	€527.0m
• <i>of which Group Brands</i>	€525.1m	+5.8%	+8.9%	€481.5m
• Current Operating Profit	€138.0m	+2.9%	+10.1%	€138.2m
• Current operating margin	24.1%	-0.5pt	+0.6pt	26.2%
• Net profit (Group share)	€85.4m	-4.3%	+6.2%	€87.5m
• Net Profit (excluding non-recurring items)	€87.5m	-3.1%	+7.2%	€89.6m
• Net earnings per share (Group share)	€1.70	-5.2%	+5.1%	€1.75
• Net earnings per share (excluding non-recurring items)	€1.75	-4.0%	+6.2%	€1.79
• Net debt / EBITDA ratio:	1.17	-0.49pt	-	1.21



RÉMY COINTREAU

Business review

VALERIE CHAPOULAUD-FLOQUET

CHIEF EXECUTIVE OFFICER

Sustained growth in the first half

Robust sales growth: +7.7% in organic terms (+5.0% in reported terms)

- Excellent performance of Group Brands (+8.9% in organic terms)
- Growth driven by Asia-Pacific and the Americas; EMEA in work in progress

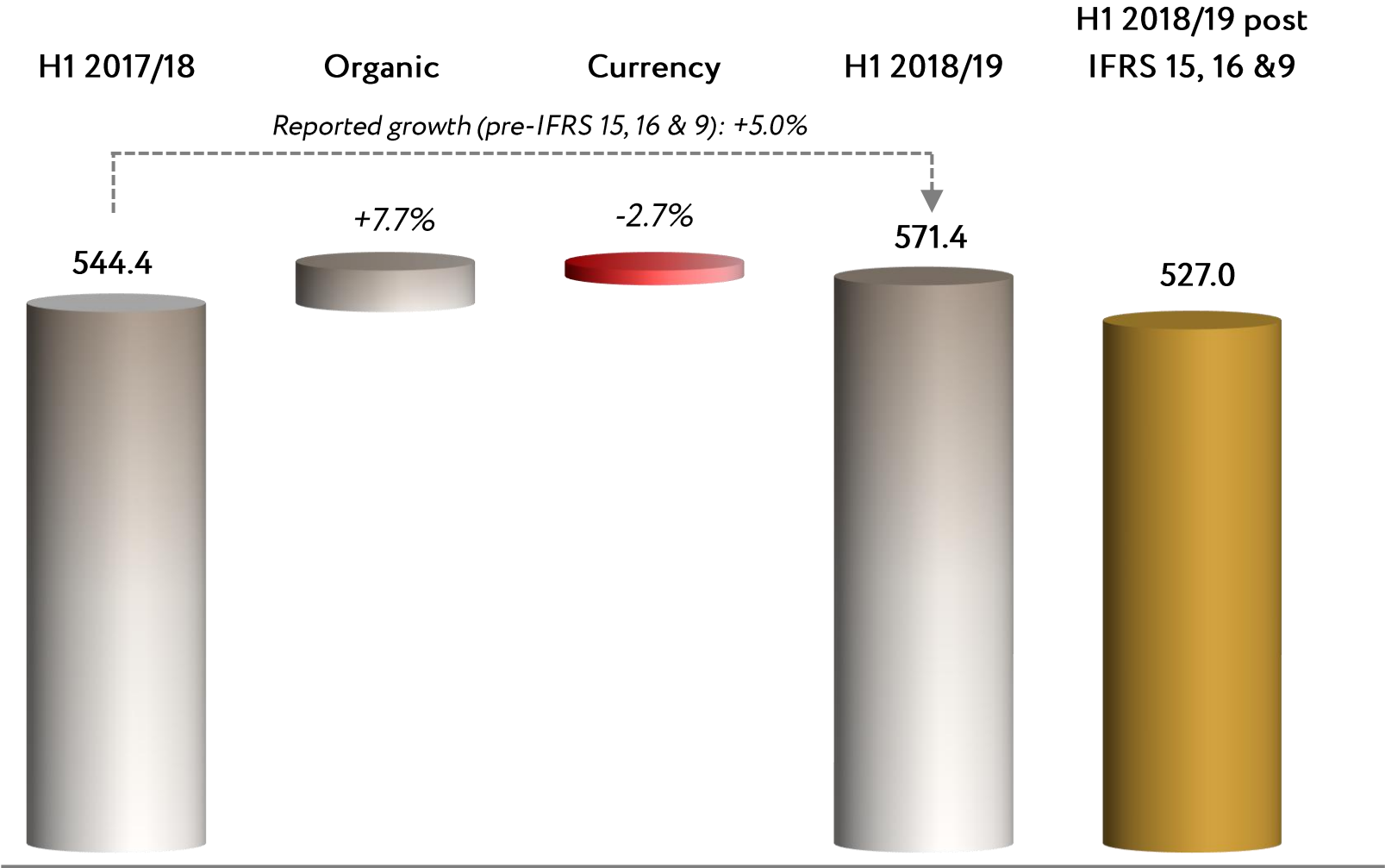
COP in organic growth of 10.1% (+2.9% in reported terms)

- Gross margin improvement propelled by favourable price/mix benefits
- Overheads well under control
- Significant increase in communication investments (+9.5% in organic terms) and strengthening of our routes to market (E-commerce, PCD, boutiques, ...)
- Current operating margin up 0.6pt in organic terms (but down 0.5pt in reported terms due to adverse currency effects)

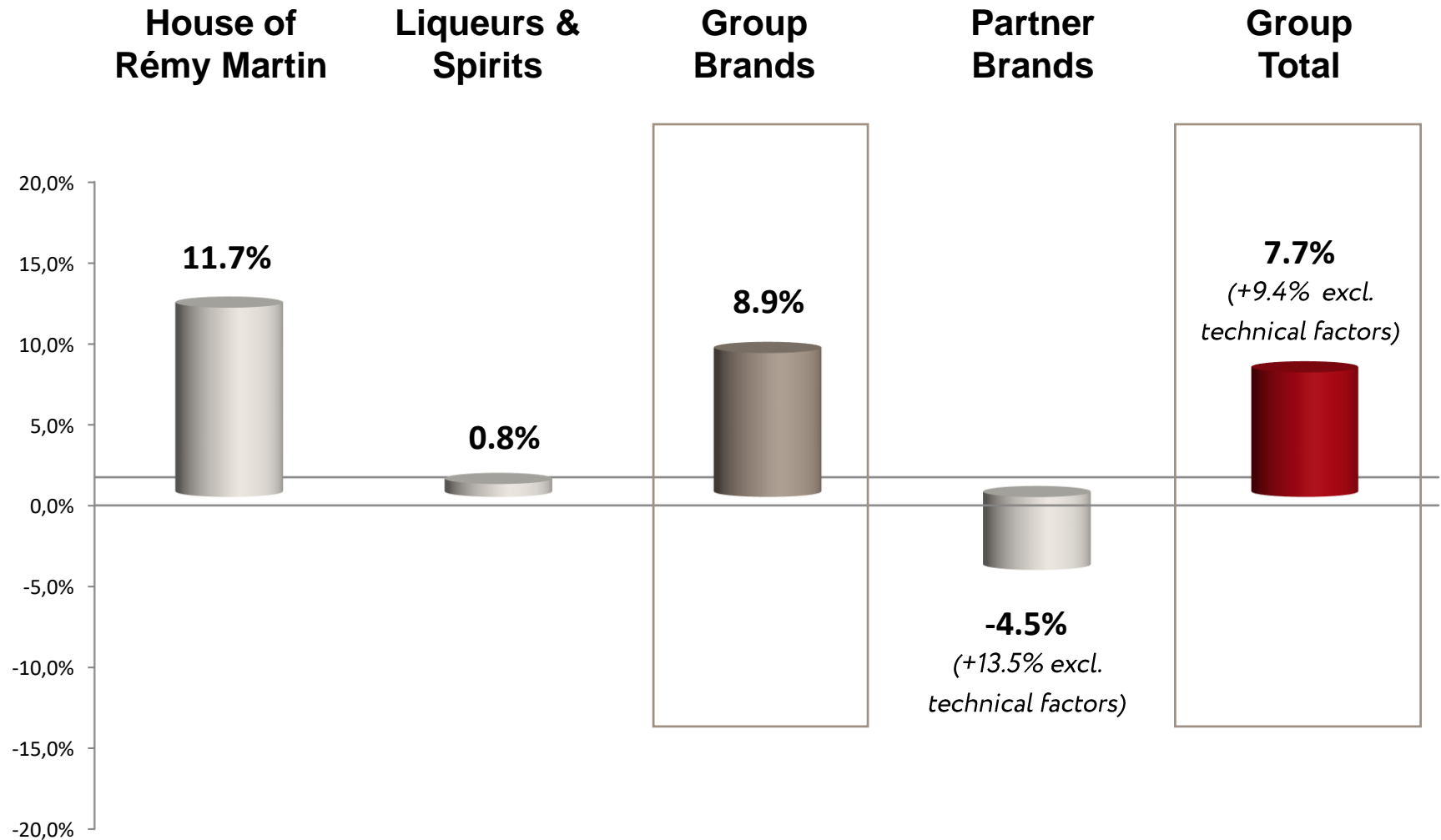
Reported net profit (ENRI) up 7.2% organically (-3.1% in reported terms)

Group sales

€m



Organic sales growth by division

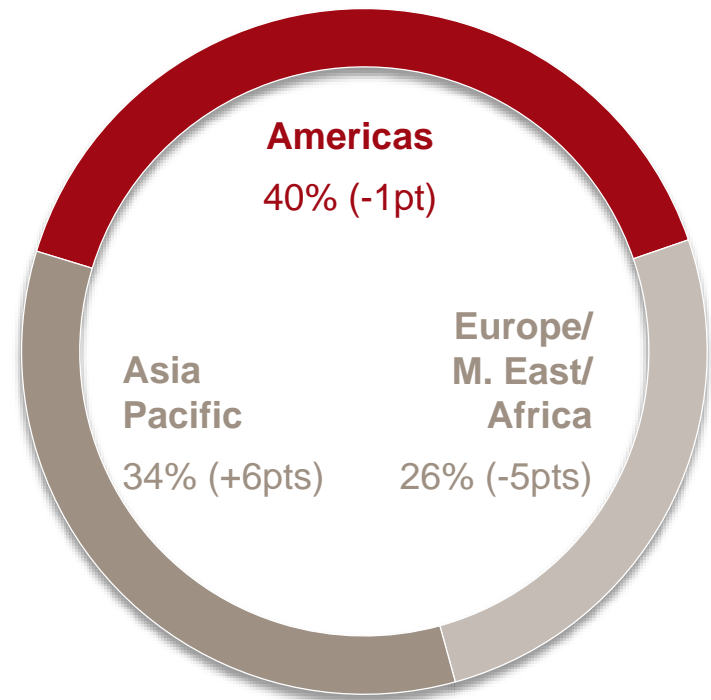
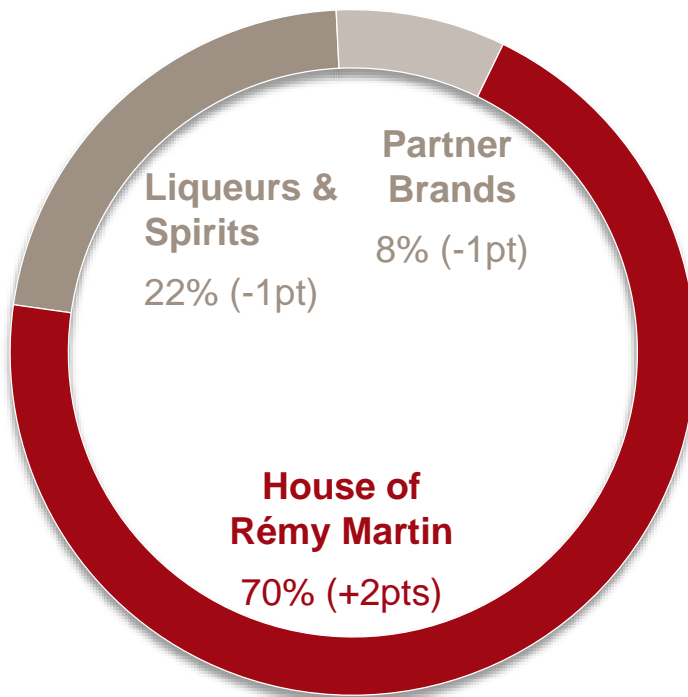


Breakdown of Group sales

By Division

By Region

€571.4m

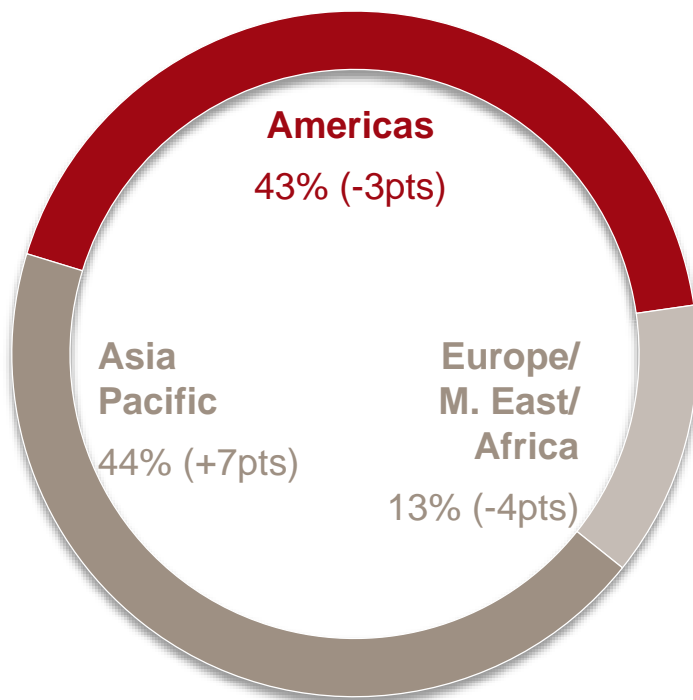


Breakdown of Group sales

Group Brands

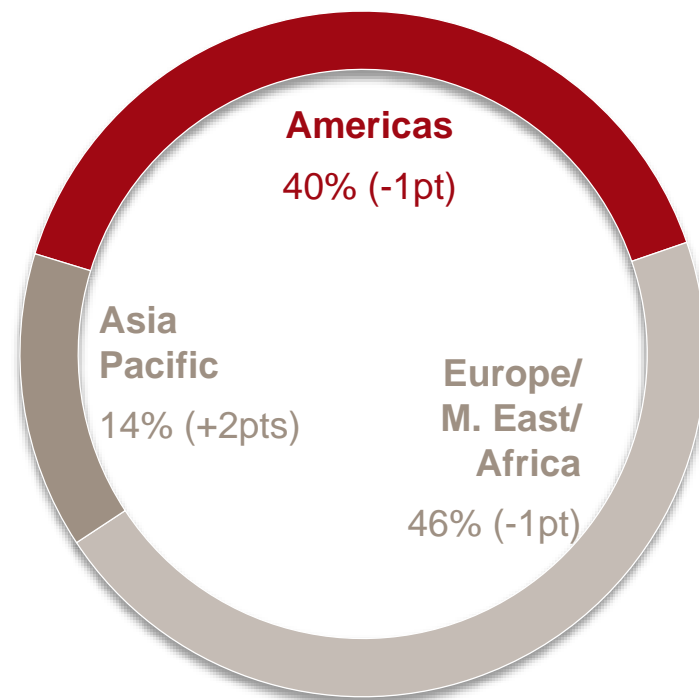
House of Rémy Martin

€398.0m

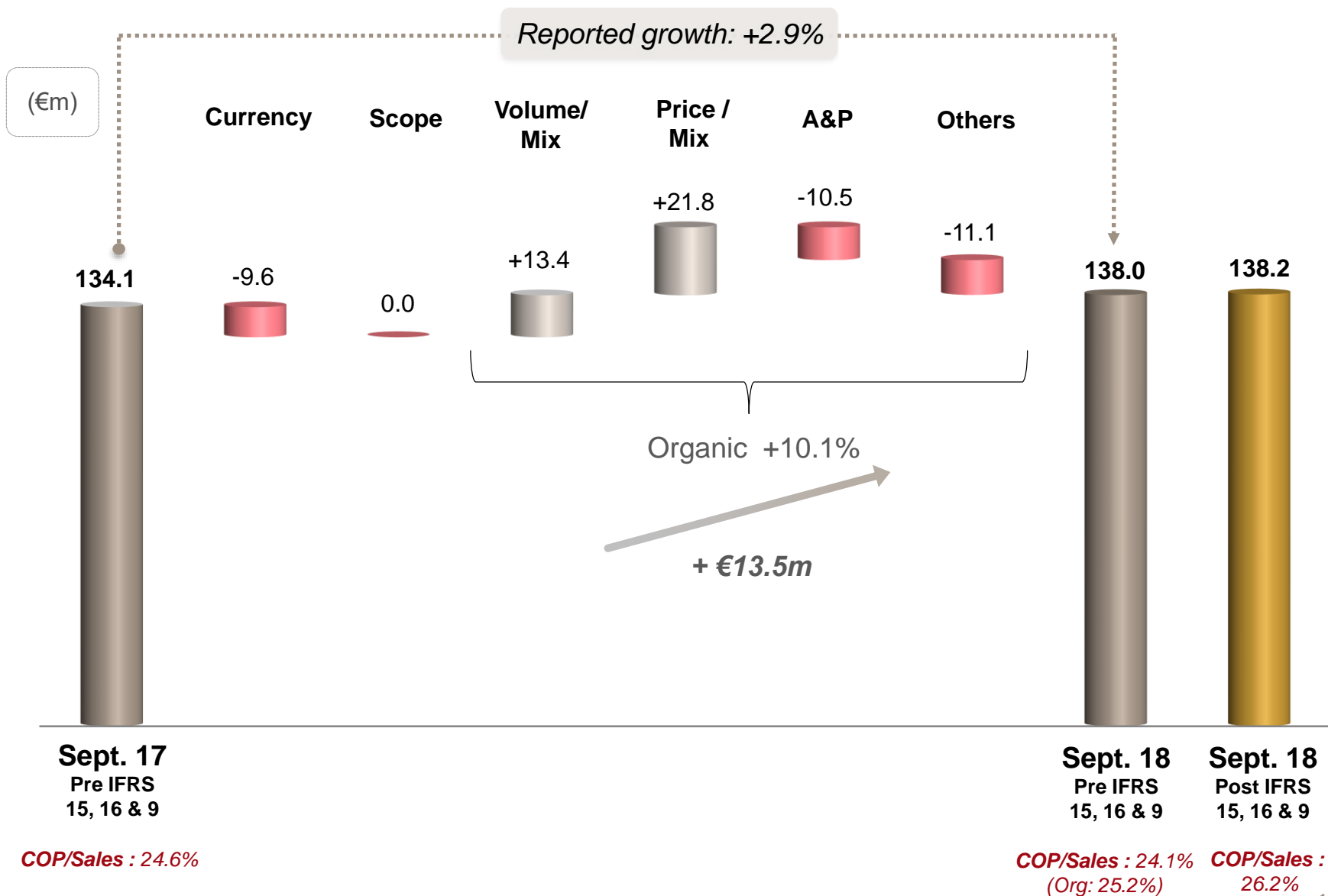


Liqueurs & Spirits

€127.1m



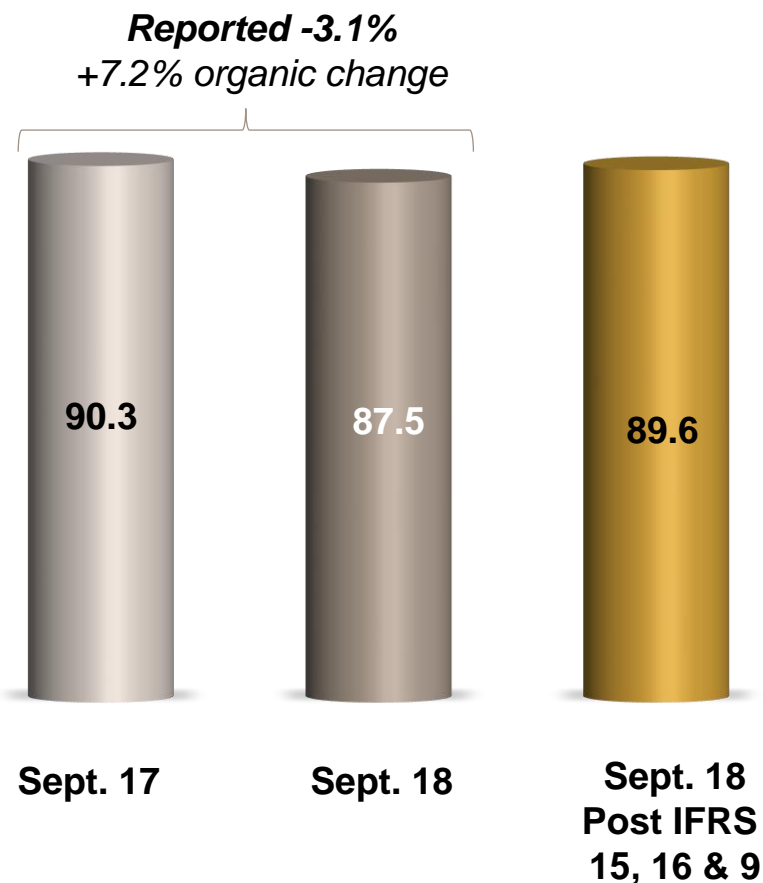
Current Operating Profit



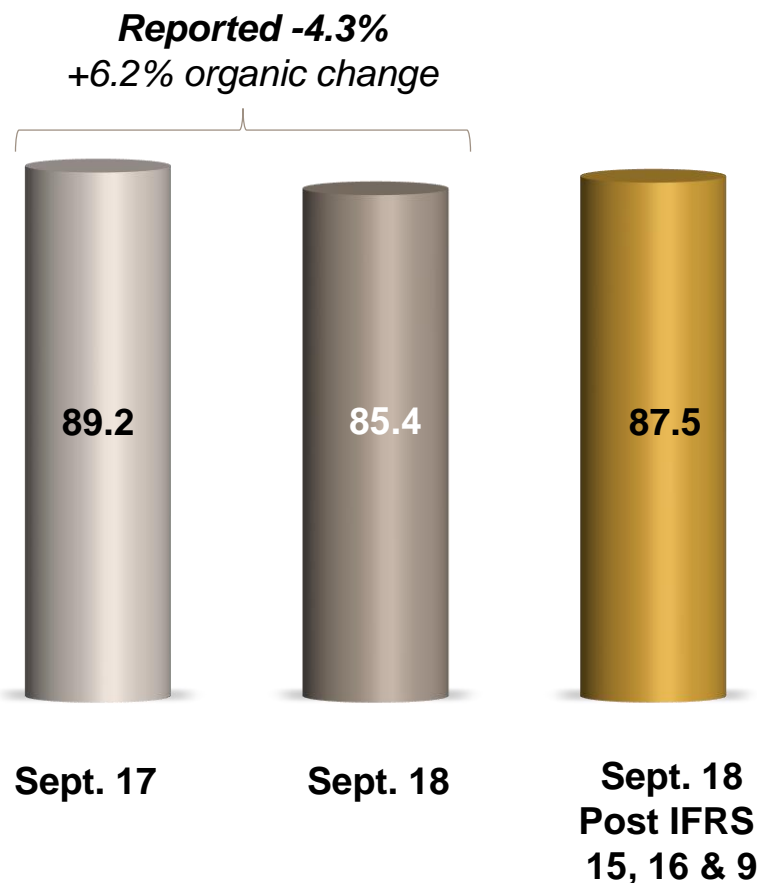
Net profit

(€m)

Net profit excluding non-recurring items



Net profit Group share



House of Rémy Martin

- **Organic sales growth** of 11.7% (volumes +6.4%)

Asia Pacific

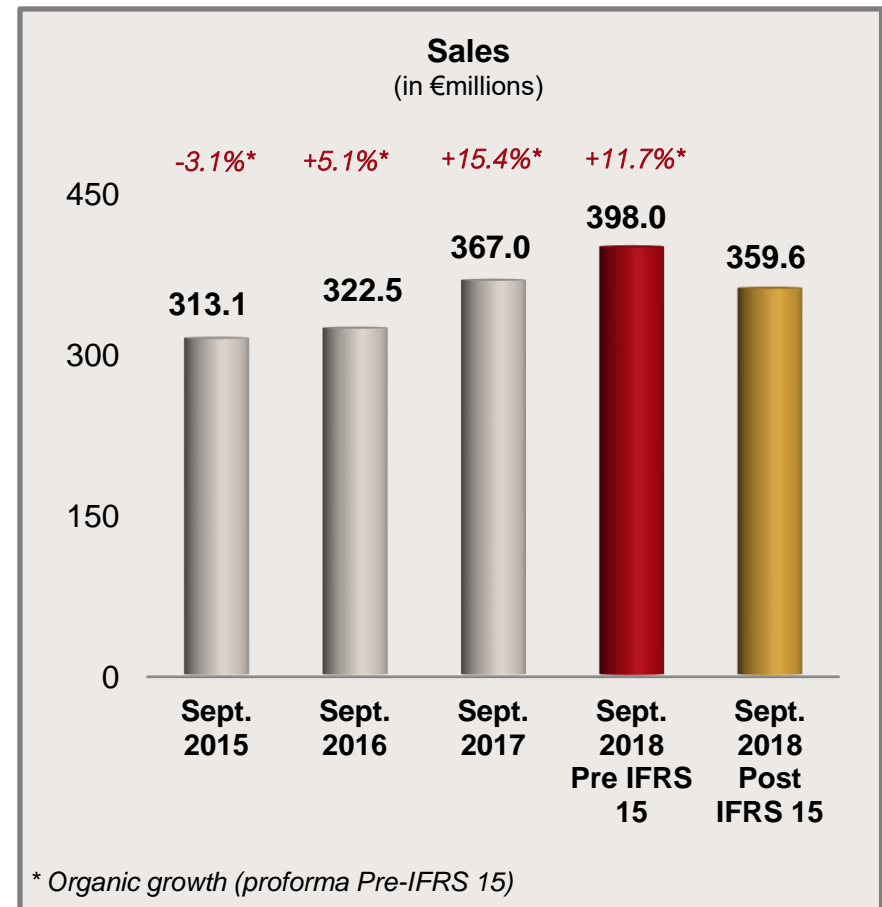
- Strong growth, led by Greater China, Singapore, Japan and Travel Retail Asia

Americas

- Solid growth in the US, amid good cognac category trends, in particular for high-end

EMEA

- Mixed performance; solid growth in the UK, Russia and India



Rémy Martin

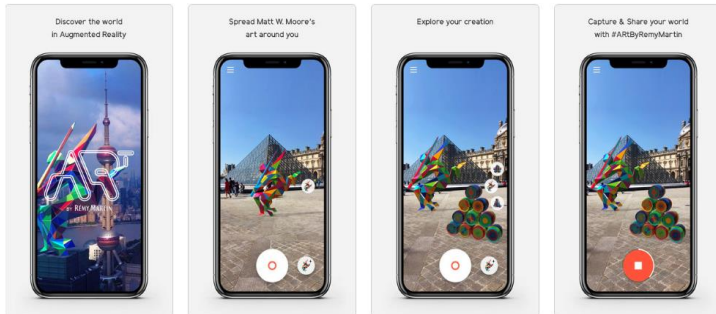
Limited edition VSOP and
App “ARt by Rémy Martin”
with Matt W. Moore



The House of Rémy Martin
in Chengdu



The House of Rémy Martin
in Moscow

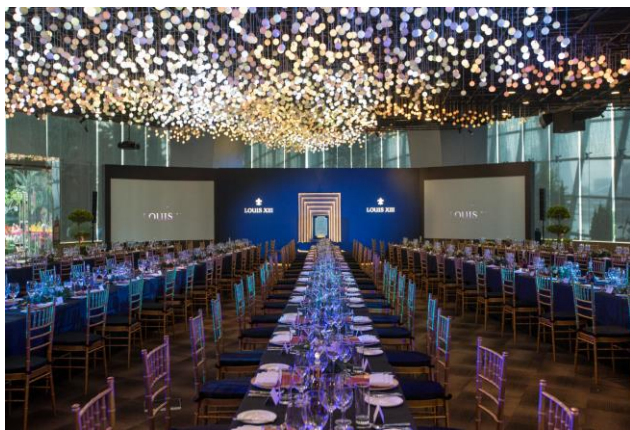


The House of Rémy Martin
in London



Louis XIII

Party “100 Years” in Singapore



Party “100 Years” in Toronto



Party “100 Years” in London

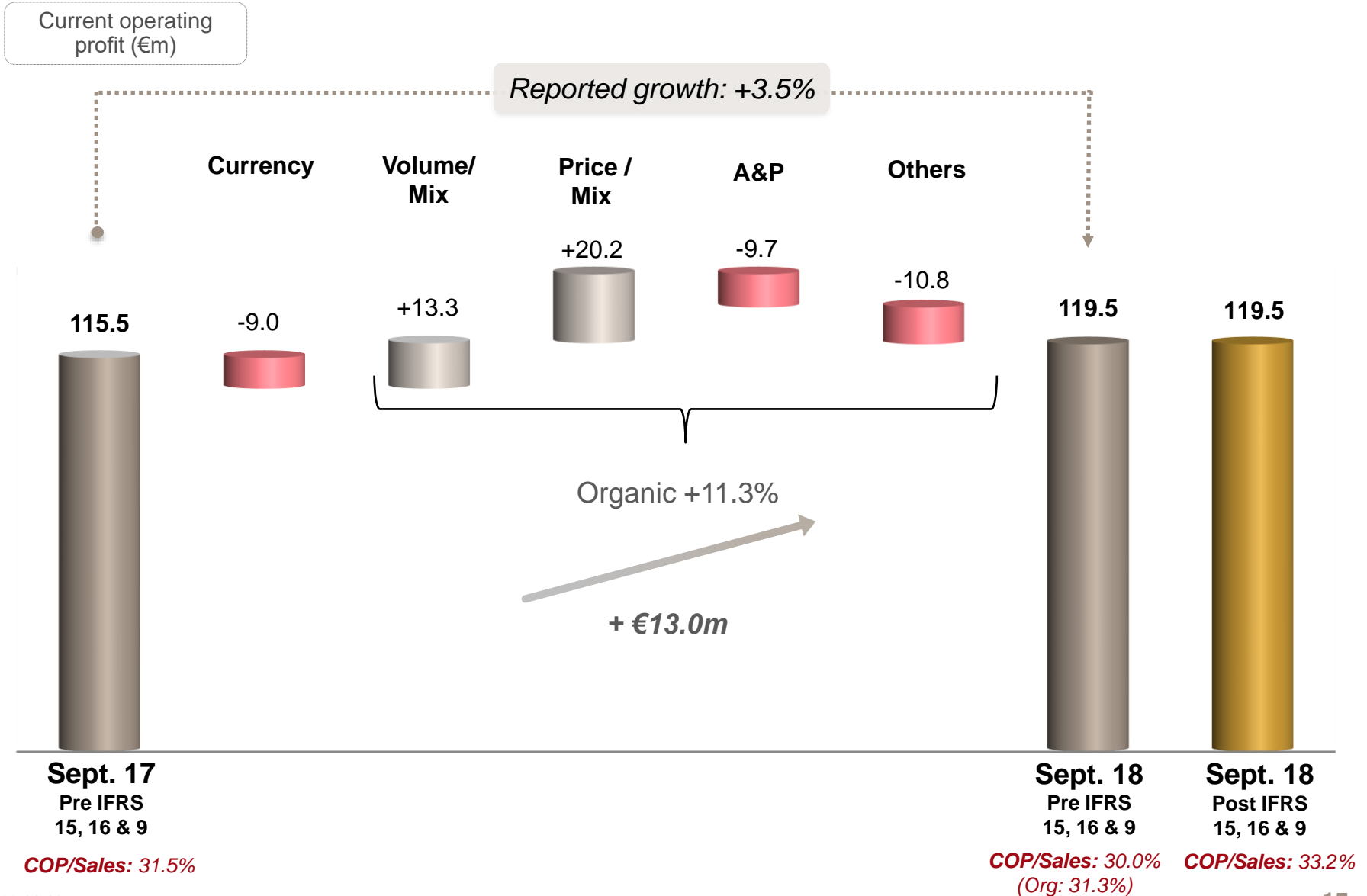


ENJOY LOUIS XIII COGNAC NEAR YOU



LOUIS XIII is available at a select number of luxury retailers and iconic venues, locate easily a point of purchase near you.

House of Rémy Martin



Liqueurs & Spirits

- **Organic sales growth** of 0.8% (volumes -4.1%)

Cointreau

- In an investment phase (new campaign); improvement expected in H2
- Robust growth in the UK and in “ new frontier ” markets (China, Russia)

Metaxa / St-Rémy

- Brand elevation strategy weighing on volumes in H1

Mount Gay

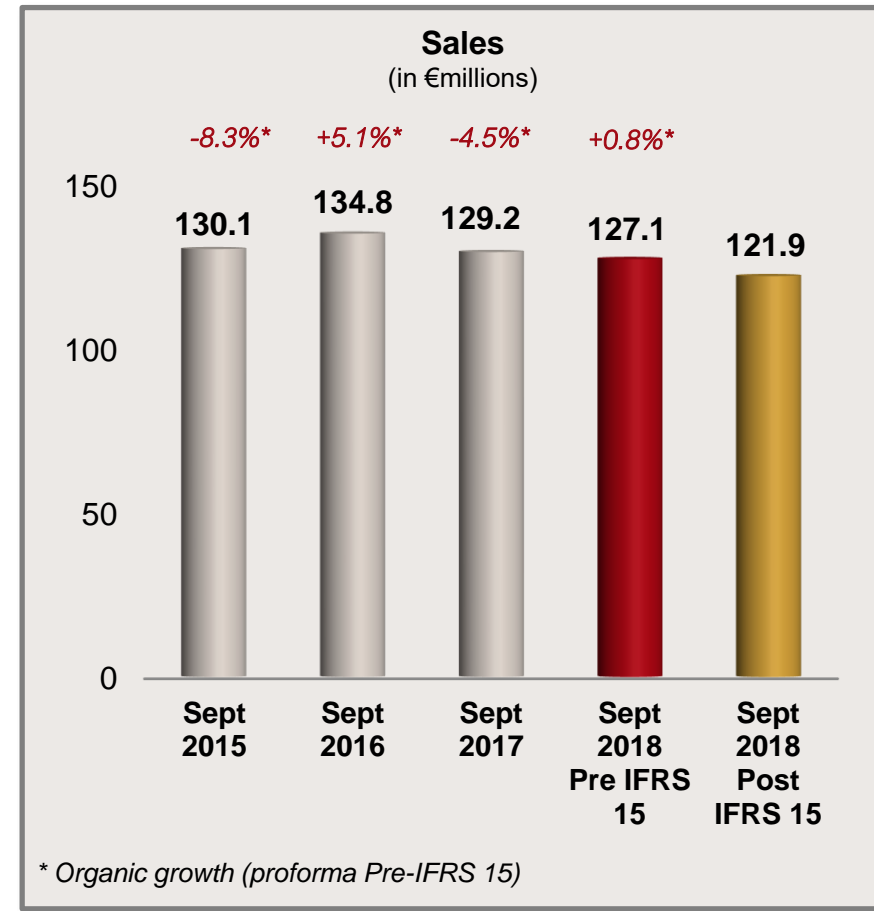
- Undergoing strategic repositionning

The Botanist

- Double-digit growth in all regions
- Success of the #BeTheBotanist campaign

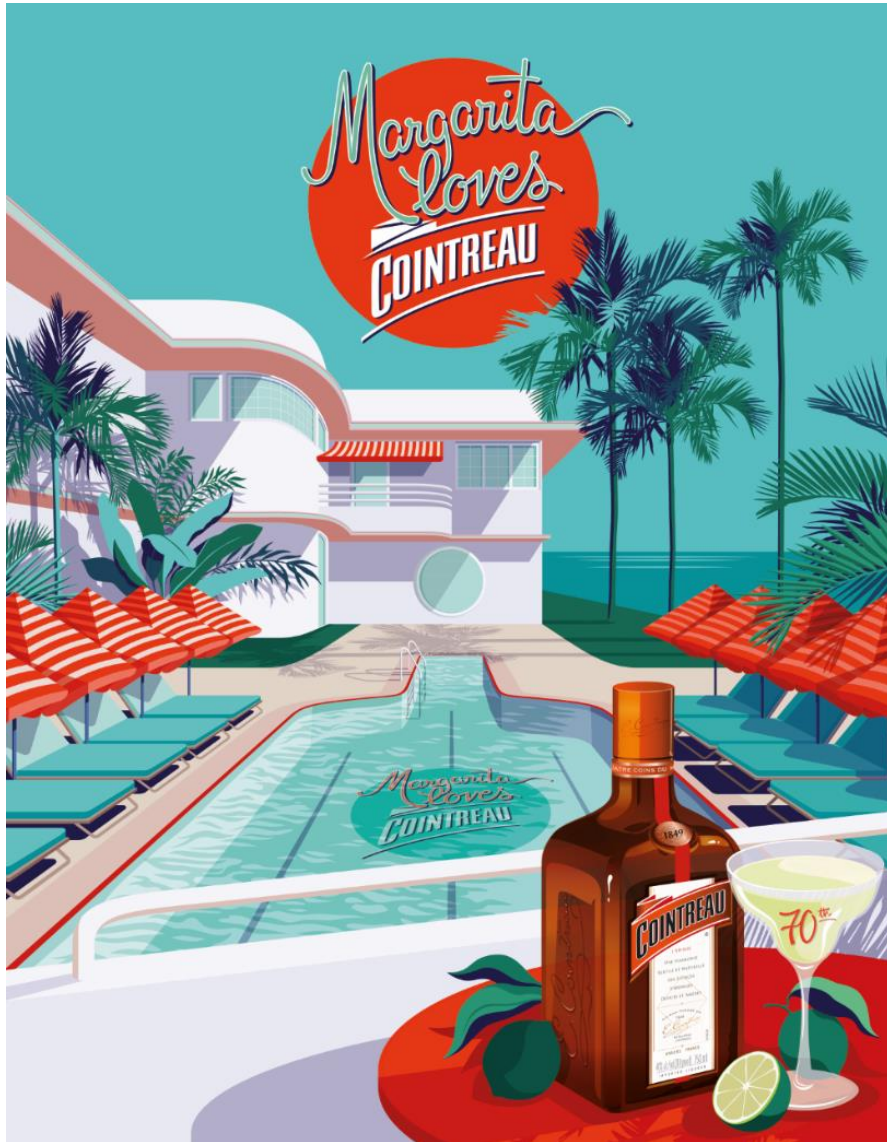
Whiskies

- Launch of the new Port Charlotte bottle
- Solid performance across all geographic regions



Liqueurs & Spirits

“Margarita Loves Cointreau” campaign

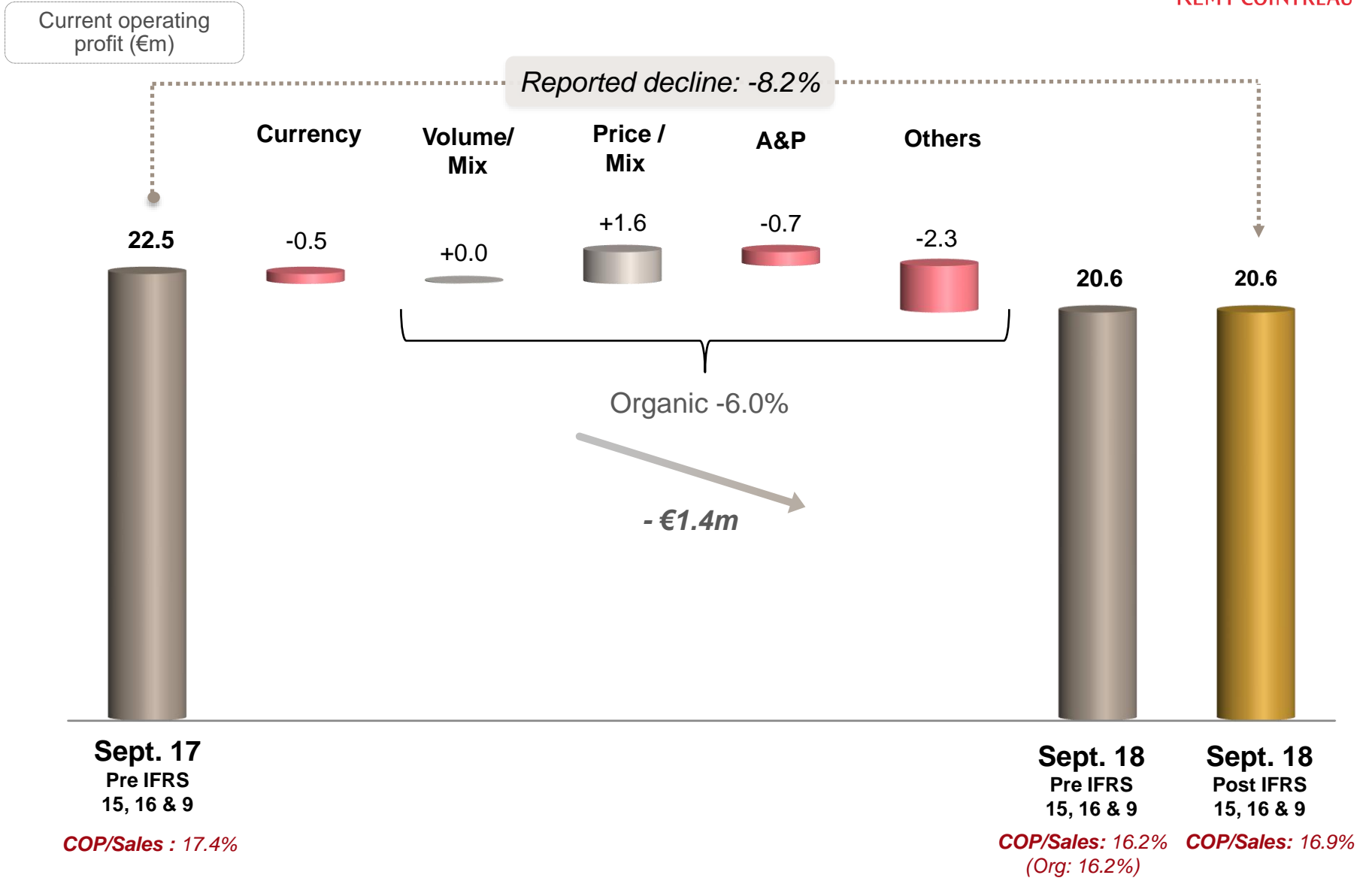


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New Port Charlotte bottle and #WEAREISLAY campaign



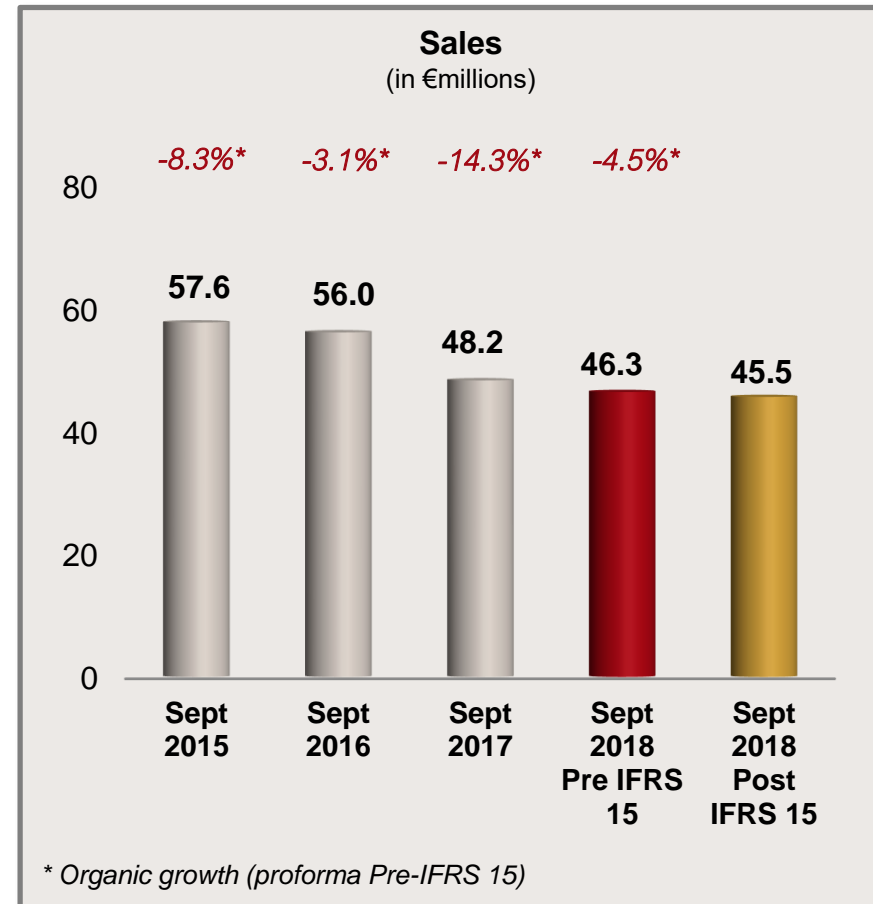
Liqueurs & Spirits



Partner Brands

- **Organic sales decline** of 4.5% (volumes -10.3%)

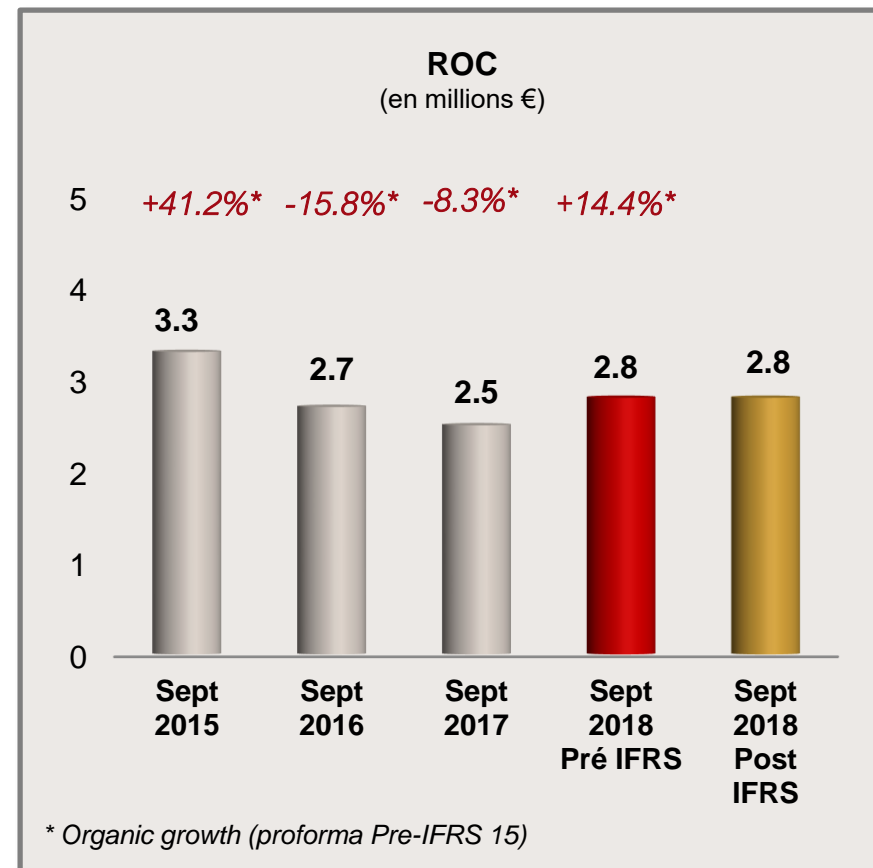
- Termination of two new Partner Brands' distribution contracts (Campari in Czech Republic/Slovakia and Russian Standard in Travel Retail)
- Success of a one-off promotional operation in the US (Q2)
- Good growth for the other third-party brands distributed in the EMEA



Partner Brands

- **Current operating profit: €2.8m (+14.4% in organic terms)**

- COP growth largely driven by mix benefits and the one-off promotional operation in the US





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Financial results

LUCA MAROTTA

CHIEF FINANCIAL OFFICER

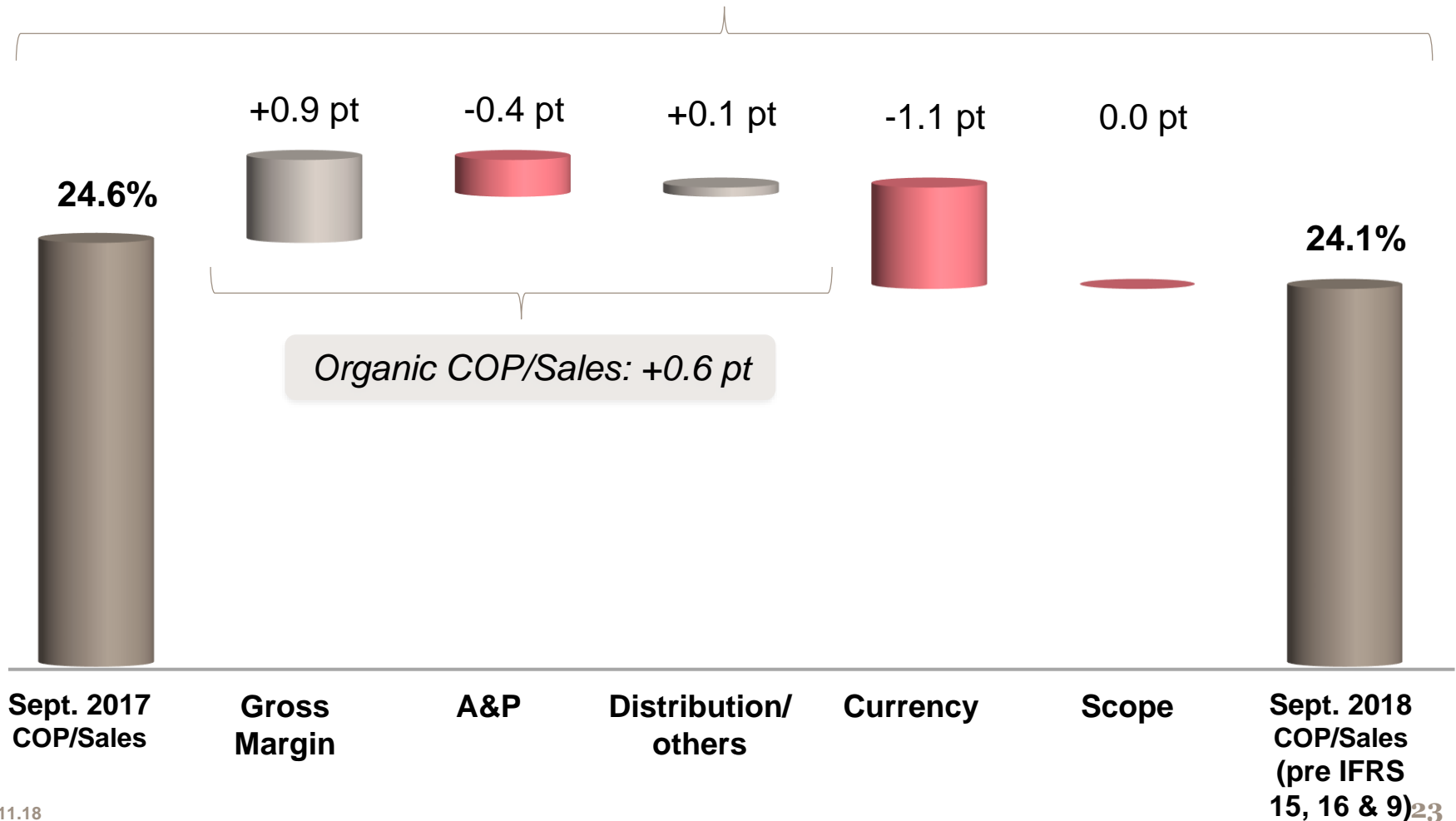
Current Operating Profit

	Proforma Pre-IFRS 15, 16 & 9				
(€m)	2018	2017	Reported change	Organic change	2018 Post-IFRS 15, 16 & 9
Net Sales	571.4	544.4	+5.0%	+7.7%	527.0
Gross Profit	385.3	365.8	+5.3%	+9.1%	329.1
<i>in %</i>	67.4%	67.2%	+0.2pt	+0.9pt	62.5%
Sales and marketing expenses	(204.0)	(191.1)	+6.8%	+8.9%	(147.9)
Administrative expenses	(43.3)	(41.3)	+5.0%	+5.1%	(43.0)
Other income and expenses	(0.0)	0.6	-	-	(0.0)
Current Operating Profit	138.0	134.1	+2.9%	+10.1%	138.2
Current operating margin	24.1%	24.6%	-0.5pt	+0.6pt	26.2%

Current Operating Margin

Proforma Pre-IFRS 15, 16 & 9

Reported COP/Sales : -0.5 pt



Net profit

	Pre-IFRS 15, 16 & 9		Post IFRS 15, 16 & 9
(€m)	2018	2017	2018
Current Operating Profit	138.0	134.1	138.2
Other operating income (expenses)	2.0	(1.8)	2.0
Operating profit	140.0	132.3	140.3
Net financial income (charge)	(19.6)	(8.8)	(16.7)
Pre-tax profit	120.4	123.5	123.6
Taxes	(35.0)	(34.5)	(36.1)
Tax rate	29.0%	27.9%	29.2%
Share profit (loss) of associated companies	0.0	0.2	0.0
Net profit/(loss) from deconsolidated and discontinued operations	85.4	89.2	87.5
Net profit Group share	14.9%	16.4%	16.6%
Net profit (excluding non-recurring items)	87.5	90.3	89.6
Net margin (excluding non-recurring)	15.3%	16.6%	17.0%

Non-recurring items

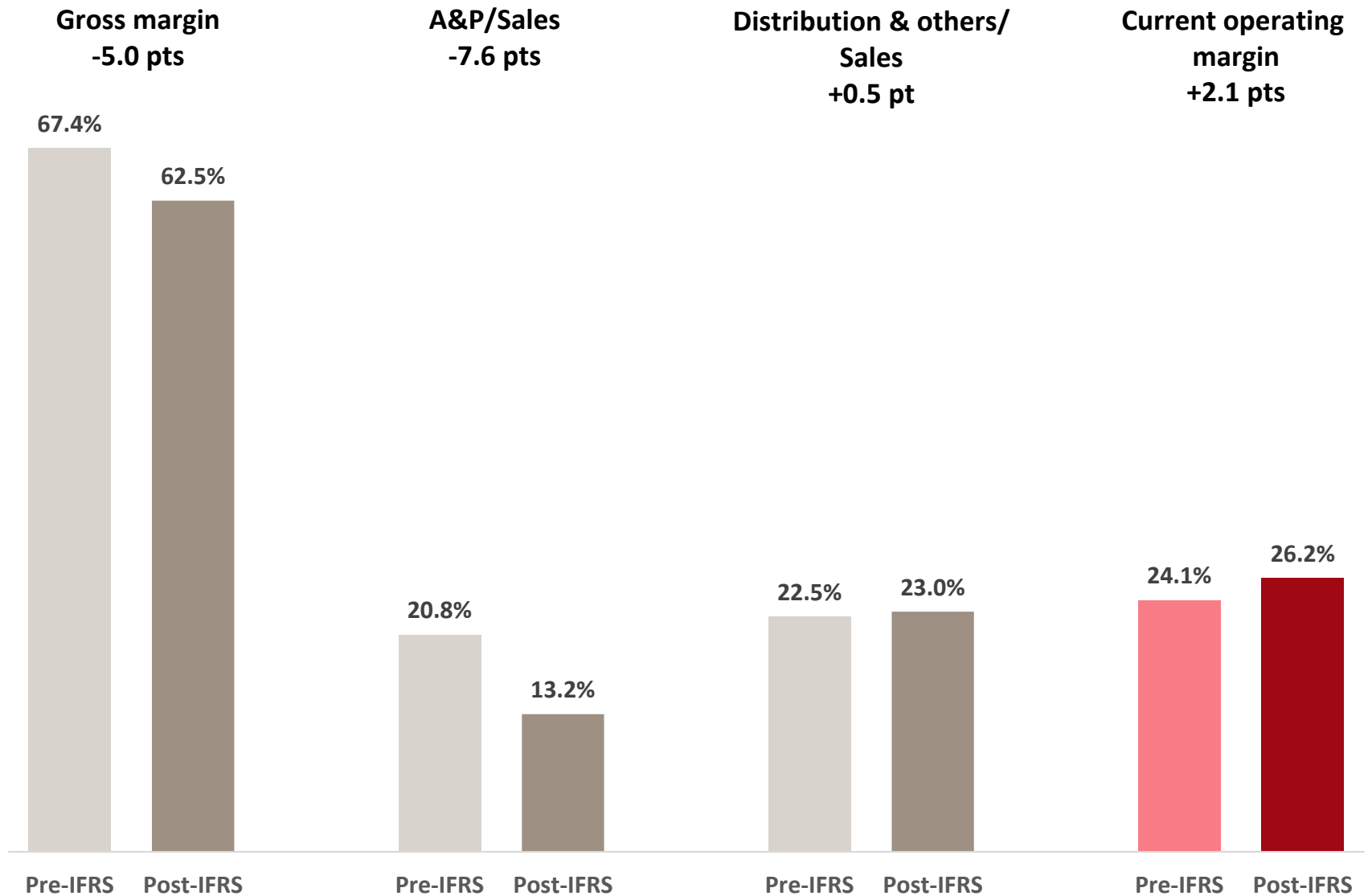
	Pre-IFRS 15, 16 & 9		Post-IFRS 15, 16 & 9
(€m)	2018	2017	2018
Net profit – Group share	85.4	89.2	87.5
Provision for reorganisation of distribution network	(0.0)	1.9	(0.0)
Gain on non-core asset disposal	(2.1)	0.0	(2.1)
Expense on vendor loan (financial charge)	5.2	0.0	5.2
Tax on “Other operating income and expenses” and associated with expense on vendor loan	(1.1)	(0.3)	(1.1)
Other	0.1	(0.4)	0.1
Net profit excluding non-recurring items – Group share	87.5	90.3	89.6

New IFRS standards: impacts on the P&L

	Proforma Pre-IFRS 15, 16 & 9	Impacts			Post-IFRS 15, 16 & 9
(€m)	2018	IFRS 15	IFRS 16	IFRS 9	2018
Net sales	571.4	(44.4)	-	-	527.0
Cost of sales	(186.0)	(11.8)	-	-	(197.8)
Gross margin	385.3	(56.2)	-	-	329.1
Sales and marketing expenses	(204.0)	56.2	-	-	(147.9)
Administrative expenses	(43.3)	-	0.3	-	(43.0)
Other income and expenses	(0.0)	-	-	-	(0.0)
Current operating profit	138.0	-	0.3	-	138.2
Other operating expenses/income	2.0	-	-	-	2.0
Operating profit	140.0	-	0.3	-	140.3
Cost of net financial debt	(6.7)	-	(0.5)	-	(7.2)
Other financial income/(expense)	(12.9)	-	-	3.4	(9.5)
Net financial income/(expense)	(19.6)	-	(0.5)	3.4	(16.7)
Profit before tax	120.4	-	(0.2)	3.4	123.6
Income tax	(35.0)	-	0.1	(1.2)	(36.1)
Net profit – Group share	85.4	-	(0.2)	2.2	87.5
Net profit excluding non-recurring items	87.5	-	(0.2)	2.2	89.6
Net debt / EBITDA	1.17		0.04		1.21

Current operating margin

Comparing Pre and Post IFRS 15, 16 & 9 (H1 2018-19)



Net debt/Cash flow



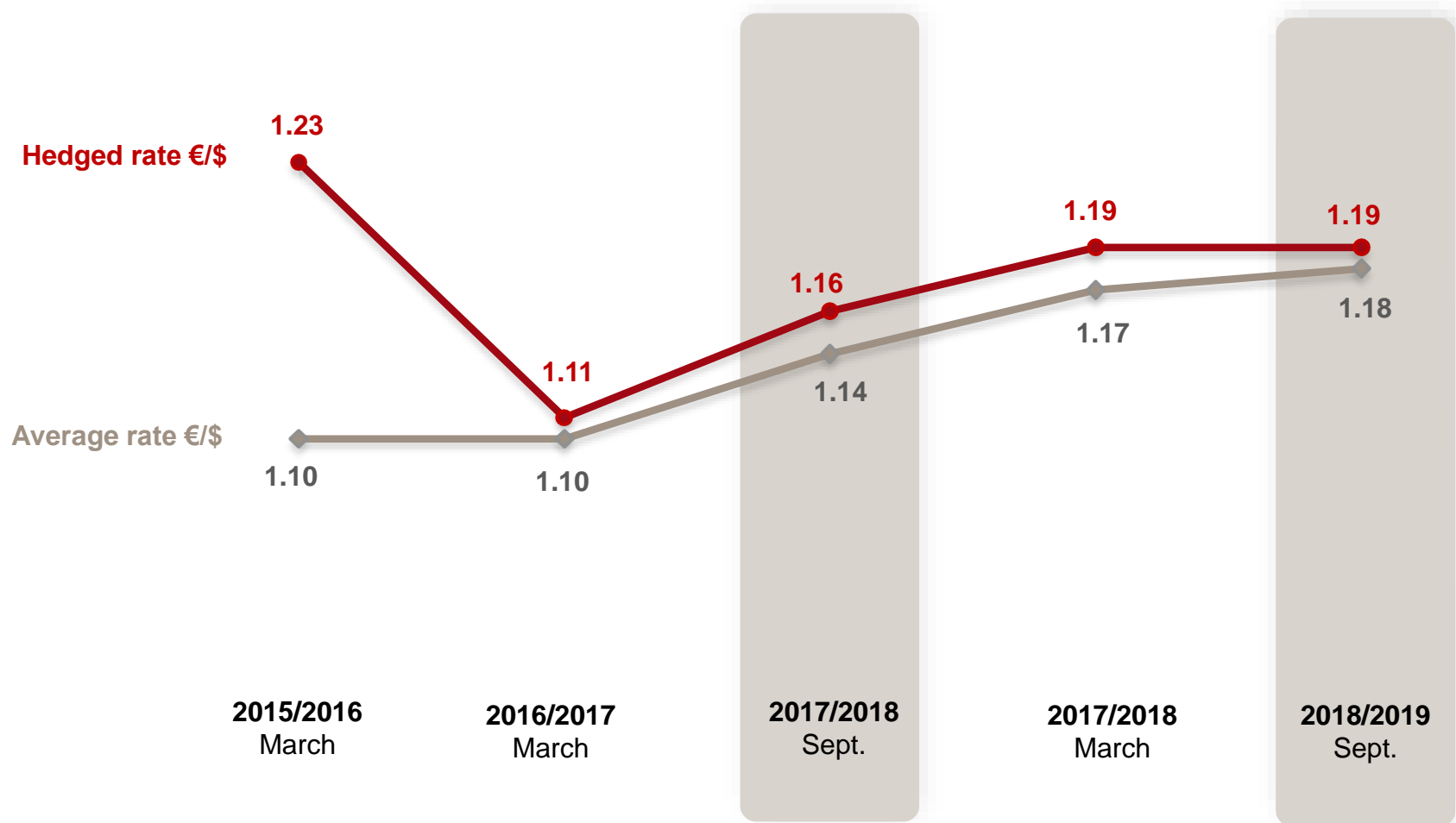
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	Pre-IFRS 15, 16 & 9			Post-IFRS 15, 16 & 9
(€m)	2018	2017	Change	2018
Opening net financial debt (1 April)	(282.8)	(390.1)	107.2	(282.8)
Gross operating profit (EBITDA)	150.9	146.1	4.9	154.8
WCR of eaux-de-vie and spirits in ageing process	(28.6)	(28.7)	0.2	(28.6)
Other working capital items	(163.1)	(63.6)	(99.5)	(163.1)
Capital expenditure	(21.9)	(14.2)	(7.7)	(21.9)
Financial expenses	(10.0)	(3.0)	(7.0)	(10.5)
Tax payments	(29.3)	(29.6)	0.3	(29.3)
Total recurring free cash flow	(101.9)	6.9	(108.8)	(98.6)
Dividends	(9.0)	(24.7)	15.6	(9.0)
Share buy back program	(1.0)	(26.4)	25.4	(1.0)
Repayment of vendor loan	86.8	-	86.8	86.8
IFRS 16 net impact on debt	-	-	-	(31.1)
Other proceeds from asset acquisitions/disposals	7.7	0.9	6.8	7.7
Equity component of OCEANE bond	(1.8)	(1.7)	(0.0)	(1.8)
Conversion differences and others	(2.0)	4.4	(6.4)	(2.0)
Other cash flow	80.8	(47.5)	128.3	49.7
Total cash flow for the period	(21.1)	(40.6)	19.5	(48.9)
Closing net financial debt (30 September)	(303.9)	(430.6)	126.7	(331.7)
A Ratio (Net debt/EBITDA)	1.17	1.66	(0.49)	1.21

Net financial expenses

	Pre-IFRS 15, 16 & 9		Post IFRS 15, 16 & 9
(€m)	2018	2017	2018
Gross debt servicing costs	(6.7)	(7.1)	(7.2)
Net currency gains (losses)	(2.8)	0.7	0.6
Other financial expenses (net)	(10.1)	(2.4)	(10.1)
- o/w accrued interest and expense on vendor loan	(5.2)	2.3	(5.2)
Net financial income (charges)	(19.6)	(8.8)	(16.7)

Foreign exchange: hedging impact



Currency impact on Sales and COP

➤ 2018/19 guidance: - €3m on sales (vs. - €10m previously) and - €11m on COP (vs. - €17.7m)

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19E
Average EUR/USD exchange rate	1.34	1.27	1.10	1.10	1.17	1.16
Average EUR/USD hedged rate	1.31	1.30	1.23	1.11	1.19	1.18
Total sales impact (in €m)	-33.9	30.3	82.7	-5.7	-48.9	-3.0
Total COP impact (in €m)	5.0	1.0	12.9	23.6	-18.5	-11.0

Note: Estimated impact on 2018/19 sales and COP is based on an average exchange rate EUR/USD of 1.16 (assumption of an average rate of 1.14 in H2) versus 1.18 previously and an average hedged rate of 1.18 versus 1.23 previously.

The estimated total currency impact would split as follows:

- - €3m estimated on sales 2018/19: - €14.8m in H1 and + €11.8m in H2
- - €11m estimated on COP 2018/19: - €9.6m in H1 and - €1.4m in H2

Balance sheet at 30 September 2018

Assets

Liabilities

	(€m)									
	Sept 2018	in %	Sept 2017	in %		Sept 2018	in %	Sept 2017	in %	
Non-current assets	879	35%	970	40%	Shareholders' equity	1 477	58%	1 336	56%	
Current assets	1 494	59%	1 389	58%	Current and Non-current liabilities	592	23%	593	25%	
o/w inventories	1 173	46%	1 123	47%						
Cash	162	6%	45	2%	Gross financial debt	466	18%	476	20%	
Total Assets	2 535	100%	2 405	100%	Total Liabilities	2 535	100%	2 405	100%	
Stocks/Assets		46%		47%	Net Gearing		21%		32%	

Key events during the half-year

- **2 July 2018** **Signing of a syndicated loan amounting to €100 million**, funded by a pool of six banks. This new facility will mature in 5 years (with a possible extension of 2 years) and includes a margin grid between 35bps and 125bps, depending on the Group's debt level.
- **10 July 2018** **Early repayment of the vendor loan granted to the EPI Group** along with the disposal of the Champagne division in July 2011. The loan was signed for a maximum term of 9 years. Its early reimbursement resulted in a cash collection of €86.8 million.
- **24 July 2018** **Approval of an ordinary dividend of €1.65 per share at our General Meeting** (with an option allowing a full payment in shares). 89% of the rights were exercised by the shareholders in favor of a payment in shares. Payments of the dividend were made on September 17, 2018.
- **1 August 2018** **Implementation of a share buyback program**, up to maximum of 1 million shares. This program will end at the latest on April 30, 2019.

Post-closing events

- **18 Octobre 2018** Rémy Cointreau was ranked 3rd by Gaïa Rating, EthiFinance's CSR rating agency, among the mid-cap companies (listed in France and in Europe) whose turnover is > €500m.
- **26 Octobre 2018** Standard & Poor's upgraded the rating of the Rémy Cointreau Group to BBB- (Investment grade) versus BB+ previously.

2018/19 full-year outlook

- A very solid first half-year 2018/19, above Group's internal expectations
- Rémy Cointreau confirms its guidance of **growth in Current Operating Profit over the 2018/19 fiscal year**, assuming constant exchange rates and scope (proforma Pre-IFRS 15, 16 & 9)

RC
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Q&A