



RÉMY COINTREAU

Des terroirs, des hommes et du temps



First Half Results 2019/20
(ended 30 September 2019)

28.11.19



RÉMY COINTREAU

Introduction

MARC HÉRIARD DUBREUIL

PRESIDENT

Key figures (as of 30 September 2019)

	Reported	Change	
		Reported	Organic*
• Sales	€523.9m	-0.6%	-3.6%
• of which Group Brands	€510.8m	+6.1%	+2.8%
• Current Operating Profit	€138.3m	+0.0%	-4.7%
• of which Group Brands	€147.9m	+5.5%	+0.8%
• Current operating margin	26.4%	+0.2pt	-0.3pt
• Net profit (Group share)	€90.5m	+3.5%	+0.8%
• Earnings per share	€1.82	+4.1%	+1.3%
• Net Profit (excluding non-recurring items)	€84.6m	-5.6%	-8.2%
• Earnings per share (excluding non-recurring items)	€1.70	-5.0%	-7.7%
• Net debt / EBITDA ratio:	1.39	+0.18pt	-



RÉMY COINTREAU

Business review

VALERIE CHAPOULAUD-FLOQUET

CHIEF EXECUTIVE OFFICER

Good margin resilience

Group Brands sales (+2.8%*) mitigated by situational factors

- Solid performance of Liqueurs & Spirits (+4.9%*)
- Slower performance of the cognac division (+2.1%*), due to the HK unrest and slower replenishment in the US

Accelerated decline in Partner Brands revenues

- Voluntary withdrawal from significant distribution contracts in Central Europe and in the US

Resilient COP margin despite a modest start to the year and strong growth in communication investments

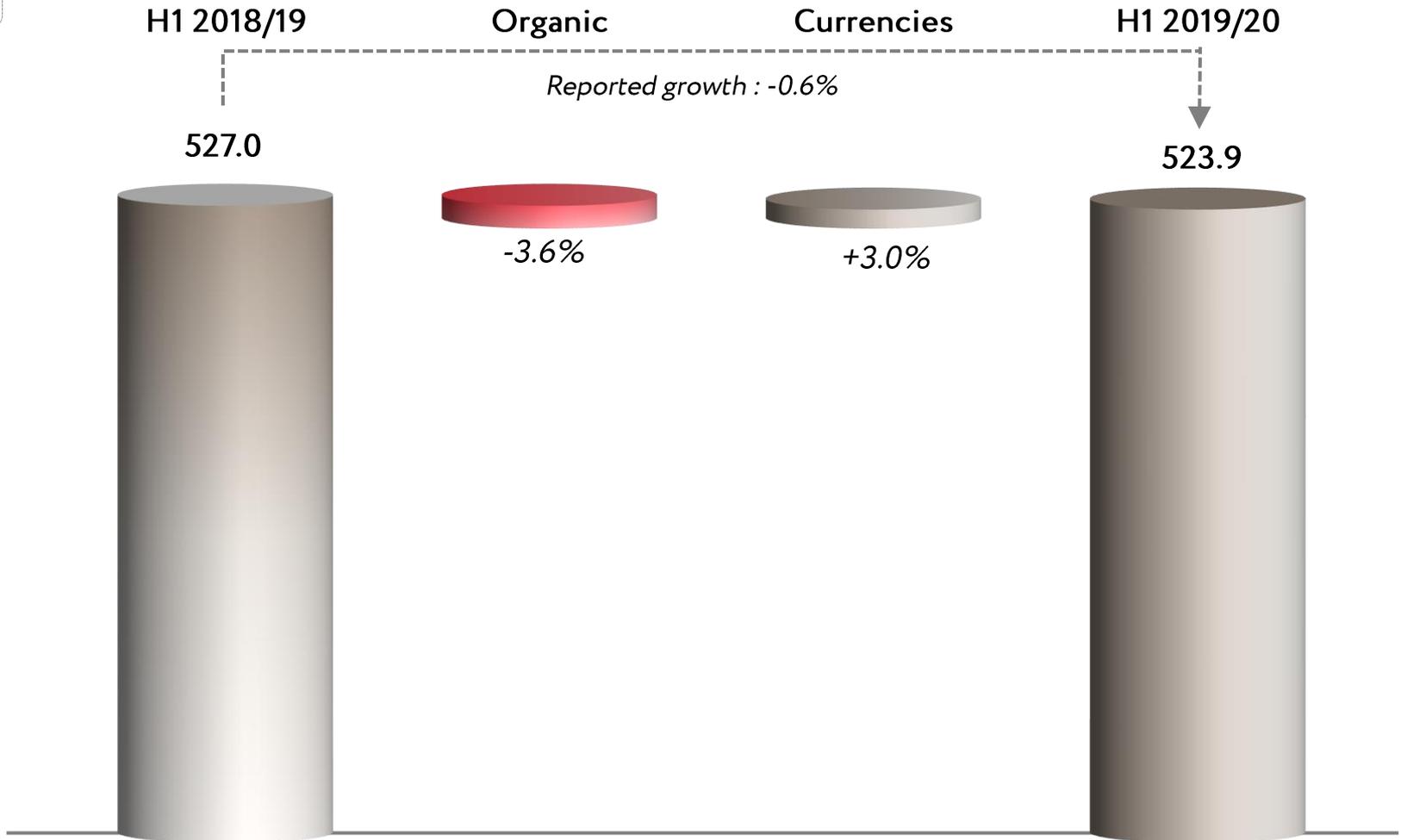
- Group Brands COP (+0.8%*) offset by Partner Brands and Holding Costs
- Significant gross margin gain (+3.9pts*) led by favourable price/mix benefits (brand elevation strategy)
- Continued strong growth in communication investments (+10.8%*)
- Currency gains of €6.5M on COP
- Good resilience of the current operating margin (26.4%): -0.3pt in organic terms and +0.2pt in reported terms

Net profit growth led by gain on Central European subsidiaries disposal (+3.5% reported)

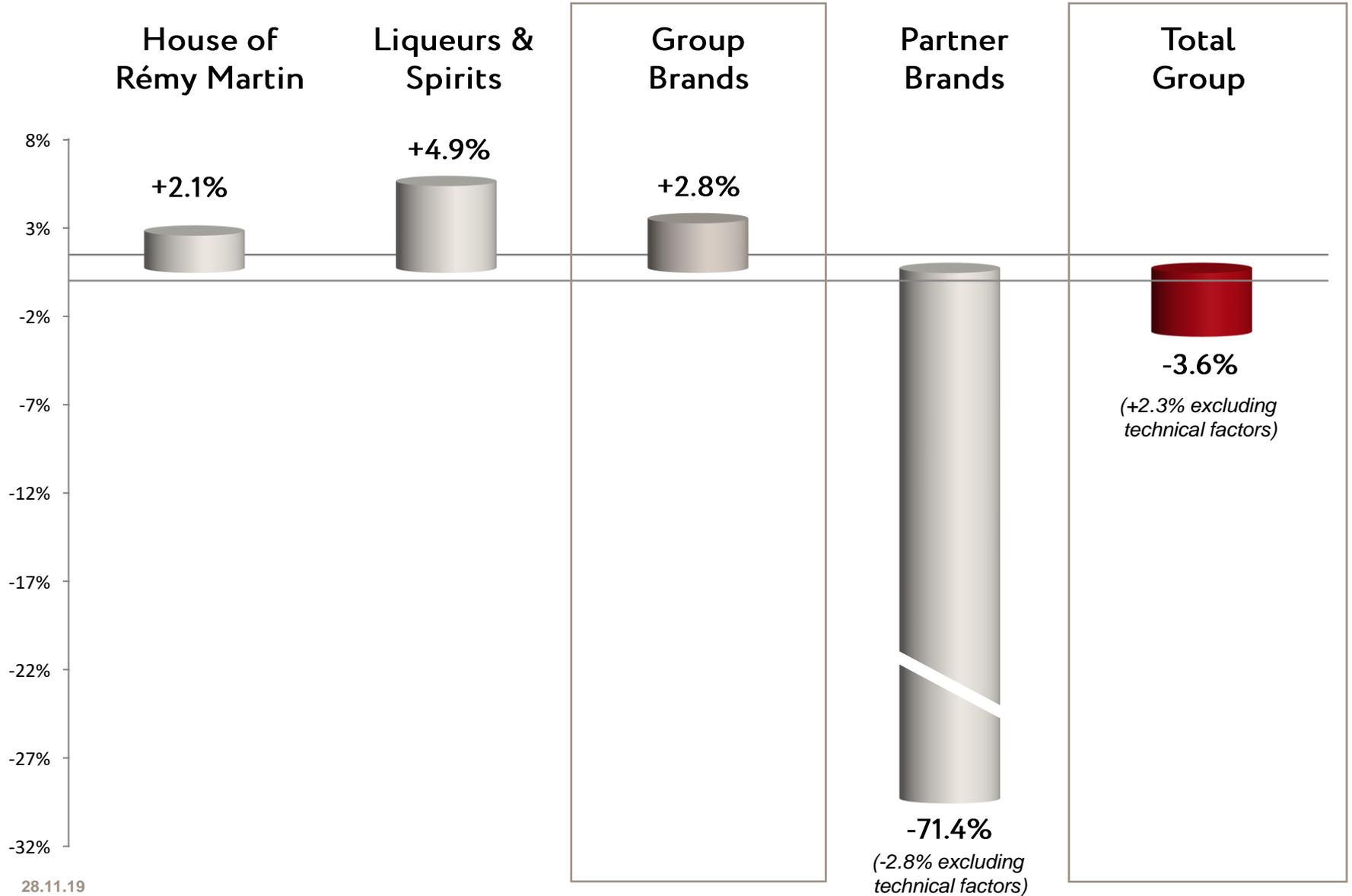
- Excluding non-recurring items, net profit declined 5.6%

Group sales

€m



Organic sales growth by division

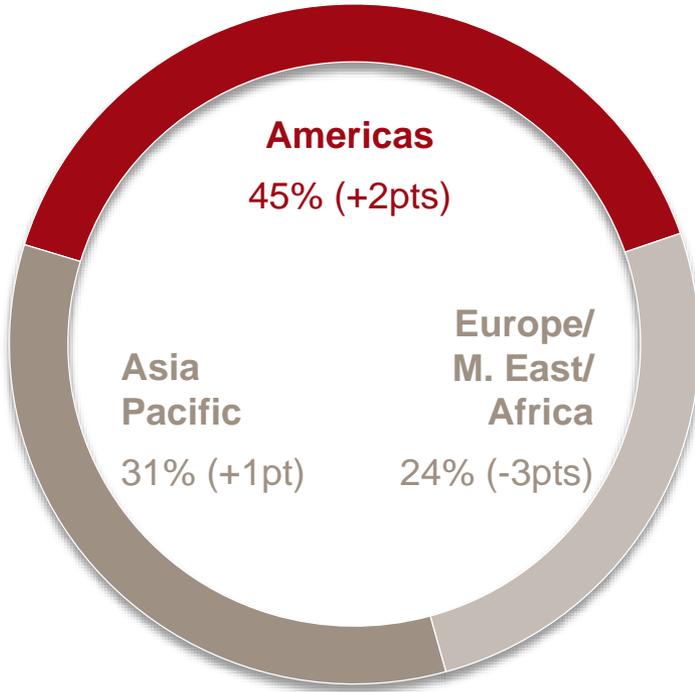
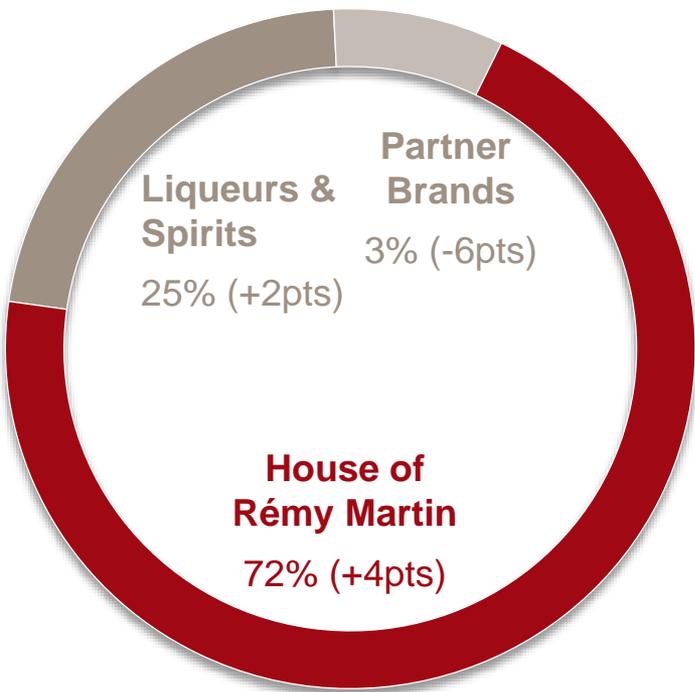


Breakdown of Group sales

By Division

By Region

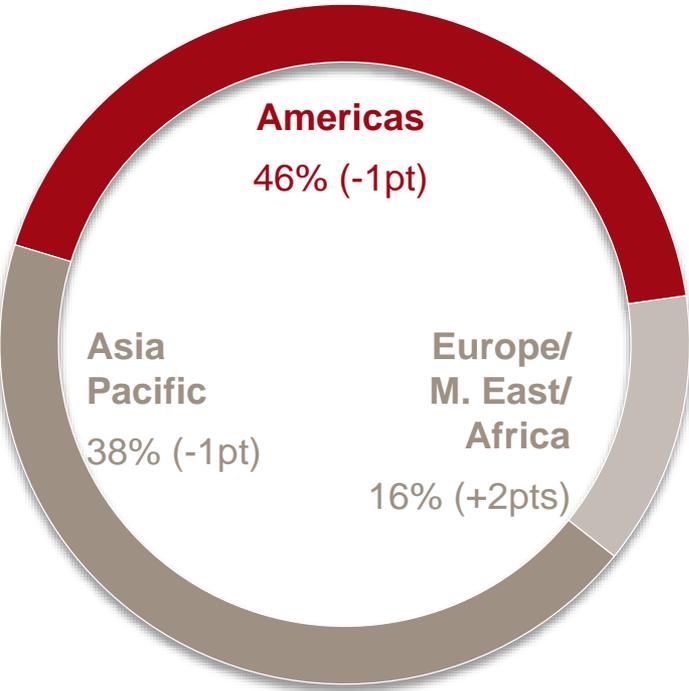
€523.9m



Breakdown of Group sales Group Brands

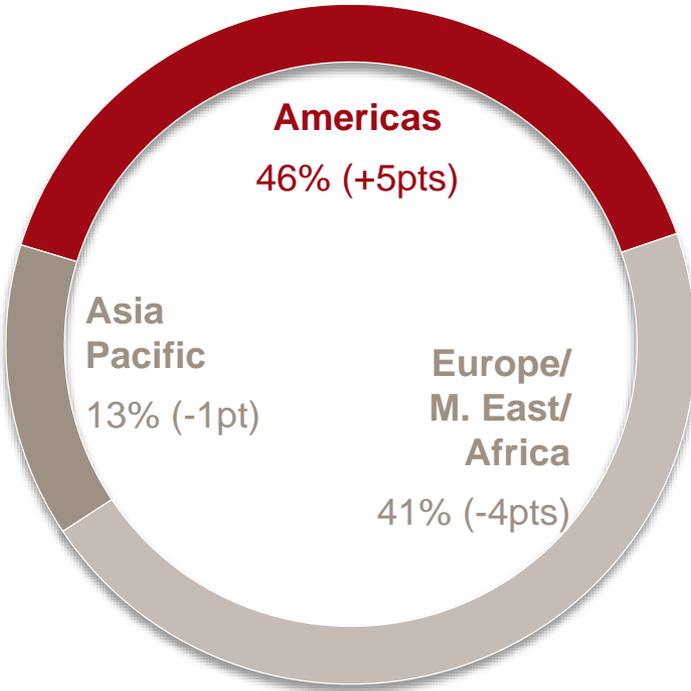
House of Rémy Martin

€379.6m

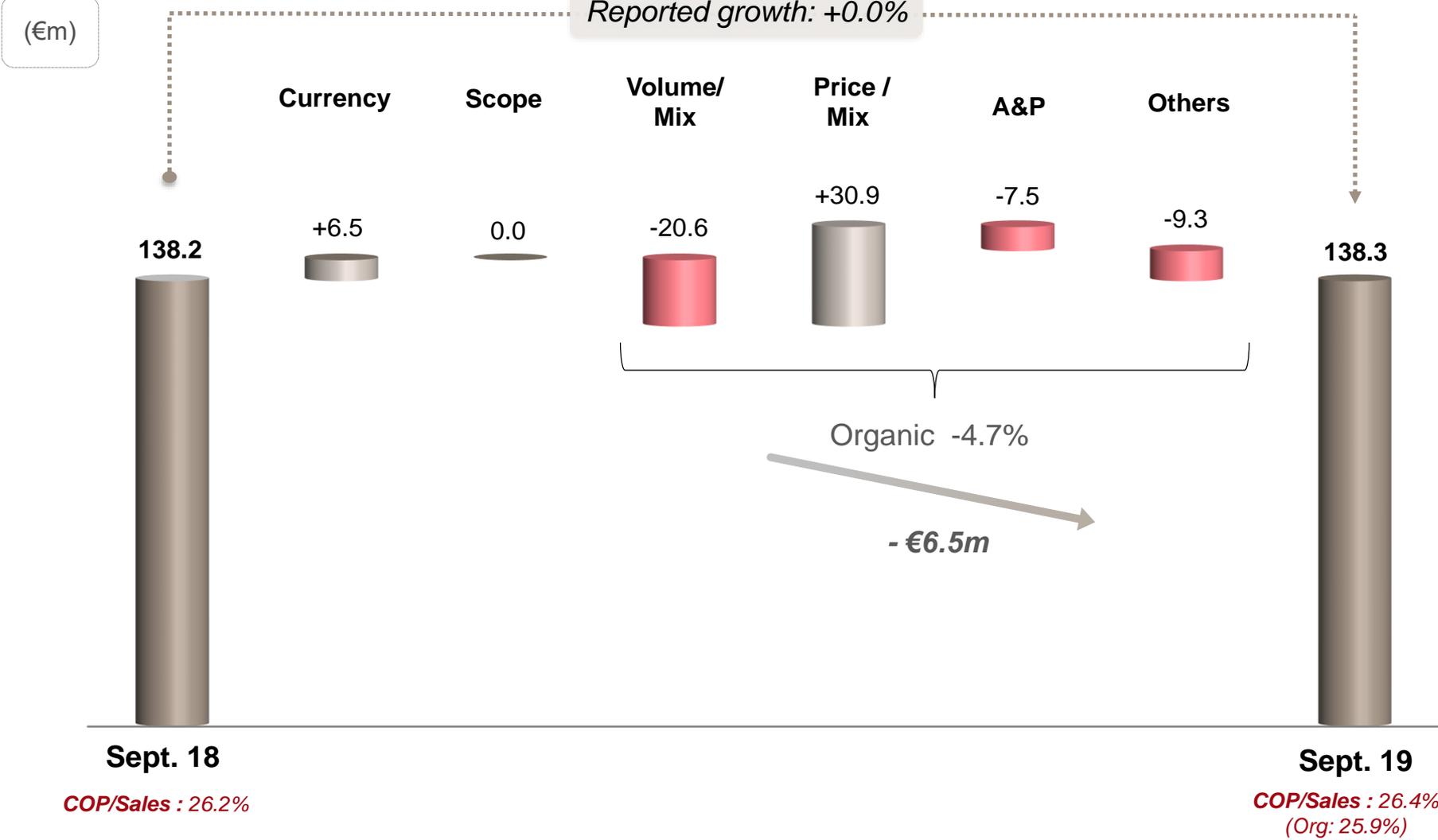


Liqueurs & Spirits

€131.2m



Current Operating Profit

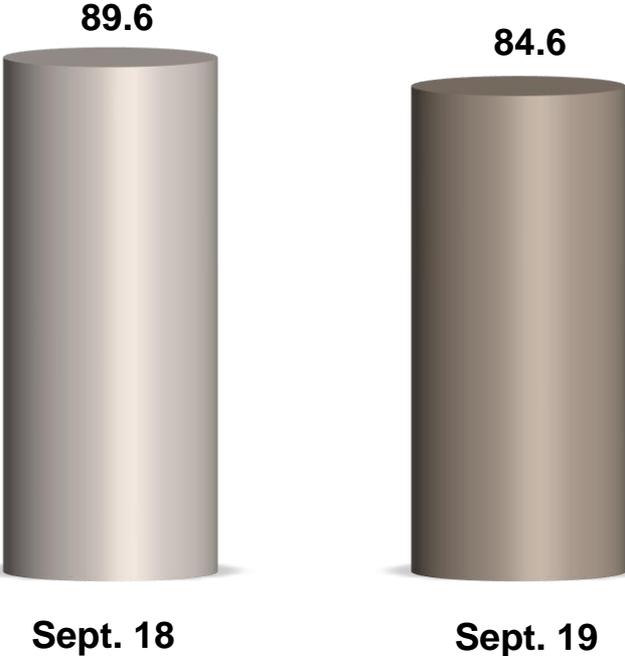


Net profit

(€m)

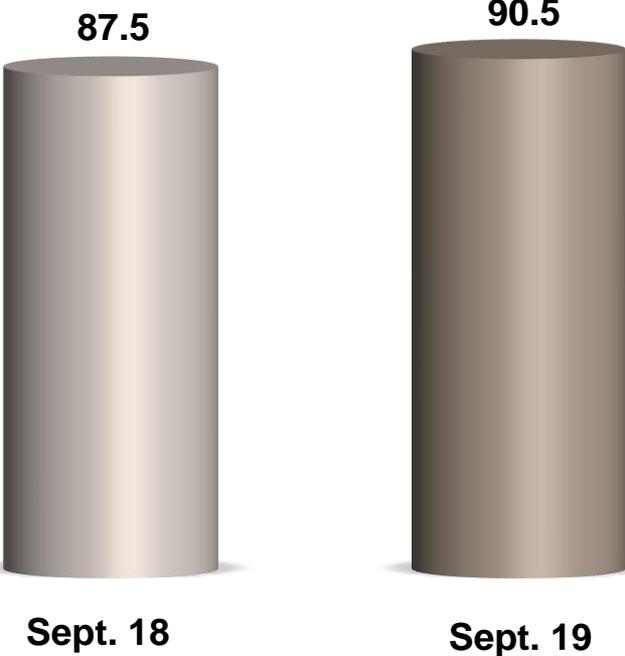
Net profit excluding non-recurring items

Reported -5.6%
-8.2% organic change



Net profit Group share

Reported +3.5%
+0.8% organic change



House of Rémy Martin



- **Organic sales growth** of 2.1% (volumes -5.0%)

Asia Pacific

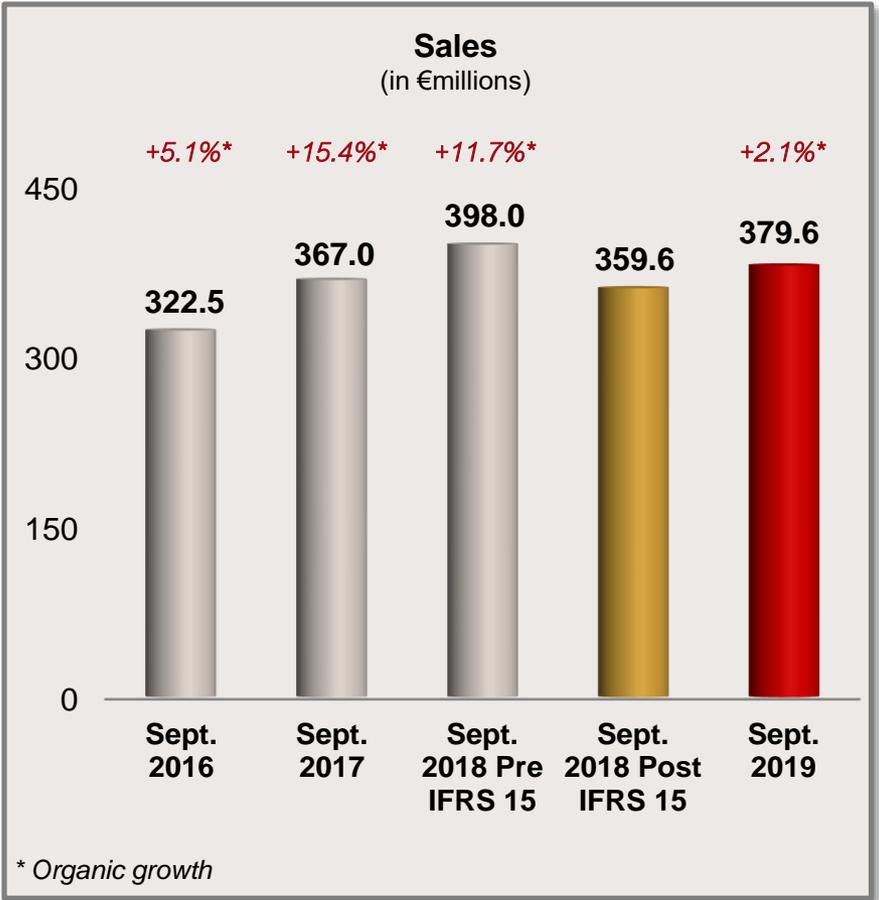
- Ongoing strength in China (excellent MAF) mitigated by declining sales in Travel Retail Asia (HK unrest)

Americas

- Modest growth in the US due to high comps and slow retailers' replenishment

EMEA

- Strong growth led by Africa (easy comps) as well as continued dynamism in the UK/Nordics and in Travel Retail EMEA



Rémy Martin: a new global campaign



Launch of Rémy Martin “Tercet”

New global campaign: Team Up for Excellence



LOUIS XIII

LOUIS XIII limited edition:
Black Pearl André Hériard Dubreuil



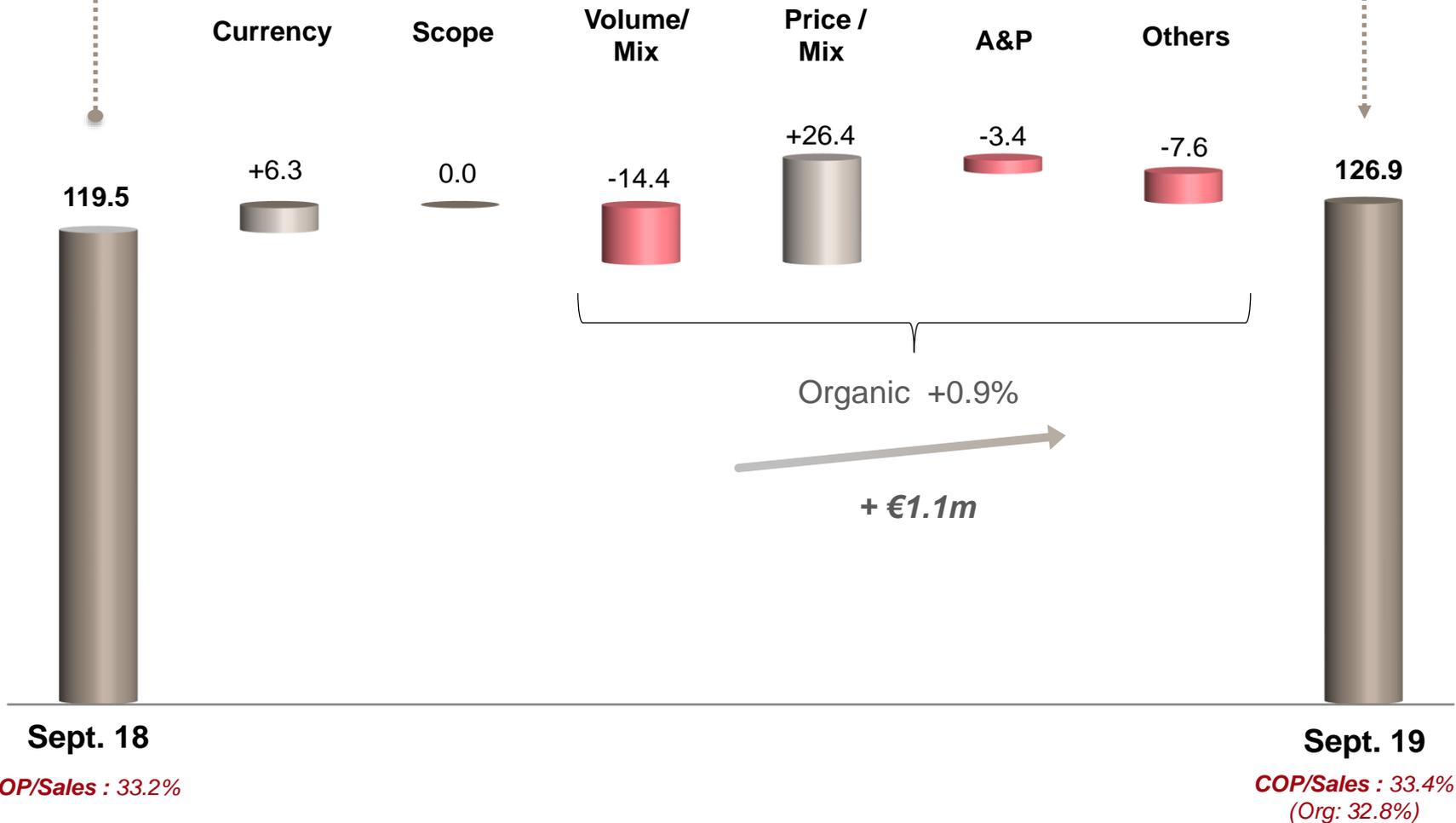
LOUIS XIII pop-up store in Changi airport (Singapore)



House of Rémy Martin

Current operating profit (€m)

Reported growth: +6.2%



Liqueurs & Spirits

- **Organic sales growth** of 4.9% (volumes +1.8%)

Cointreau

- Strong start to the year, led by double-digit growth in the Americas

Metaxa

- Good performance in Asia/Americas (new markets)
- Weakness in EMEA (RTM changes and Travel Retail)

St-Rémy

- Solid performance led by successful marketing initiatives in key markets (Canada, US, Travel Retail)

The Botanist

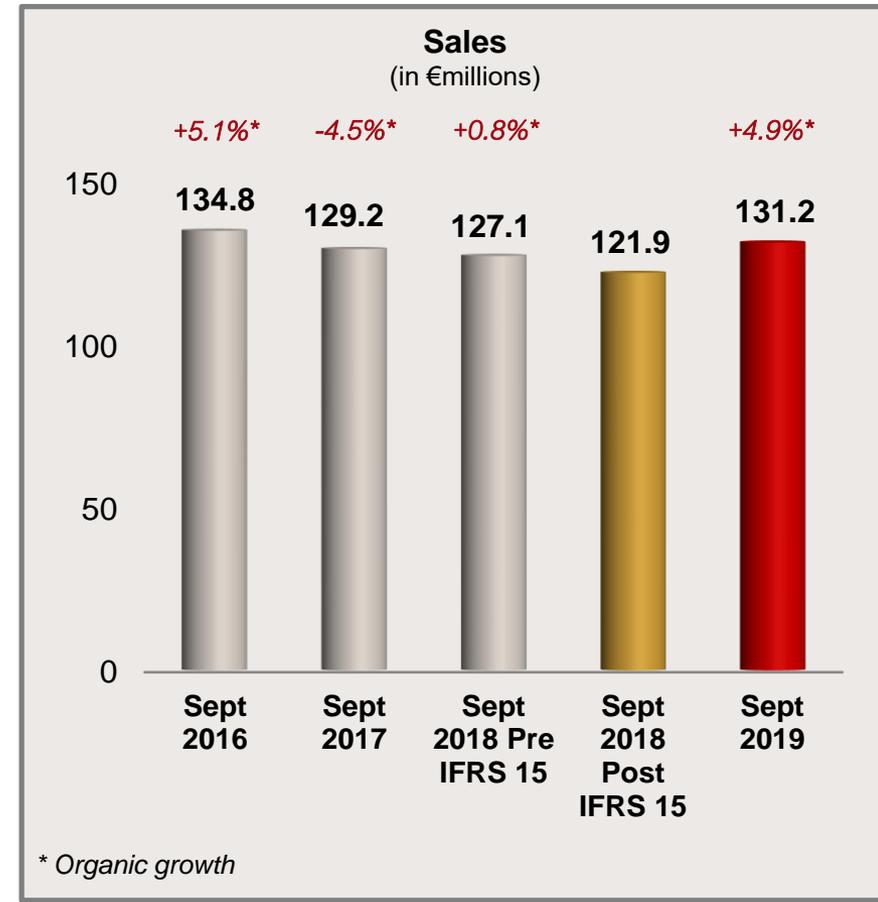
- Continued double-digit growth led by the US/EMEA
- Brand expansion in Asia-Pacific

Whiskies

- Fast growth in EMEA, China, Japan and Travel Retail
- Slow start to the year in the US (high comps)

Mount Gay

- Undergoing strategic repositioning



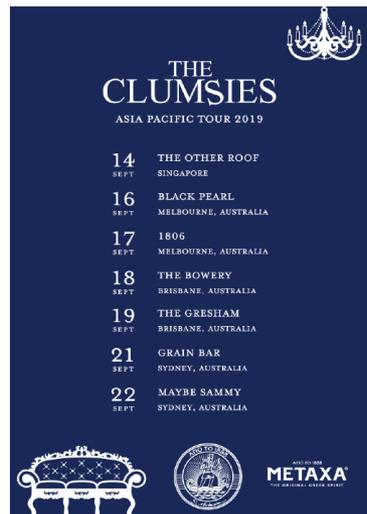
Liqueurs & Spirits



Cointreau: Limited Edition with French designer Vincent Darré



Metaxa continues its international expansion in partnership with the Clumsies Bar



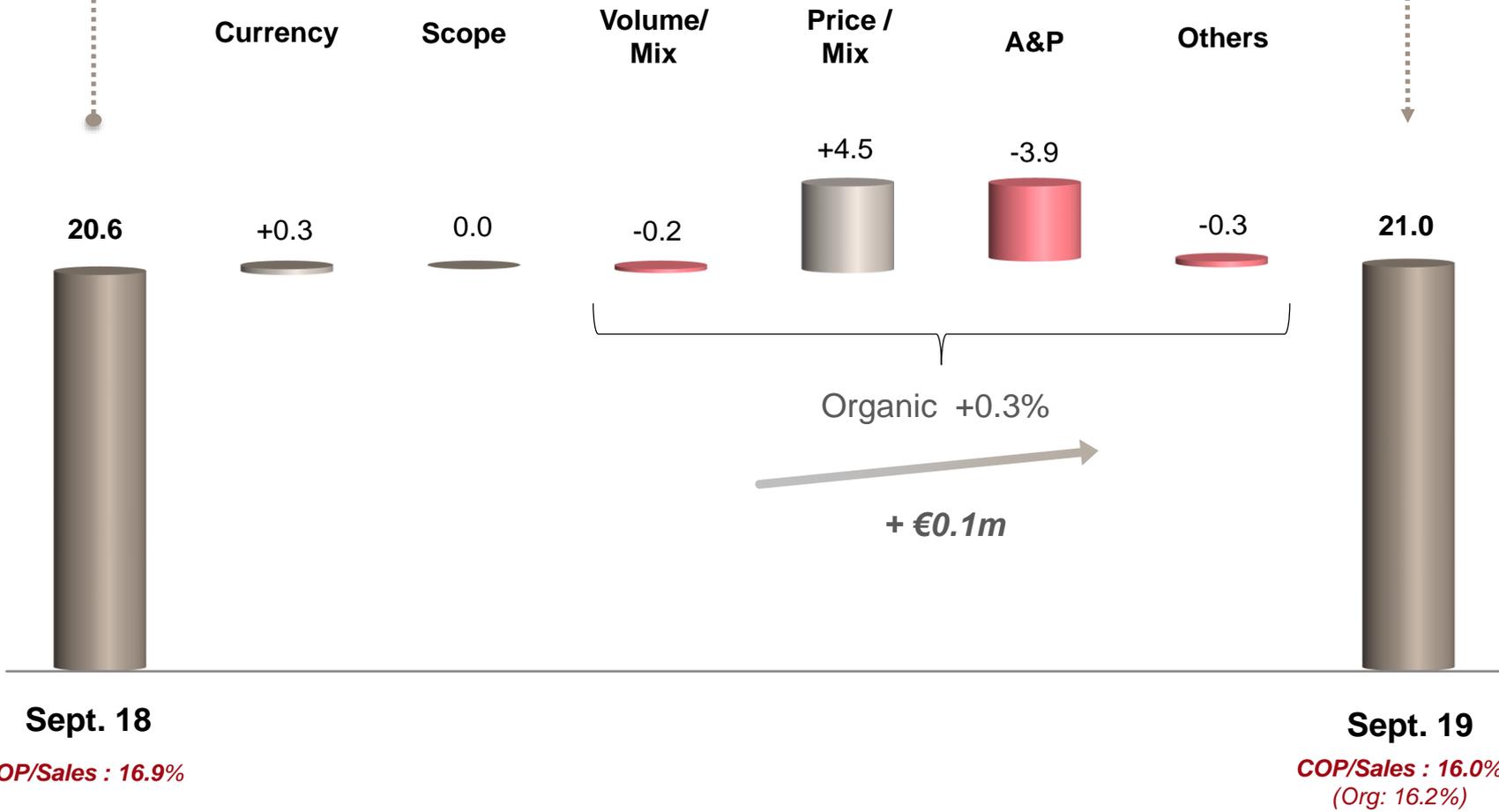
Octomore reaches its 10th series



Liqueurs & Spirits

Current operating profit (€m)

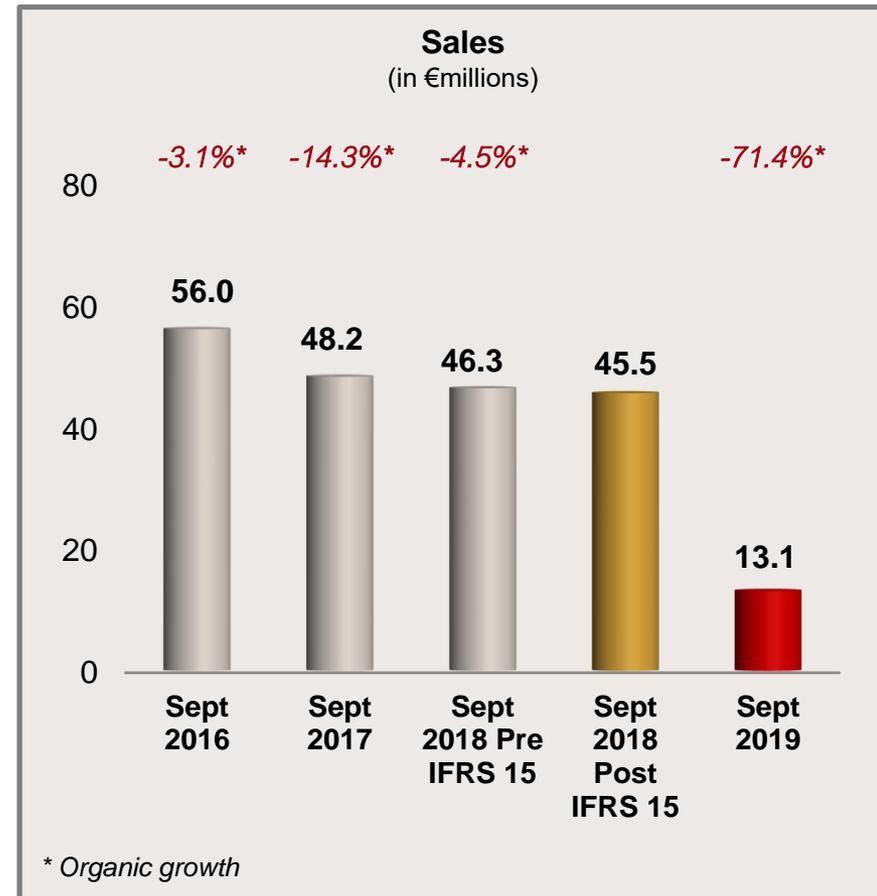
Reported growth: +1.6%



Partner Brands

- **Organic sales decline** of 71.4% (volumes -74.1%)

- Accelerated withdrawal from Partner Brands' distribution contracts
- In H1 2019/20, termination of the Partner Brands distributed in Czech Republic/ Slovakia and Piper Sonoma in the US: EUR31.2M sales loss (-69pp hit)
- Adjusted for these terminations, sales declined 2.8% due to lingering weakness in Belgium





RÉMY COINTREAU

Financial results

LUCA MAROTTA

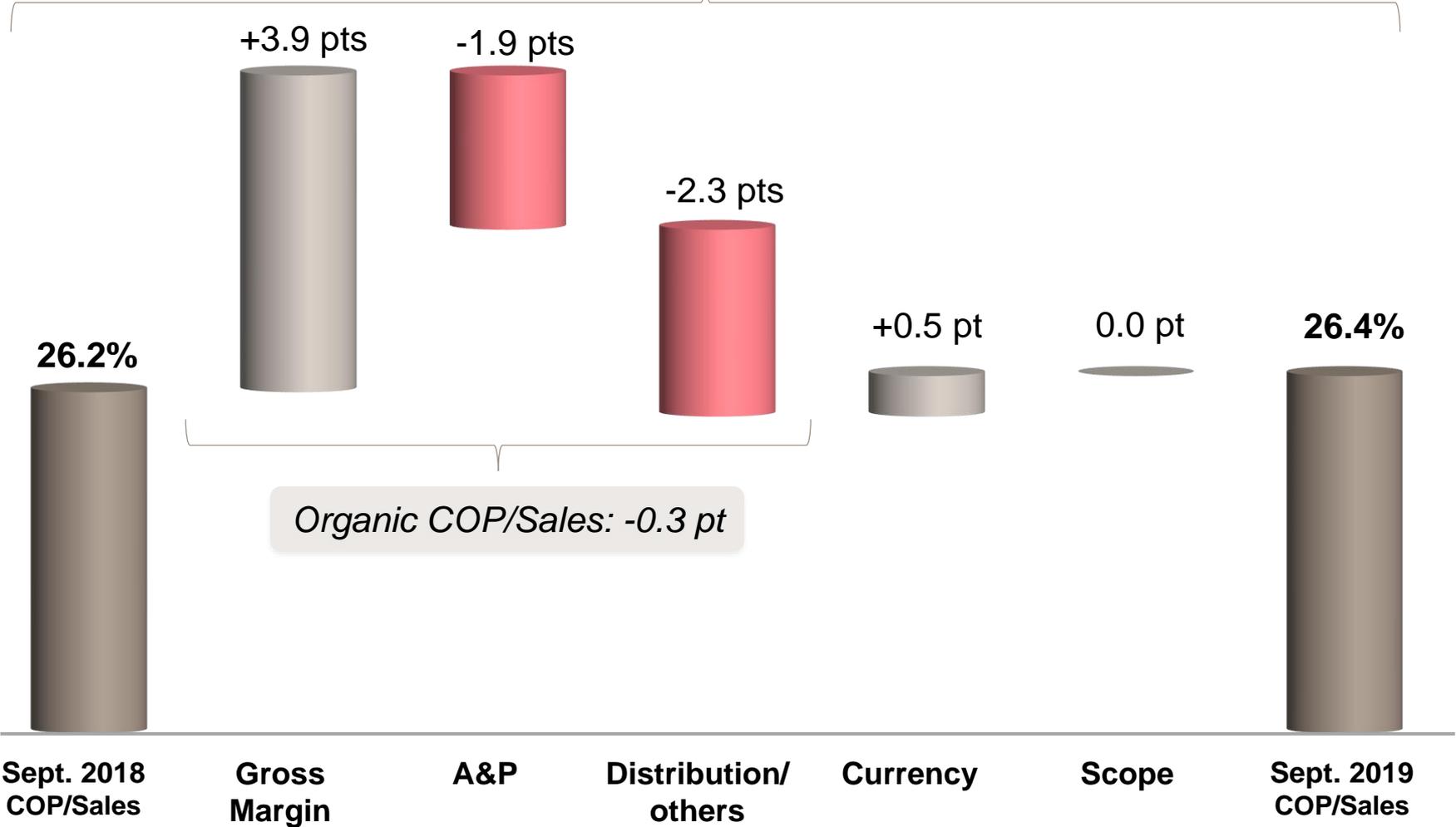
CHIEF FINANCIAL OFFICER

Current Operating Profit

(€m)	Sept. 2019	Sept. 2018	Reported change	Organic change
Net Sales	523.9	527.0	-0.6%	-3.6%
Gross Profit	348.3	329.1	+5.8%	+2.5%
<i>in %</i>	66.5%	62.5%	+4.0pts	+3.9pts
Sales and marketing expenses	(159.0)	(147.9)	+7.5%	+4.7%
Administrative expenses	(50.8)	(43.0)	+18.1%	+17.8%
Other income and expenses	(0.2)	(0.0)	-	-
Current Operating Profit	138.3	138.2	+0.0%	-4.7%
Current operating margin	26.4%	26.2%	+0.2pt	-0.3pt

Current Operating Margin

Reported COP/Sales : +0.2 pt



Net profit

(€m)	Sept. 2019	Sept. 2018
Current Operating Profit	138.3	138.2
Other operating income (expenses)	(0.6)	2.0
Operating profit	137.7	140.3
Net financial income (charge)	(14.4)	(16.7)
Pre-tax profit	123.3	123.6
Taxes	(39.1)	(36.1)
<i>Tax rate</i>	<i>31.7%</i>	<i>29.2%</i>
Share profit (loss) of associates and minority interests	0.0	0.0
Net profit (net loss) from discontinued operations	6.3	0.0
Net profit Group share	90.5	87.5
Net margin	17.3%	16.6%
Net profit (excluding non-recurring items)	84.6	89.6
Net margin (excluding non-recurring)	16.2%	17.0%

Non-recurring items

(€m)	Sept. 2019	Sept. 2018
Net profit – Group share	90.5	87.5
Other operating income and expenses	0.6	(2.0)
Expense on vendor loan (financial charge)	-	5.2
Taxes on “Other operating income and expenses” and associated with expense on vendor loan	(0.2)	(1.1)
Net profit (net loss) from discontinued operations	(6.3)	-
Net profit excluding non-recurring items – Group share	84.6	89.6

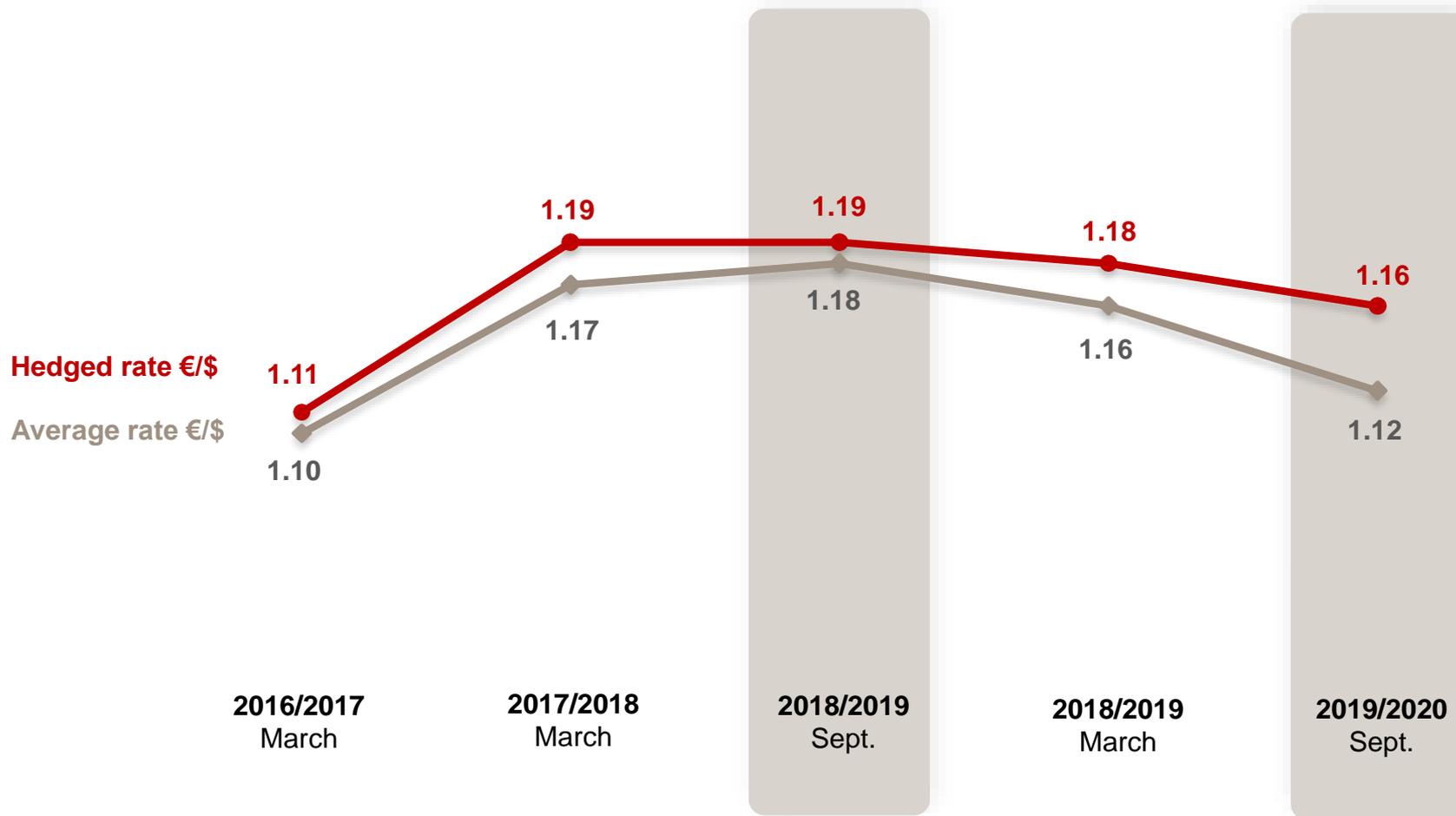
Net debt/Cash flow

(€m)	Sept. 2019	Sept. 2018	Change
Opening net financial debt (1 April)	(343.3)	(282.8)	(60.5)
Gross operating profit (EBITDA)	155.8	154.8	1.0
WCR of eaux-de-vie and spirits in ageing process	2.5	(28.6)	31.1
Other working capital items	(77.1)	(163.1)	86.0
Capital expenditure	(26.1)	(21.9)	(4.2)
Financial expenses	(8.5)	(10.5)	2.1
Tax payments	(41.6)	(29.3)	(12.3)
Total recurring free cash flow	5.0	(98.6)	103.6
Dividends	(132.0)	(9.0)	(123.0)
Share buy back program	-	(1.0)	1.0
Repayment of vendor loan	-	86.8	(86.8)
IFRS 16 net impact on debt	-	(30.4)	30.4
Other proceeds from asset acquisitions/disposals	12.1	7.7	4.4
Equity component of OCEANE bond	(1.8)	(1.8)	0.0
Conversion differences and others	1.0	(2.7)	3.8
Other cash flow	(120.7)	49.7	(170.4)
Total cash flow for the period	(115.6)	(48.9)	(66.7)
Closing net financial debt (30 September)	(458.9)	(331.7)	(127.2)
A Ratio (Net debt/EBITDA)	1.39	1.21	0.18

Net financial expenses

(€m)	Sept. 2019	Sept. 2018
Gross debt servicing costs	(6.3)	(7.2)
Net currency gains (losses)	(2.4)	0.6
Other financial expenses (net)	(5.7)	(10.1)
- o/w accrued interest and expense on vendor loan	-	(5.2)
Net financial income (charges)	(14.4)	(16.7)

Foreign exchange: hedging impact



Currency impact on Sales and COP

➤ 2019/20 guidance: + €25-30m on sales (vs. - €20m previously) and + €9-10m on COP (vs. €0.0m prev.)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20E
Average EUR/USD exchange rate	1.27	1.10	1.10	1.17	1.16	1.11
Average EUR/USD hedged rate	1.30	1.23	1.11	1.19	1.18	1.16
Total sales impact (in €m)	30.3	82.7	-5.7	-48.9	+1.5	+25.0-30.0
Total COP impact (in €m)	1.0	12.9	23.6	-18.5	-6.8	+9.0-10.0

Note: Estimated impact on 2019/20 sales and COP is based on an **average exchange rate EUR/USD of 1.11** (assumption of an average rate of 1.11 in H2) versus 1.18 previously and an average **hedged rate of 1.16** versus 1.17 previously.

**The sensitivity of Group's sales and COP to the US dollar and related currencies is the following:
A 1 cent increase in USD vs. EUR is a c€5-6M gain on sales and a c€3-4M gain on COP, all things alike.**

Balance sheet at 30 September 2019

Assets

Liabilities

(€m)	Sept 2019	in %	Sept 2018	in %		Sept 2019	in %	Sept 2018	in %
Non-current assets	932	36%	914	36%	Shareholders' equity	1 383	54%	1 455	57%
Current assets	1 523	59%	1 494	58%	Current and Non-current liabilities	613	24%	621	24%
o/w inventories	1 269	49%	1 173	46%					
Cash	126	5%	162	6%	Gross financial debt	585	22%	494	19%
Total Assets	2 581	100%	2 570	100%	Total Liabilities	2 581	100%	2 570	100%
Stocks/Assets		49%		46%	Net Gearing		33%		23%

Key events during the half-year

- **1 April 2019** **Disposal of the Group's distribution subsidiaries in the Czech Republic and Slovakia to Jägermeister.** Concurrently with this sale, the Group signed an agreement with Mast-Jägermeister SE for the distribution, by the latter, of Rémy Cointreau's spirits in the Czech Republic and Slovakia.
- **29 May 2019** **Acquisition offer for the Maison de Cognac JR Brillet :** the Group announces having entered into exclusive negotiations with the Brillet family with the intention of acquiring the Maison de Cognac JR Brillet and part of its vineyard estate.
- **24 July 2019** **Approval of an ordinary dividend of €1.65 and an exceptional dividend of €1.00 per share at the General Meeting.** Payment of the dividends was made on 16 September 2019.
- **July-Sept 2019** **Changes in the governance of the Group:** on 9 July 2019, the Group announced that CEO Valérie Chapoulaud Floquet would step down by the end of the year 2019. And on 11 September, the Group announced Eric Vallat would join as the new CEO from 1 December 2019.

Post-closing events

- **15 October 2019** Rémy Cointreau was ranked 1st by Gaia Rating, EthiFinance's ESG rating agency, which measures the most performing European mid-cap companies (with turnover > €500m) with regards to Corporate, Social and Environmental Responsibility.
- **26 Nov. 2019** Rémy Cointreau's Board of Directors named Eric Vallat new Group CEO, starting December 1st, 2019.

FY2019/20 and mid-term outlook

FY2019/20 outlook:

Against the backdrop of H1 earnings and an uncertain geopolitical environment, Rémy Cointreau expects:

- **Slight organic growth in Group Brands' Current Operating Profit**, fueled by solid gross margin gains
- **Stable Current Operating Profit** for the **Group**
- **Technical factors:** the year will include the termination of distribution contracts for Partner Brands (in the Czech Republic, Slovakia and United States), which are estimated to have an impact of €56 million on sales and €5 million on Current Operating Profits

Mid-term outlook unchanged:

- **Group 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) overtime
- **Current Operating Margin will continue to benefit from the Group's value strategy**, while continuing to invest significantly behind its brands and distribution network
- Rémy Cointreau's objective is to build an **increasingly sustainable, resilient and profitable business model**

