RÉMY COINTREAU

Paris, June 4th 2020

2019/20 annual results

(April 2019 – March 2020)

2019/20: a singular year
Profitability still high
Ambitious new medium-term targets

2019/20 was a singular year with the combined effects of (i) a global pandemic that severely limited consumption of spirits in the on-trade segment and purchases at airports, (ii) the threat of US import tariffs, (iii) a degree of global geopolitical instability and (iv) the consequences of decisions specific to the Group, such as changes in its European distribution network and its withdrawal from some Partner Brand distribution contracts.

In the financial year ending March 2020, Rémy Cointreau posted **sales** of **€1,024.8 million**, down 9.0% on a reported basis and 11.2% on an organic basis (assuming constant exchange rates and consolidation scope).

Current Operating Profit came in at €215.1 million, down 18.6% on a reported basis and 22.0% on an organic basis after a historically strong financial year 2018/19. The **current operating margin**, while declining, came in at a **satisfactory 21.0%** thanks to a remarkable increase in the gross margin (up 2.8 percentage points on an organic basis) and favourable foreign exchange effects (up 0.4 percentage point). However, profitability was pulled down by continued strategic investment in communication and by structure costs.

Excluding non-recurring items, net profit attributable to the Group came in at **€124.2 million**, down 26.9% on a reported basis.

Key figures

Millions of euros (€m)	**To 31/03/20**	To 31/03/19	Change	
	Reported	Reported	Reported	Organic*
Sales	**1,024.8**	1,125.9	(9.0%)	(11.2%)
Current Operating Profit	**215.1**	**264.1**	**(18.6%)**	**(22.0%)**
Current operating margin	***21.0%***	*23.5%*	-2.5 pts	-2.9 pts
Net profit – Group share	**113.4**	159.2	(28.8%)	(31.7%)
Net profit excl. non-recurring items	**124.2**	**169.9**	**(26.9%)**	**(29.9%)**
Net margin excluding non-recurring items	***12.1%***	***15.1%***	**-3.0 pts**	**-3.2 pts**
EPS - Group share (€)	**2.28**	3.18	(28.4%)	(31.3%)
EPS excluding non-recurring items (€)	**2.49**	**3.39**	**(26.6%)**	**(29.6%)**
Net debt/EBITDA ratio	**1.86**	1.19	+0.67 pt.	

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

Current Operating Profit by division

Millions of euros (€m)	**To 31/03/20**	To 31/03/19	Change	
	Reported	Reported	Reported	Organic*
House of Rémy Martin	**199.5**	235.6	(15.3%)	(18.2%)
As % of sales	***27.1%***	*30.4%*	*-3.3 pts*	*-3.5 pts*
Liqueurs & Spirits	**37.5**	38.8	(3.5%)	(9.9%)
As % of sales	***14.3%***	*14.7%*	*-0.4 pt.*	*-1.1 pts*
Subtotal: Group Brands	**237.0**	**274.4**	**(13.6%)**	**(17.0%)**
As % of sales	***23.8%***	***26.4%***	***-2.6 pts***	***-3.0 pts***
Partner Brands	**(1.7)**	4.9	-	-
As % of sales	-	*5.6%*	-	-
Holding company costs	**(20.1)**	(15.2)	+32.6%	+32.3%
Total	**215.1**	**264.1**	**(18.6%)**	**(22.0%)**
As % of sales	***21.0%***	***23.5%***	***-2.5 pts***	***-2.9 pts***

House of Rémy Martin

Sales at the House of Rémy Martin declined 7.5% on an organic basis in 2019/20 (down 5.0% on a reported basis). Mainland China had another year of very strong growth despite fourth-quarter sales being hit hard by the pandemic. Performance in other markets was more mixed, particularly in Travel Retail, the United States (due to retailers reducing their stocks) and Europe (due to changes in the distribution network). In spite of an unfavourable environment, the upscaling strategy continued to filter through into very positive mix and price effects (adding 2.6% to sales), partly making up for lower volumes over the period (down 10.1%).

Current Operating Profit totalled €199.5 million, down 15.3% on a reported basis, while the current operating margin came out at 27.1%, compared with 30.4% the previous year. Although the gross margin rose by one percentage point, structure costs and increased communication investment to support the autumn 2019 launch of the new Rémy Martin "Team Up for Excellence" campaign weighed on profitability.

Liqueurs & Spirits

The **Liqueurs & Spirits** division was down 3.0% in the year on an organic basis (down 1.0% on a reported basis). Changes in the distribution network in Europe and the impact of the pandemic on the business in the Asia-Pacific region in the fourth quarter masked very strong performance in the United States, buoyed by the success of Cointreau, The Botanist and the Group's portfolio of single malt whiskies.

Current Operating Profit totalled €37.5 million, down 3.5% on a reported basis, while the current operating margin came in at 14.3% (down 0.4 percentage point), hit by declining volumes and continued strategic investment.

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

Partner Brands

As expected, Partner Brand sales fell sharply in the year (down 68.7% on an organic basis and 68.5% on a reported basis) with the termination of major distribution contracts in the Czech Republic, Slovakia and the United States.

As a result, **Current Operating Profit came in at negative €1.7 million**, compared with positive €4.9 million in the year to 31 March 2019.

Consolidated results

Current Operating Profit came in at €215.1 million, down 18.6% on a reported basis and 22.0% on an organic basis. This decrease was the result of a **17.0% organic decline in Current Operating Profit from Group Brands**, together with the strategic decision to disengage from Partner Brands and the increase in holding costs, mainly due to the organisational changes announced in March 2020.

Current Operating Profit benefited from **favourable foreign exchange** effects worth **€9.1 million** in the year: the average EUR/USD exchange rate improved to 1.11 (from 1.16 at 31 March 2019), while the average collection rate (linked to the Group's hedging policy) over the period came out at 1.16, compared with 1.18 for the period ended 31 March 2019.

Consequently, the **current operating margin** fell **2.5 percentage points to 21.0%** over the full year (down 2.9 percentage points on an organic basis).

Operating profit came in at **€195.5 million** after taking into account a net operating expense of €19.7 million, including an €18.8 million goodwill write-off partially reducing the amount of Westland's intangible assets.

Net financial income/expense showed a net expense of **€28.0 million** over the period, down €4.5 million. This reduction was the result of a further decrease in the cost of gross financial debt and the non-recurrence of the €5.2 million expense stemming from early repayment of the vendor loan by the EPI Group, recognised in the first half of financial year 2018/2019. Conversely, net foreign exchange gains/losses (gains/losses on future foreign currency flows) slightly deteriorated, down €0.7 million.

The **tax expense** totalled **€60.9 million**, giving an effective tax rate of 36.3% (33.9% excluding non-recurring items), significantly higher than the rate in the year to March 2019 (29.0% on a reported basis and 28.5% excluding non-recurring items) due to the geographical breakdown of profit and, in particular, the tangible decline in profits in the Asia-Pacific region over the latter part of the financial year.

After taking into account net proceeds of €6.4 million from the disposal of the Czech Republic and Slovakia subsidiaries, **net profit attributable to the Group** totalled **€113.4 million**, down 28.8% on a reported basis.

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

Excluding non-recurring items, net profit attributable to the Group came out at **€124.2 million**, down 26.9% on a reported basis, while the net margin came out at **12.1%**. **Excluding non-recurring items, net earnings per share** came in at **€2.49**, down 26.6%.

Net debt stood at €450.9 million, up €107.6 million from the position at the end of March 2019. This was mainly due to lower Group EBITDA and higher capital expenditure and tax cash outflows over the period, as well as a full payment in cash of the dividend for the year 2018/19.

The **net debt/EBITDA ratio** nevertheless remained at a reasonable level (**1.86**, compared with 1.19 at the end of March 2019).

The return on capital employed (ROCE) was 16.5% for the year ended 31 March 2020, down 5.0 percentage points year-on-year. This was due to the combined effect of the decline in profitability of Group Brands and continued strategic purchases of eaux-de-vie adversely affecting capital employed.

As announced on April 16th, 2020, the Group will propose to its General Meeting to grant a **dividend of € 1.00 per share for the year 2019/20**, a substantial drop compared to the € 2.65 paid last year (which included an exceptional dividend of € 1.00). It will also propose an option for the full amount of the dividend to be payable in cash or shares. This reduction is in keeping with the socially responsible measures adopted by the Group since the onset of the ongoing public health crisis.

Post-closing events

On 30 April 2020, the Rémy Cointreau Group announced that it had acquired the cognac house J.R. Brillet.

On 19 May 2020, the Bruichladdich distillery was certified a "B Corporation".

2020/21 and Medium-Term Outlook

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

More favourable trends in the consumption of spirits in the United States over the past few weeks mean the Group can slightly upgrade its forecasts for the **first quarter of 2020/21**: it now expects **sales to decline by around 45%** on an organic basis (previously 50-55%). Based on what looks set to be a moderate decline in the second quarter, the Group expects **Current Operating Profit to decline by 45-50%, on an organic basis, in the first half of 2020/21**. However, the second half of 2020/21 should see a strong recovery, buoyed by China and the United States.

In the medium term, Rémy Cointreau reiterates its aim of becoming the global leader in exceptional spirits, a segment in which the growth outlook remains attractive, particularly in a world of more responsible consumption.

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

To this end, Rémy Cointreau will be pursuing its **value strategy** and its work to build a **business model** that delivers **profitable and responsible growth**. The Group is therefore setting itself ambitious financial and non-financial targets: improved portfolio management should enable it to deliver a **gross margin of 72%** and a **current operating margin of 33% by 2030**. At the same time, the Group will be rolling out its "**Sustainable Exception 2025"** plan, which aims to achieve **sustainable agriculture** across all land on which its spirits depend, as well as **reductions in its carbon emissions of 25%** (**across Scopes 1 and 2, in absolute terms**) and **30% (across Scope 3, in relative terms)** by **2025**. This will be a first step towards achieving the Group's ambition of **"Net Zero carbon" by 2050**.

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

Sales and Current Operating Profit by division

Millions of euros (€m)	To 31/03/20		To 31/03/19	Change	
	Reported	Organic*	Reported	Reported	Organic*
	A	B	C	A/C-1	B/C-1
Sales					
House of Rémy Martin	735.5	716.6	774.4	(5.0%)	(7.5%)
Liqueurs & Spirits	261.9	256.4	264.4	(1.0%)	(3.0%)
Subtotal: Group Brands	**997.3**	**973.1**	**1,038.8**	**(4.0%)**	**(6.3%)**
Partner Brands	27.5	27.3	87.2	(68.5%)	(68.7%)
Total	**1,024.8**	**1,000.3**	**1,125.9**	**(9.0%)**	**(11.2%)**
Current Operating Profit					
House of Rémy Martin	199.5	192.7	235.6	(15.3%)	(18.2%)
As % of sales	*27.1%*	*26.9%*	*30.4%*	*-3.3 pts*	*-3.5 pts*
Liqueurs & Spirits	37.5	35.0	38.8	(3.5%)	(9.9%)
As % of sales	*14.3%*	*13.6%*	*14.7%*	*-0.4 pts*	*-1.1 pts*
Subtotal: Group Brands	**237.0**	**227.7**	**274.4**	**(13.6%)**	**(17.0%)**
As % of sales	*23.8%*	*23.4%*	*26.4%*	*-2.6 pts*	*-3.0 pts*
Partner Brands	(1.7)	(1.6)	4.9	-	-
As % of sales	-	-	*5.6%*	-	-
Holding company costs	(20.1)	(20.1)	(15.2)	+32.6%	+32.3%
Total	**215.1**	**206.0**	**264.1**	**(18.6%)**	**(22.0%)**
As % of sales	***21.0%***	***20.6%***	***23.5%***	***-2.5 pts***	***-2.9 pts***

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

Summary income statement

Millions of euros (€m)	To 31/03/20		To 31/03/19	Change	
	Reported	Organic*	Reported	Reported	Organic*
	A	B	C	A/C-1	B/C-1
Sales	1,024.8	1,000.3	1,125.9	(9.0%)	(11.2%)
Gross profit	676.9	659.1	710.9	(4.8%)	(7.3%)
As % of sales	*66.0%*	*65.9%*	*63.1%*	*+2.9 pts*	*+2.8 pts*
Current Operating Profit	**215.1**	**206.0**	**264.1**	**(18.6%)**	**(22.0%)**
COP as a % of sales	***21.0%***	***20.6%***	***23.5%***	***-2.5 pts***	***-2.9 pts***
Other operating income and expenses	(19.7)	(18.9)	1.7	-	-
Operating profit	195.5	187.1	**265.8**	(26.5%)	(29.6%)
Net financial income (charge)	(28.0)	(27.3)	(32.5)	-	-
Corporate income tax	(60.9)	(57.8)	(67.7)	-	-
Tax rate	*36.3%*	*36.2%*	*29.0%*	*+7.3 pts*	*+7.2 pts*
Share in profit (loss) of associates/minority interests	0.4	0.4	(6.5)	-	-
Net profit after tax from discontinued operations	6.4	6.4	0.0	-	-
Net profit – Group share	113.4	108.7	159.2	(28.8%)	(31.7%)
Net profit excluding non-recurring items	**124.2**	**119.0**	**169.9**	**(26.9%)**	**(29.9%)**
Net profit (excluding non-recurring items)/sales	***12.1%***	***11.9%***	***15.1%***	***-3.0 pts***	***-3.2 pts***
Group earnings per share (€)	2.28	2.18	3.18	(28.4%)	(31.3%)
Earnings per share excluding non-recurring items (€)	**2.49**	**2.39**	**3.39**	**(26.6%)**	**(29.6%)**

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

Millions of euros (€m)	To 31/03/20	To 31/03/19
Net profit attributable to the Group	**113.4**	**159.2**
Westland's partial goodwill write-off	18.8	-
Non-recurring tax items	(2.5)	0.1
Net profit after tax from discontinued operations	(6.4)	-
Expense on vendor loan (finance costs)	-	5.2
Disposal of stake in Diversa	-	7.0
Other	0.9	(1.6)
Net profit excluding non-recurring items attributable to the Group	**124.2**	**169.9**

(*) 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 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**: 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.

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

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.

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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.