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# **Rémy Cointreau 2024- 2025 Q2 Sales**

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## Rémy Cointreau 2024-2025 Q2 Sales

**Operator:** Hello, and welcome to the Rémy Cointreau Q2 Sales '24-'25. Please note, this conference is being recorded. And for the durations of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero and you will be connected to an operator.

I will now hand you over to your host, Luca Marotta, CFO, to begin today's conference. Please go ahead.

**Luca Marotta:** Hello, everyone. As you've seen in the press release, Q2 sales were down 16.1% in organic terms. This performance reflects, first of all, a continued destocking in the US on the back of a persistent weak depletion, and more importantly, below our expectation.

Second element, high basis of comparison and clearly a tougher market conditions in China and more broadly for Chinese cluster, Greater China. And third, a soft context of consumption in the rest of the world, alongside a strong promotional activity. Overall, Q2 sales decline is split between a volume decrease of minus 8% and minus 8.1% of price mix effects linked to limited price increases and the outperformance of Liqueurs & Spirits compared to Cognac.

Looking at the overall sales performance by region. Americas generated a decline of 22.8% in H1, reflecting continued destocking effect. Depletions are obviously still too low, but every cloud has a silver lining and we can at least admit that they are sequentially improving.

APAC recorded a sales decrease of minus 8% in H1, including a relatively limited decrease in China, which represents clearly the major part and a weak performance in Southeast Asia, especially for cognac.

Third, EMEA. The EMEA region was down 18.8%, affected by persistent soft consumer trends and unfavourable weather conditions. This was sell-in. In terms of value depletion at Group level, the best approximation of final sell-out of the past six months.

In the US, value depletion were down mid-teens. As compared to pre-COVID, value depletions are flat and out of VSOP, excluding VSOP plus 45%. In China, value depletion were down low single-digit in H1 versus last year, clearly, and up more than 35% compared to '19-'20. On top, I have to add that in Q2, value depletion in China were slightly up. However, base of comps last year were quite easy.

Last but not least, in EMEA, value depletion were down low double-digit versus last year and down mid-single digit compared to H1 '19-'20, but excluding Russian, because it is not comparable with five years ago, value depletion would have been flat versus five years ago.

Overall, at Group level, six months value depletions declined by low double-digit versus last year, i.e. slightly better than sell-in on a six month basis. If you remember, end of Q1, it was the other way around. So albeit, we remain negative clearly. On the second quarter, there is a slight small spark in terms of reverse trends in terms of value depletions comparing to the sell-in performance.

On a five year basis, group value depletion were up low single-digit in line with sell-in trends, which are plus 1.5%, so for five years quite balanced.

To conclude on this very important slide, considering what's happening and the result, the performances, we have decided to adjust our full year guidance, taking into account the persistent, low visibility, disappointing sales at the end of Q2 and worst market conditions in China.

On page three, I would like to come back very briefly on the main marketing initiatives of the quarter. And Eric Vella, our CEO, will develop the strategic rationale behind them in a more deep way – in a deeper way, in a month for the H1 results.

Starting with the US. First of all, we have started to reinvest behind VSOP at 360 degrees to improve its visibility and the conversion rate. Here, there is one illustration with the limited edition called My City[?] [00:05:55], then will be activated in four important cities in Q4: Detroit, Atlanta, Chicago and New York.

In parallel, we continue, we pursue our investment on our core business, Rémy 1738 through the current tour sponsorship of Usher across the US with the important activation plan in both off and trade.

And last, we are preparing the relaunch of Rémy V with the new pack, more modern, more dynamic, a new blend, lower ABV and a new price position to revitalise volumes. The campaign will be quite offensive and target primarily the new generation of women in the spirit space. Full plan will be live from April next year in two states, and then roll out on all over the '23-'25 year.

In China, as mentioned, the market is tough for all the industry and more largely the consumer space. In this context, the objective is clearly to leverage our biggest strengths to make our performance as much as possible resilient. Rémy Club is definitely one of them alongside e-commerce in terms of channel.

And then in Europe, we have decided to launch, as an example, our own premium RTD offer in the UK as a pilot market with Cointreau, our most relevant brand on the cocktail landscape. It is a very new test and learn approach. And in a very limited scale and exclusive at the Waitrose retail chain.

Now back to figures. Let's move to slide number four with H1 sales analysis. Sales amounted to €533.7 million, down by €103 million year-on-year or 16.2% on a reported basis. This reflects from one side, a strong organic decline, a bit more than €100 million, €101.4 million, which means minus 15.9% organic sales decrease in the semester.

This performance needs to be split between minus 13.5% of negative volume effect and minus 2.4% of price/mix. Regarding the latter, this is a combination of a neutral price effect and low to mid-single-digit negative mix effect linked to the underperformance of the Cognac division compared to the overall Group.

Second point, there is slight negative currency translation impact of €1.6 million or 0.3% loss for the semester. The loss was mainly driven by deterioration of Chinese yuan for €1.6 million, and Japanese yen for €0.5 million. But on the opposite side, US dollar was positive in terms of conversion for a limited gain of €0.2 million as well the British pound for €0.4 million.

Slide five, the usual performance by division comparing actual trends out of the performance to five years ago, pre-pandemic, '19-'20 H1. I will not detail all the figures. They are all on the spreadsheet on the slide.

But in a nutshell, value performance is strongly down in Cognac amidst the current US context, while price/mix continues to be very strong. Overall, total Cognac sales are now down 10.4% versus pre-COVID, while value depletion are down low double digits at the same time.

In parallel, Liqueurs & Spirits continue to generate significant performance of plus 38%, versus pre-COVID, driven by both volume and price-mix. And value depletion trends grew even more than 40% over the same period. So clearly, two different speed of ideas between the two divisions.

At Group level, this shows now an alignment, as already said, compared to five years ago, in terms of sell-in, more or less plus 1.5%, and value depletion at Group level, which are now slightly up, precisely plus 1.3% compared to H1 '19-'20.

Now let's now turn to slide six to dig into organic trends by region at Group level. And let's start with APAC, whose H1 organic sales were down 8%, as said, but up 42.2% on a five-year basis. Let's start with the valorisation. So volume-value equation. The performance year-on-year is equally split between a negative price-mix effect and negative volume effect linked to the Liqueurs & Spirits division.

China's sales were down mid-single digit in Q2, representing an increase of more than 80% on a five-year basis in a market facing tougher market conditions, particularly for the high-end segment. In this gloomy market, the only channel which emerged positive was the e-commerce, grew at more than 10% in Q2, representing 25% of sales penetration end of the H1.

The overall performance also reflect the strong negative impact coming from Taiwan, Macau and Hong Kong, as well as softer trends in travel retail in the APAC region, where travellers are back, but spend less. In this context of sell-in of sales down mid-single-digit in China, H1 value depletion Group level were down low single digit year-on-year, including, as already said, it's very important, a slight increase in Q2.

On a five-year basis, H1 value depletion were up more than 35%. Moreover, considering the better resilience of depletion versus sell-in, our level of inventories remains healthy at the end of September. The remaining part of Asia continued to be affected by tough market condition in Southeast Asia in Q2, particularly in Australia, Malaysia and Singapore.

Meanwhile, at the same time, Japan continued to outperform even if on a slight lower trends in Q2 compared to Q1. End of September 2024, APAC accounted for 44% of our Group sales, up 4 points compared to the previous year.

Second region in terms of weight is Americas. Americas' H1 organic sales were down 22.8%, including a negative mid-teens effect in volume. More specifically, in the US, sales recorded a very strong decline in Q2, impacted by another round of destocking given the persistent weakness of depletion. Given the sequential improvements, however, in depletion from Q1 to Q2, level inventories has lowered EBIT is now slightly below five months at the end of Q2, always comparing to the expectation due to depletion.

On a five-year, H1 value depletion are down now mid-teens year-on-year and flat versus H1 '19-'20, but excluding VSOP plus 45%.

In Canada, sales were flat in Q2, supported by Liqueurs & Spirits division performance and Latin America was down low double-digit in part, especially by Cognac. End of September of 2024, the Americas accounted for 34% Group sales, down 3 points.

And then we have EMEA. EMEA H1 organic sales were down 18.8%, almost flat compared to five years ago. This year-on-year performance mostly includes a very strong negative volume effect. The changes of organisation announced last June, we monitor now the performance with this big region with a different split as displayed on the slide.

So first of all, we have the class of Europe third-party distributor, 3PD, recorded a slight sales growth in Q2, led by Germany, Greece and Italy. In parallel, sell-out has slightly improved as well, led by METAXA, even if the spend per capita remains subdued and weather conditions were unfavourable in the summer.

Second cluster, UK and Nordics, down strong double-digit in Q2, impacted by high comps and a gloomy economic context. The objective has been to protect our market share in Liqueurs & Spirits despite the declining categories environment.

Benelux and France, third one. We recorded a slight sales decline in Q2, impacted by Cognac, while at the same time, Liqueurs & Spirits showed good dynamics in summer. And then last, but not least, MI and ex-Eastern Europe, sales were down strong double-digit in Q2, impacted by Nigeria, for instance, which faced some destocking following a change route to market, and as well as South Africa still affected by a highly promotional market and mostly driven by the VS segment.

Over the last six months, value depletion at all EMEA region were down low double digits year-over-year and down mid-single digits on a five-year basis. But excluding Russia, value depletion would have been flat compared to five years ago. So overall, consider this comparative performance level of inventories remains healthy in the region.

End of September, EMEA big region accounted for 22% of Group sales, down 1 point compared to the previous year.

Now, let's switch to slide number seven, the analysis by division, starting with Cognac. Cognac posted an H1 organic decline of 17.5%, reflecting a decrease of 14.2% in volume and negative price-mix of 3.3%. At the end of summer 2024, Cognac division accounted for 64%, two-thirds of our sales, down 1 point compared to the previous year.

And let's start with APAC, the most important region at this stage for Cognac. In China, inside APAC, sales which represented most of our Cognac exposure in APAC, were slightly down in the Q2 affected by high comps. China is up at more than 90% versus Q2 '19-'20. Tougher market condition in domestic market, and in travel retail as well.

In a nutshell, consumer confidence remains a bit low, cash pressure are affecting wholesaler and the luxury shaming waves indirectly on the high-end segment.

However, on the value depletion side, we were slightly up, I repeat, slightly up in the Q2 year-on-year from a slightly more favourable basis in terms of comps and were mostly driven by Rémy Club, which overperformed up mid to high single digit year-on-year on this period.

On a five-year basis, value depletion for the China were up plus 60%. On-trade is once again the most affected channel in this current context, and this is something very specific and which we're very proud, e-commerce was up more than 10% in the period.

Hong Kong, Taiwan and Macau were weak impacted by high comps, destocking, and we can call it wait-and-see attitude before the tax decrease in Hong Kong. Rest of Asia was down a

very strong double-digit, particularly impacted in Malaysia, Australia, and for Cognac specifically in Q2, Japan as well and softer trends for Chinese tourism in these kind of countries.

Second region for Cognac in terms of weight, Americas. North America Cognac sales were down by a very strong double-digit in Q2, still impacted by destocking, although on the back of lower-than-expected depletion and a very high promotional market.

Q2 US value depletion were down mid-teens year-on-year and minus 10% versus Q2 '19-'20, showing a negative performance, but a sequential improvement compared to Q1, mainly led by 1738. Considering all that, the level inventories on Cognac is now slightly below five months in terms of days of coverage. 12 months value depletion, if you can see in the slide, includes 3 points of negative mix effects year-on-year at the end of September and back on a five-year basis, price/mix is up 16 points.

Finally, Latin America sales were down a very strong double-digit in Q2 impacted by strong fierce promotional competition.

Third region, in terms of weight for Cognac, EMEA. Cognac sales were down strong double-digit in Q2, mostly impacted by Nigeria, change in RTM, route to market, as said, and tough market in South Africa.

UK continued to face high comps ahead of the rise on excise due to last year and fierce promotional environment this year. And Europe third-party distributor, Europe 3PD, improved sequentially in Q2, led by Germany, Greece and Italy. This was in terms of sales, but EMEA value depletion were down mid-teens year-on-year in Q2 and down strong double-digit compared to Q2 '19-'20.

Let's now turn to slide number eight, a word on Liqueurs & Spirits division. Liqueurs & Spirits division was down minus 12% on organic basis in H1, including a very strong decline of minus 12.6% in volume and a slightly positive price-mix effect of plus 0.6%. End of September, Liqueurs & Spirits accounted for 34% of our sales, up 1 point compared to the previous year.

Now let's review the performance of the division by region and here, number one in terms of weight is Americas. North America sales were down low double digits in Q2, still impacted by greater caution by wholesaler. From the wholesaler, willing to maximise their global inventories footprint in a slowing market. However, the underlying trends show some resilience compared to the market.

Cointreau Q2 US value depletion were up low single digits year-on-year and approximately plus 65%, two-third better than Q2 '19-'20. Botanist, our gin, showed also some positive trend year-on-year, plus 10% versus last year and almost 100%, plus 95% versus Q2 '19-'20 in terms of value depletion.

Besides all that, price-mix was down 3 points versus last year in the last 12 months, period ending September '24 but up 20 points on a five-year basis. In parallel, Latin America sales were up strong double digits in Q2, led by Cointreau and Mount Gay. Clearly, Latin America, Liqueurs & Spirits division was more dynamic than Cognac.

Second region in term of weight for Liqueurs & Spirits is EMEA, where sales were slightly up in Q2, showing a strong improvement versus Q1, led by France, Germany, Greece and Spain. In parallel, value depletion were down low single digits versus last year in Q2, but plus 45% versus five years ago. Inside of that, in terms of countries, while Benelux shows a very strong growth

led by Cointreau, the UK faced high comps and a declining market where the Group has protected this market share.

In parallel, euro third-party distributor cluster showed some good dynamics led by METAXA and Cointreau. Eastern Europe was impacted, however, by some destocking following changes in route to market in Czech Republic.

Third region by weight, APAC. In APAC, we had clearly China, posted a very strong double-digit decline in Q2, impacted by continuing destocking in whiskies and a weak end demand, mainly from a younger generation. Overall, value depletion was slightly positive, however, versus last year, increased by 15% versus five years ago. So it's really an issue of destocking.

Rest of Asia posted a mid-single-digit increase in Q2. Inside that, while Southeast Asia was flattish, facing large market consumer conditions, mainly in Australia, Japan was booming from the division, driven by Bruichladdich and Cointreau.

One last small world on Group brands, which now represent 2% of the Group sales, stable year-on-year. They were down 25% in H1 or minus 18.3% versus H1 '19-'20.

To conclude, page six before Q&A session. On the back of Q2 sales, we showed disappointing trends and considering the persistent lack of visibility and worsening market conditions in China, we have decided to adjust our full year guidance as follows. On sales, we now expect another year of double-digit decline in organic terms for the full year. And op margin, operating profit margin, we now expect an organic deterioration that will be partially offset by the launch of another cost-cutting plan totalling over €50 million in terms of impact of this year.

This new guidance is based on the following assumptions in terms of region. In Americas, we do not expect any recovery in sales before Q4 '24-'25 at the earliest. In APAC, we should record a sequential sales deterioration in H2 compared to the H1. And EMEA, we should continue to face sluggish consumer trends in the second part of the year.

To manage the top line pressure, clearly, which is important, we have decided, I repeat, on top of the ongoing strict cost policy to launch another cost-cutting plan of more than €50 million, to protect as much as possible our op margin. For the sake of clarity, this '24-'25 guidance for this year takes into account the recent MOFCOM decision based on the information that we have as of today. The impact of this decision in terms of profit and loss for '24-'25 is marginal for us.

Lastly, we reconfirm our '29-'30 mid-term guidance. But let me be clear on that. '24-'25, as said, would be a year of transition with highlights including finalisation of destocking in the Americas and starting from '25-'26, we'll make a resumption of the trajectory set for '29-2030. '29-'30 is confirmed and starting from '25-'26 will be a high single-digit annual growth in sales on average an organic basis progressively, and a gradual progressive organic improvement in current operating margin.

This '29-'30 guidelines doesn't mean that according quarters, years symmetry between top line and bottom line will be assured on the same basis. I repeat high single-digit organic growth in sales on average, starting from '25-'26 and a gradual, month after month, quarter after quarter, improvement in current operating profit, but with no grants of the same symmetry.

Thank you for your attention. And now I am happy to answer to your question. But before I have to drink because I have no more breath. I need water. Thank you.

## Questions and Answers

**Operator:** Thank you, Mr Marotta. If you would like to ask a question, please press star one on your telephone keypad. To withdraw your questions, please press star two. Please note to limit your questions to a maximum of two only. We will take our first question from Edward Mundy from Jefferies. Your line is open. Please go ahead.

**Edward Mundy (Jefferies):** Morning, Luca. So two questions, please. The first is on US Cognac, where I think you're signalling that the Q2 depletions, while still negative are slightly better than the first quarter. Could you perhaps provide a bit of colour what's behind that? Is it the SAP relaunch or that the new commercial organisation? And how sustainable you think the sequential improvement in the US may be?

And the second question is around the guide. China sounds okay in Q2, US is slightly less bad. I appreciate visibility is very low. But are you trying to signal that the timing of recovery is being pushed back versus your prior expectation? Or are you trying to signal that H2 organic sales will deteriorate versus H1? So a bit of colour on the top line.

And then on the same question on the guide, from a profit standpoint, appreciate that there are still some cost savings from last year that need to come back into the base, but perhaps you can provide a bit more detail around the €50 million of cost savings? And do you think operating deleverage will be worse in fiscal '25 relative to fiscal '24?

**Luca Marotta:** Thank you for your question. So let's start with the VSOP relaunch. The plan, it is running through. I will start with the price repositioning specific in some states as you remember up and down following the strategy of repositioning that had been decided 49 and 99, and it is starting to give some small percent, some initial fluids, but need to be followed by also for specific activation and marketing initiative to be coherent with – it is not only price, there is need to be assisted by some activation and focus on the field.

As said in the last two years, we are a bit forgetting to break that. VSOP focusing on more strategic what we consider the time much more strategic SKUs like 7038 and XO. So it is running. It is not yet totally visible end of Q2. But to give you some example, first sign of exit rate on October and VSOP are showing some positive depletion on VSOP overall in whole US, and in some states since July, it is the case. Some important states like Michigan, the states were more affected by this price dis-alignment.

Florida[?] [00:31:35] has been burned even before now. So not yet visible global basis. It would be a little bit longer, but month after month and week after week, we are seeing some positive signs.

In terms of guidance of top line of the H2, at this moment it can be much more precise because otherwise we will have precise a fork with specific number. So what is sure that in our forecast, we think that Q3 will be the toughest quarter and Q4 should see a bounce back, at least for the US in terms of topline. I'm not committed in Q4 will be positive for the Group at global level. But for sure, I think and we can commit that the Q4 in sales for the US will be positive also by the fact that the comps.

And you have to remember that last year in the Q3, we made a huge performance on sell-in in the US. And this plays a role in terms of comps.



Where we do stand in terms of top line qualified this double-digit? We will have much more occasion, many occasions in the future to be able to process that. So far this is our assumption.

In terms of cost, €15 million is a combination of all nature of cost. I will not be precise today because it is a sales and trends of depletion to try to understand what's happening to that top line for the next future, with much more precise end of November for H1 result. But I can say to you already, that is a combination of the cost linked to the manufacturing supply and A&P also to try to reset the base considering the top line ratio versus sales will remain a very high level compared to our history and compared to peers. We can assure that.

And I can commit already now on overheads that will be able, through this cost saving plan, to offset the €30 million of temporary cost reverse that we have, and overheads at the end of the year will be flattish at worst, so maybe also slightly negative.

So consider the context after €145 million, more than €50 million, which we are committing now, it's very important. But as I said, our business model is made to support sales that needs to grow high-single digit. At one point, cost saving will not solve the operating margin equation, because the top line impact is clearly material if you combine '23-'24 and '24-'25.

**Edward Mundy:** Great. Thanks, Luca.

**Operator:** Thank you. We will take our next question from Olivier Nicolai from Goldman Sachs. Your line is open. Please go ahead.

**Olivier Nicolai (Goldman Sachs):** Hi. Good morning, Lucas and Célia. I got two questions. First of all, on the US, I mean, if we take a step back, the Cognac category is about down 20% in volume as compared to before COVID, and that's more than most of the other spirits categories. So what do you think the cognac players, including Rémy, of course, have missed and should have done differently? But do you expect cognac to recover in the long run, its relative share and how?

And the second question. I know it's a sales update, so I guess I would love to ask this one, perhaps in a month's time for more details. But Rémy has a strong balance sheet. So first of all, can we expect the cash conversion ratio to go back up significantly this year? And how should we think about the potential for share buyback considering your current valuation? Thank you.

**Luca Marotta:** Thank you so much. So once again, even if the cyclical impact is lasting quite long and much longer than expected, we don't think it's structural. So we think that cognac category is still desirable. All independent surveys are showing that, everybody say that, is that the time frame negative performance is lasting more than expected.

Also, you have to consider that we are not dealing directly with consumers. So there is a wholesaler trade off inside. And the cash pressure and high interest rates are playing a role in terms of arbitration of stocks. We don't think that we can modernise a cognac category for the next at minus 20 for the next five years, so we don't see a huge shrink of the cognac category.

It is this momentum which is quite complicated for us, even more than our peers. And how to turn it positive, is that we need to be consistent on our pillars, switch from a more brand awareness game that was the case at some years ago to enter SKU by SKU, line by line, a bit more also analytical and commercially. Commercially speaking, entering specific strategy as we have done for VSOP, 1738, XO. Strategise that by cluster.

And if you want even much more operational work than expected two or three years ago to be able to reactivate the flows. We don't think that this switch is structural. And we think that continuing to remain a strictly focused on our pillars, on strategic footprint and improving that on some tactical activation without deviating from the strategy, without making compromise on the long term. I think we will get rewarded. It is painful so far, I admit, and it is very painful for us for sure.

In terms of Rémy strong balance sheet, nearly two years in a row of declining top line at the end, the declining EBITDA, will have an impact on the A ratio. But everything equal, so without considering any exceptional events that I don't know so far, we don't see this A ratio at the end of the fiscal '24-'25 be up in a very significant way. We are still, and we will still in the lower tiers comparison ratio compared to our peers. So it's very solid.

In this context, clearly, Board of Director will challenge ourselves, me, **Éric Vallat**, to what we can do with this available money that we have. You remember that also we increased the maturity of the strategic liabilities one year ago. It is a share buyback. It is a specific acquisition. It is an increase of the CAPEX capacity to be able to even more be prepared to moment of the rebound because rebound technically will be very strong when it will happen in the US also mechanically.

So it will be a mix of that. But the important point to highlight, no panic. A ratio is and will be under control, even considering the worst hypothesis for '24-'25.

**Olivier Nicolai:** Thank you very much.

**Operator:** Thank you. We will move to the next questions from Trevor Stirling from Bernstein. Your line is open. Please go ahead.

**Trevor Stirling (Bernstein):** Morning, Luca, and morning, Célia. Two questions from me, please. The first one, maybe just a little bit more colour on the tariffs, Luca. It was phrased in the response as a deposit. Are you treating the tariff as a cost and so hitting the P&L or something that is a cash impact only?

And second question around the US and the snapback and when it might come and it's clearly low visibility. But I just wanted to check one thing, which is your Americas depletion level, which you think is basically flat versus 2019 with shipments down 25%, so that's the scale of the opportunity, is that 25% gap in the Americas? Is that right way to interpret things?

**Luca Marotta:** Thank you for the question. So thank you for the first question. So because I think need to be clarified. China tariffs has been confirmed and started from 11<sup>th</sup> October, every time through an intercompany transition you send some goods to China, and you pass the border in terms of tariff impact. You need to cash advance. And bank grants are not – we ask for that, but they don't want bank grant. They need to pay.

So the impact, it is initially cash. It's credit to bank accounting. And the P&L is it when this bottle that now is supposed to support, being it by 38.1% of additional tariff increase if they will be confirmed, will be recognised in P&L only when this bottle will be sold from our entity, Rémy Cointreau China, to a customer, can be a wholesaler, can be through the boutique, final consumer. So there is a decorrelation. And every company also clearly, has an intercompany stock already there to be able to support the flows of the demand in next coming months. That's the main reason why in terms of impact this year in P&L for us is marginal.

At the same time, also, if it is not the same saving in cash for ourselves, it is not so big at the same time for the '24-'25. On that point, the worsening market condition, the fact that our guidance for China has switched in terms of China from flat plus to double-digit decrease for the year means that you need to sell less volumes. So there is a mathematic saving for the wrong reason on this topic.

So in average, and I want to give you more colour in terms of months of difference between cash and P&L, every company has owned, but there is a delay between the impact on cash negative one and impact on P&L with some complications in term of county because we had to understand if you follow bottle by bottle, cluster by cluster, it is quite a mess. So thanks for your question because it is a technical important point.

In terms of US, mathematically speaking, you are quite right, but the mechanics of the rebound is influenced by the fact that VSOP was playing a key role, and now it's playing less of a role in terms of – and in terms of footprint of the future depletion, this is taken into account. But on the second quarter that will be appear, the impact of destocking can be even higher than 25%.

So mathematically speaking, you are right, it will not go in this direct way because the dynamics of the SKUs representing the core of the pyramid of the future sale are very different compared to five years ago.

**Trevor Stirling:** Brilliant. Thank you very much, Luca.

**Operator:** Thank you. We will take our next questions from Simon Hales from Citi. Your line is open. Please go ahead.

**Simon Hales (Citigroup):** Thank you. Hi, Luca. Can I just sort of follow up on the China Cognac sort of tariff debate a little bit, please? Could you just provide a little bit more clarity as to the scale of the headwind that you think your business would be facing on a 12-month pro forma basis? I appreciate there's a difference between the impact on cash and the P&L timing. But on a rolling 12-month basis, how should we think about the overall headwind that you're facing? I imagine it's a little bit over €100 million.

And then just to clarify on that as we head into fiscal '25-'26, I think you said in your remarks and in the statement that you do expect the business to return back to high single-digit organic sales growth next year with some improvements in profitability. Are you fully taking into account, therefore, the impact of both China tariffs in that guidance for next fiscal year? And what actions would you be taking to mitigate the headwinds on the ground?

**Luca Marotta:** Thanks for your easy question. So I will not shoot a number. I don't give a number because everything is clearly ongoing. It's been confirmed, but it is not yet definitive. It's not ultimate act that that will be applied at 100%. We continue to think that it is incorrect. We think that we are not dumping.

So the thing that we can say is that, for us, clearly, China is more important than for our peers. So the impact is more important, more severe for us than for Martell or Annecy or other or other operator touched by this measure. So we are already prepared to mitigate, I repeat, mitigate the impact of this measure. It would be confirmed in terms of survey studies to understand what is the elasticity of volumes linked to the price increase that for sure would be obliged to pass through.

At what time, what extent, what SKUs? I will not comment on that. This is part of our strategic engine to try to navigate in this very complicated timing. Prices will not be the only things. So if we analyse all the other elements of our assets in China and all over the world to mitigate that.

So starting from the manufacturing, operational side, including A&P And cost base. But once again, with the strong will of the Group, that is not yet something that's written in stones forever. So we will not do some stupid and very strong reorganisation at worldwide level to compensate that. So it would be a combination of measures to mitigate the impact of the China tariff is confirmed. Considering that the delay between cash and P&L impact, as I said.

I will not shoot a figure. I repeat, it's more important than for our peers. That's the reason why it's even more serious for ourselves.

So with your second question. It's clearly call me for a clarification. I thought I would be clear in the last part of my prepared speech by the – probably not. Today, it is H1 sales not full year or half year result, and we adjusted the guidance for '24-'25. This is not the '25-'26 guidance. We confirm at the same time that the trajectory of ten years '29-'30 is still confirmed. It's more than possible because of what we advance, because the effect that will be witnessed in our assumption when the stock in the US will be there.

And as we said, starting from '25-'26, you will see the first tool of the engine of our profitable growth, which is the top line, will be back to high-single digit. And bottom line, if you read the sentence, is a gradual improvement along the year. Does it does mean that we do not grant a perfect symmetry into '25-'26 within top line and bottom line?

What we grant is that the recovery to profitability all along the remaining five years of the plan and starting from '25-'26, a top line growing according to the normative ratio of the engine, which is high-single digit. No grant of symmetry between top line and bottom line. Will be more precise clearly when '25-'26 guide will be shoot. So six months, nine months.

But don't take it as for granted in terms of the symmetry. That's not what we are providing there. There is a difference. Simply it's a difference between gradual and a statement in terms of top line.

**Simon Hales:** Got it. But the '25-2026 expectation that you've just outlined does take account of the fact that Chinese tariffs would be applied. You're not assuming that they may not be applied in that guide.

**Luca Marotta:** Once again, Simon, we are not shooting a '25-'26 guidance. '24-'25 does take into account. '29 to '30 is taking that into account. The five years in between are taking into account. Quarter, years, semester, I don't comment on that for '25-'26 specifically, but it is implicitly, yes. But for the five years, I'm not saying that in '25-'26 the impact of tariff is applied will be totally compensated offset. We are not saying that.

**Simon Hales:** Okay. Thanks, Luca.

**Operator:** Thank you. We will move to the next question from Gen Cross from BNP Paribas Exane. Your line is open. Please go ahead.

**Gen Cross (BNP Paribas Exane):** Good morning, Luca. Good morning, Célia. A couple of more near-term questions from me. And the first one is just on China. Have you seen any early

signs of impact from the news of the China stimulus package, particularly in the on-trade channel? And then in the US in the Liqueurs & Spirits division, you've obviously had impact of further destocking in the second quarter. I just wonder if you could comment on whether you expect that to continue into the second half? Thank you.

**Luca Marotta:** Thank you for your question on China. I will use your question also to give you some colour on Mid-Autumn Festival, because it is very important. So to answer the rest of the stimulus in terms of macroeconomic impact, I'm not qualified to answer to that. I don't know if there is already some sign. I think I tell you that – let me elaborate on that.

You have understood that despite this bad set of results and the updated guidance, you don't have to throw everything out of the window of this publication. You have some strong points there. Clearly, Mid-Autumn Festival was a negative one, but clearly better than competition. Without being swaggering, without being very bullish and showing the muscle. But we have to be rational.

So it is an impact on the on-trade of the stimulus. Frankly speaking, I don't think but I don't know. But what I'm saying is that despite the Mid-Autumn Festival was a negative one, there are some very important positive point to highlight. Headwinds are very strong. Confidence remains low, cash pressure, but club was up low double-digit on sales and even more high single-digit on depletion in Q2 and even more in math.

The more you go through the chain, the performance better. So retailers experienced better performance for us, better than competitors at point of sales compared to tier two compared to tier one. Sell-in has been depressed compared to the final depletion.

It is a small spark, if you want, but it is a consistent one at least and competitive level because in China, it is clearly highlighted and finger pointed by everybody like a total disaster. It is negative for us. We are adjusting the guidance from flat plus to double-digit negative. But the fundamentals of the compounders are better than expected for us. Even if we are in a negative, momentum in China is better. So it gives to ourselves positive signs.

E-commerce. E-commerce was plus 10% on sell-in, even more on the part of B2C, D2C, it was more 43%, more 35% on one. In one case, more 43%. So once again, I repeat, every time we are in touch with the final consumer in China, we are beating expectation. We are beating competition. Not enough to be totally positive. You see we are downgrading the hypothesis clearly. But not everything is to be thrown out of the window and you can capitalise on that.

So confidence being there and situation being more in a peaceful mood. The taste and the appetite of the consumer for our products is still very present. We are not seeing so far, touch on wood, a ban from our consumer or an emotional – the emotional bond is more than ever present. Also in banquet that for us are not in on-trade or in off-trade, more direct alliance, which has been increasing.

Clearly, okay, we can say there is a downgrade in terms of product, more Club than XO. Whatever, but we are not witnessing minus 30%, minus 25%, minus 50%. So once again, let me proud of something there. We are very proud of that. And back to your question, I don't think it's stimulus that is driving that. It's the strength of the brand. And once again, let me say a very positive word for the Chinese team. We think that we have a very, very strong team thanks to them.

US Liqueurs & Spirits was your second question. You see that there's been some improvement. Depletion is even more clear with the Botanist Gin. Okay. It is not Cointreau, plus 100% for five years and then plus 10%. In gin, this is not a very highlighted category in the US. High price. Kudos to our brand and kudos to our teams that with the new organisation is able to tackle more directly the point of sales, the chain, less on a geographical basis and more on direct approach.

Situation is very complicated. We are at bad set of figure. But once again, we don't want to throw it out everything because we have to capitalise on our strength. Liqueurs & Spirits, we are progressing on that. And our commercial execution in the US is clearly improving very much. They're doing a hell of a job to try to fight on a very complicated situation.

And as I said, there will be even more clear the performance of the cognac, even more for us that we are identified as poor cognac player is overshadowing the logics of some wholesalers on some states, on some cases that are considering that being part of Rémy Cointreau, need to be treated like a cognac. Okay. It's all part of our job to be able to explain that. But we are clearly impacted by that.

So this cash pressure, the deleveraging a bit being less important maybe after the election. Also the global climate a bit more euphoric. And the compound is improving a bit. I think that we can be back to better performance. I'm not trying to sell anything. I'm not a salesman. But after 45 minutes of explaining a very complicated situation and talking about profit warning, I want to put the church at the middle of the village once again.

The same thing we can say for Europe team. Europe team is doing a hell of a job, even more for a Liqueurs & Spirits. So really, kudos to our teams for the fighting spirit they have because it's not easy after six trimesters that are negative to continue to have the satisfier in ourselves. And this is the strength of Rémy Cointreau.

The first strength is not only to be there for the long term as shareholder that is there, is very calm and quiet compared to other situation to let the team work with serenity. It's that we have a very strong team all over the globe and including France. Sorry for this passionate elocution.

**Gen Cross:** Thank you, Luca.

**Operator:** Thank you. We will take our final questions from Chris Pitcher from Redburn Atlantic. Your line is open. Please go ahead.

**Chris Pitcher (Redburn Atlantic):** Good morning, Luca. Thank you for the question. Just one from me. Could I just try and understand why the focus on protecting margin? You mentioned that the fact that there's a small spark. Surely this is the time to be investing, to ensure that that small spark grows. And particularly given the weakness we've seen in the US and China, this is the time to be broadening your route to market. Are some of the new route to market investments being delayed because of the current cost savings programme? Or are you still trying to build out your network? I'm just trying to marry off the tension between ensuring the recovery happens and protecting margin. Why are you protecting margin, trying to?

**Luca Marotta:** Thanks for your question, Chris. Because being a company that cashless, there is a certain level of global EBITDA that need to be respected. So when you say protected margin is the consequence in terms but the more correct phrase or sentence could be also there is

some level coming back to the question of Olivier Nicolai of Goldman Sachs of debt to operating profit ratio. They need to be mastered as well.

So it's a combination of conviction that every single brands need to have the pure payback on terms of the initiatives they are doing in this moment. Also, we cannot say. If you tell me, I give you €100 million and I am not able to grant you what kind of return you have in the top line. So it's a combination of that point that the lack of visibility makes that the additional investment is not 100% given additional return on top more than our peers, we need to have certain level of EBITDA to avoid to be in a more complicated situation net debt ratio compared to the operating profit that will drive to some exceptional decision, may be lowering capital expenditure or buying less eau de vie. This is what we want to do.

For protecting that, at the strategic leverage today, we need to be very selective – we need to select the priority of investment very much. And today putting additional money on an A&P does not grant 100% the proper return.

**Chris Pitcher:** Maybe just following up on that question. Are you still – have you paused the sort of expansion of selling resources, not just A&P, but selling resources into newer markets? So that's sort of when the recovery comes then you will build out. Is that –

**Luca Marotta:** Yes. The answer is yeah, in a different way, following different channel. And in a world that is changing, closing maybe a bit, we are clearly not only on brand strategy, but also on route to market strategy and new territory in which we need to expand. So the cost cutting will not be on this part of the strategic weapons to prepare the future.

**Chris Pitcher:** Thank you very much.

**Operator:** Thank you. That's all the time that we have for questions. I will now hand it back to Mr Marotta for any additional or closing remarks. Please go ahead, sir.

**Luca Marotta:** So I would like to thank you for your attention today. It was clear a very intense conference call, was meant to be sales, but it was being a little bit all the way around. We talked about phasing and MOFCOM, a lot of that, but situation calls for that. So see you end of November with Éric Vallat, our CEO, who will be there also to illustrate to you what's happening even more on a strategic way and less hurried in terms of figure, pure figure.

From now on tell you that I was proud to present this figure, even though they're complicated. Because in this context, I can assure you that we fight on a single battle. And the motivation and the sacrifice is here more than ever. Thank you so much. Have a nice day. And take care, you and your families. Thank you.

**Operator:** This concludes today's call. Thank you for your participation. You may now disconnect.

[END OF TRANSCRIPT]