



Rémy Cointreau Q3 Sales 25/26

Thursday, 29th January 2026

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Operator: Welcome to the Rémy Cointreau 2025-2026 Third Quarter Sales Presentation. For the first part of the conference call, the participants will be in listen only mode. During the questions and answers session, participants are able to ask questions by dialling pound key five on the telephone keypad. Now, I will hand the conference over to Luca Marotta, CFO. Please, sir, go ahead.

Luca Marotta: Good morning, everyone. Thank you for joining us today. As highlighted in our press release, Q3 sales grew by 2.8 organically, and this result stems from mixed regional trends, mainly driven by on one end solid growth in the US for fourth consecutive quarter, supported by clearly low comps and improved sequential depletions. They are slightly improving compared to Q2, but less than expected, and they are still negative, talking about the depletion in US. In addition, EMEA is back to growth in Q3, driven by both division cognac and liqueurs and spirits.

And last but not least, on the other hand, China is relatively resilient considering the continued challenging market and excluding an unfavourable calendar effect due to the shift of Chinese New Year timing, which counts for three points in Q3 at group level, i.e. one point if you consider the year to date nine months basis. Let me put everything differently. It would have been flattish over nine months, excluding those technical effects.

Q3 sales decline breaks down as follows: a volume increase of 8.7 and 5.9 in price mix effect. Clearly, Q3 sales increase, largely driven by cognac, mostly in India and China, which is impacted by the underperformance of the high-end brands. Looking at the overall sales performance by region, Americas was up by high single digit over nine months of which a low to mid-single digit growth in Q3.

APAC sales decreased by low double digit over nine months, of which a decrease of low single digit in Q3. This performance is up mid-single digit excluding the negative calendar year calendar effect, which is eight points if you consider that at APAC level. EMEA declined by low single digit over nine months, but with an increase of high single digits in the last quarter. This was the overall sales performance by region and nine months with a specific touch on the last quarter.

Let's do the same thing, at least at nine months value Depletions at group level. In the US, value depletion declined by mid-single digit year on year over nine months, including a decline of low to mid-single digit in Q3. In China, a value depletion were down high teens over nine months year on year, including negative calendar effect in Q3, that waves also in depletions clearly.

And in EMEA, value depletion decreased by mid-single digit year on year. So what you can say overall, after nine months, as a picture, nine months group value depletion fell by mid to high single digit more or less minus seven minus eight. And the performing selling trends -1.9. Why that? Essentially, because of the US restocking from a low basis without increasing the level of stock in absolute value. However, the gap has widened compared to the H1 beyond the US and the calendar effect in China. Global depletion in Q3 were still lacking a bit of momentum. I'll be back also with some absolute value during Q&A session, I'm sure.

To conclude on this first slide, we are confirming our full year organic guidance. We expect the organic full year sales to be between stable and up low single digit. While we expect organic full year operating profit to decline between low, double and mid-teens. The latter, of course, includes the estimated impact from tariffs in the US and price undertakings in China. So in a nutshell, no changes in guidance compared three months ago.

Now let's turn to slide number three, in which we can witness nine months sales that amounted to €735.4 million, representing a year-on-year decrease of €52.3 million, or 6.6%, on a reported basis. This performance was shaped by the following factors. First, an organic decline of €15.3 million, as said, -1.9%. This performance is split between 4.5% of positive volume effect and -6.4% price mix price mix effect. The combination is in negative and has been impacted by both price and mix in the same proportion.

Second, a negative currency translation impact of €37 million, or 4.7% loss, mainly driven by the deterioration, conventionally speaking, of the US dollar accounted for around €20 million less on top line and the Chinese RMB for 11.8. Now let's turn to slide number four to delve into organic trends by region at group level. Let's start with the Americas, in which organic sales increase by high single digit over nine months. I.e. down more or less low to mid-teens on a six-year basis. Year on year performance includes a low double-digit growth in volume, a low single digit negative price mix impact, mainly driven by pricing adjustment.

In the US, specifically, inside Americas, sales grew by low single digit last quarter, driven by both division on the back of a low base of comparison, clearly, but another slight sequential improvement in value depletion, which is a positive news but is not as much as we expected improving nonetheless, but less than expected. So what does it mean? Down by mid-single digit year on year and in nine months of which down low to mid in Q3. In this context, what happened to inventory level in the US in monthly coverage more or less remains around two four months at the end of Q3.

In Canada, sales were up mid to high single digit in Q3, underpinned by both divisions. Very balanced picture there as well. In Latam, sales were also up a very strong double digit in Q3 and they're mostly led by cognac. End of December, Americas accounted for 39% of group sales, up four points compared to the previous year.

Now turning to APAC, organic sales declined by low double-digit year on year over nine months, but increased compared to 2019, 2020 to mid to high single digit. Looking at the volume value equation, the performance was impacted by low to mid-single digit volume decline, while the value part was negative at more than mid-single digit. Why that? Was driven by the underperformance of IN's brands and ranges and increased promotional activity.

In China, sales were down approximately more or less a low double digit in the last quarter, impacted by the market condition, which remains very challenging. And the strong, I repeat, is very important, negative Chinese calendar effect. At APAC level, eight points. I repeat, at three points on the Q3 at group level. However, the overall performance is almost flat excluding this technical effect, benefiting from the return to normal trading condition in travel retail and a very solid Double 11 Festival. Specifically, these events were more or less plus 15 compared to the previous year. This was sell-in[?][00:09:38].

Talking about global value depletion, they were down high teens year on year. Given the depletion, so are roughly in line with sell-in trends. In nine months, inventory levels remained

healthy at the end of December. Elsewhere in the APAC region, rest of Asia showed a strong improvement compared to Q2, posting a very strong double-digit sales growth in the last quarter, mostly led by cognac, Rémy Martin and Louis XIII. End of December, APAC region accounted for 37% of group sales, down five points compared to the prior year.

And then EMEA region, in which organic sales were down low single digit over nine months, and around high single digit compared six years ago, primarily reflecting a negative value effect inside this region. Talking about subregion, third party distributors cluster recorded a mid-single digit sales increase in the last quarter, driven by Germany, Greece and Romania. Most of the growth came from Cointreau and Metaxa.

UK and Nordics sales were down by high single digit last quarter, with sell-in below sell-out trends due to the high base of comparison in sell-in and sell-out was positive in a declining market. Benelux and France, sales were up by low single digits in the last quarter, essentially led by France and in both divisions, cognac, liqueurs and spirits. And last but not least, AMEI & CIS sales were up by very strong double digit, boosted by the successful launch of Rémy VS in South Africa and Nigeria, which bodes well for next year. This was sell-in talking about value depletion. They declined by mid-single digit on a year on year in nine months. So overall, with the slightly disconnection in EMEA in the last quarter, inventory there slightly increased. End of December, the EMEA region accounted for 24% of group sales, up one point compared to the previous year.

Now let's turn to the line number five and the analysis by division. Let's start with the queen of the division, which is cognac. Cognac Division posted an organic sales decline of 4.3 over nine months, driven nine months by a 5.4% increase in volume and the negative price mix of around ten points, 9.7. End of December, cognac accounted for 61% of our sales, down two points compared to the previous year. What happened there? Let's start with the biggest region inside cognac, which is APAC.

And inside the APAC, mainland China, in which sales declined by low double digits in the last quarter affected by the continued complex market condition, and clearly, as said, the Chinese New Year calendar effect. Excluding this technical effect, China would have been almost stable, helped by strong performance during the Double 11 Festival in e-commerce and return to normal trading condition in travel retail. In this very tough context, and given eight and wait and see behaviour ahead of Chinese New Year, all channels were down compared to the previous year.

Elsewhere, Taiwan reported a weak performance selling and depletion. Hong Kong and Macau were up strongly but helped by positive phasing and some promotion. Overall, nine months value depletion were down by high teens year on year. In the rest of Asia, sales were up by very strong double digit in Q3, mostly led by Rémy VSOP and Louis XIII.

Americas, in North America, so US and Canada, cognac sales were up by low single digit in Q3, underpinned by low base comparison, a slight sequential improvement and depletion. Talking specifically of the last quarter Q3, US value depletion, they were down mid to high single digit year on year on cognac. Twelve months value depletion included less three points, a negative price mix effect on depletion of three points year on year at the end of December, but on a six-year basis, price mix on value depletion remains up double digit plus ten points.

In Latin America, sales were up by triple digit in Q3, driven by VSOP and Louis XIII. In EMEA, cognac sales grew by high teens in Q3. UK orders were down double digit. However, in sell-in impacted as set by high base of comparison, while sell-out was back to positive, supported by a more targeted pricing approach.

Luca Marotta: New listing. And I remember in a very negative market, Europe third party distributor was flat in Q3, strongly a strong improvement versus Q2, helped by more flexible pricing approach leading to market share gains. And MMI and CAS were clearly up by triple digit, leading the EMEA and cognac progression in the quarter led by South Africa on the back on the heels of the Rémy Martin VS recent launch. Finally, Benelux and France were up by mid to high single digit. Lastly, nine months in the position were down low double-digit year on year.

Now let's turn to slide number six and the same analysis for the other division, liqueurs and spirits. Liqueurs and Spirits Division reported a 3.7 organic sales growth in nine months, driven by solid volume increase. And of plus 5.7 a negative price mix effect of 2.1. End of December, the division of liqueurs and spirits accounted for 37% of sales, up two points versus the previous year.

Now let's review the division performance by region. Let's start with the Americas, in which North America sales were up by low to mid-single digit in the quarter, driven by Cointreau Botanist, which both delivered positive depletion in Q3 as well in a declining market, specifically Cointreau and The Botanist Q3 US value depletion were respectively up by low single digits and low double year on year. Additionally, price mix was down only two points compared to last year for the 12-month rolling basis period ending December, but increased by 16 points on a six-year basis. So valuation compared to six years ago in both sell-in and even more value depletion is bigger, is higher compared to cognac.

Latin America sales were down by low single digit in sales in Q3, impacted by price increase in Puerto Rico on Cointreau and following tariffs and fake also alcohol issues in Brazil, in São Paulo. In EMEA, second region by importance, for this division, sales were up by mid to high single digit in the last quarter. Breaking sales down further, UK was up there by low single digit in Q3, led by Cointreau, Port Charlotte, Octomore and Telmont. The quarter benefited from the positive effect linked to the distribution gains. This is particularly the case for The Botanist, from new innovation launches, Cointreau RTDs, and a greater pricing agility.

Overall, the UK is gaining market share alongside positive sell-out in a declining market. Europe. Three third party distributor sales were up there by mid to high single digits in the quarter, led by Germany and Greece. As said, overall, we recorded a solid growth from Metaxa and Cointreau. And finally, Benelux and France were up by mid-single digits in Q3, while MI and CAS was down mid-single digit. This was sell-in in parallel nine months value depletion were down by low single digit year on year. And then inside this division, we have APAC, in which in China, sales were down high single digit in Q3, mostly impacted by Cointreau, which faced aggressive price environment and competition. And in parallel, nine months value depletion were down by low double digit.

Rest of Asia was down by low double digit in Q3, impacted clearly by Australia due to phasing and very high comps. We are missing a part of the turnover here, which is the non-group brands, which represents 2% of group sales, and they were stable year on year in terms of

weight, but they recorded an organic decline of 1.9% in nine months, affected clearly by the performance of the most exposed country, which are Benelux and UK.

Approaching to the end of the prepared presentation and before switching to the interesting Q&A session, let's now turn to slide number seven, talking about this yearly 2025-2026 guidance. We are today confirming our expectation both for sales and for operating profit. In more detail, we expect organic sales growth to land between flat and low single digit increase. At the same time, we expect an organic operating profit decline between low, double and mid-teens. So nothing changed compared to three months ago.

This guidance clearly includes the net impact of tariffs, which estimated at this time of the year at around €25 million, net of which €5 million in China and €20 in the US. In addition to this organic performance, there are also currency effects, which remains very negative and highly volatile. While our hedging policy helps to mitigate part of the adverse impact, the recent evolution and ongoing evolution of the dollar RMB leads us to expect on sales between 50 and €60 million, reduction of the turnover on published rates, of which 60% will occur in the H2.

In operating profits, it is a bit reversed in terms of phasing between 25 and €30 million negative effect of which one third should occur in the H2. Exchange rate volatility is likely to persist throughout the year, which is why I will continue to keep you updated on a quarterly basis. But please highlight the fact that so far is not changed compared to three months ago as well.

One final word on our transformation journey. As mentioned in the press release, the program is now effectively underway, starting with a very granular diagnostic phase across the main value creation levers. So what we are talking about? Route to market, number one, revenue growth management, number two, AMP and procurement, three and four, as well a more generic broader review of our cost base and operating model in line with what we shared with Franck Marilly at the end of the H1 during end of November presentation. By the end of April, next conference call on Q4, we expect to be in a position to communicate the key strategic priorities that will start to be implemented in the fiscal year 2026-2027. Thank you for your attention and I'm happy to answer to your questions. Give me two seconds to drink a bit of water. Thank you.

Questions and Answers

Operator: If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. You are kindly asked to limit yourself to two questions only. The next question comes from Laurence Wyatt from Barclays. Please go ahead.

Laurence Wyatt (Barclays): Good morning, Luca, thanks very much for the questions. A couple from me then, please. Firstly, in the US, we've seen reports of some substantial improvements in some of the depletion data, and I appreciate it's a short time period when we look at the weekly Nielsen data. But of course, do you think we should be taking this seriously, or do you think there's some sort of timing effect that perhaps means that these improvements are perhaps erroneous and due to other effects?

And then secondly, you may have seen today there's some reports of some very strong sell-in into the Chinese New Year period in China. Do you think those reports are real? Do you - are

you seeing similar effects on your brands going into the Chinese New Year for 2026? Thank you very much.

Luca Marotta: Thank you so much. So let's start with the US. As I said, we are both at the same time positive and a bit less positive news. When I'm saying that, we are continually improving that and we think that will continue to improve, to your question. So yes, we are on the right track, but the speed, the magnitude of the improvement is a little bit deception compared to our expectation.

Why that, that we are slipping and we are not so good? Market is really declining in a bigger way compared to our expectation. So even if our performance are not excellent compared to last year, not positive and a bit of deception compared to our expectation, the market declined as well. So in the specific moment, we are performing better globally than competition, which is something which is very important to highlight.

So it is not what we expected totally. So a bit of the deception disappointment, but considering global environment, we're doing a hell of the job on the field. So kudos to our teams. Chinese New Year dynamics, it is globally this morning, global. Good touch for us just started, so we are relatively optimistic is not so far what it seems to be the Chinese New Year campaign of the century. So we have been in a better position before. We are in wait and see with an open attitude by ourselves as well, like the market. So far, so good. Coming weeks and days are very important. But we are not excessively optimistic, but we are not negative as well. So a quite a balanced still at the beginning of the Chinese New Year, and also to manage expectations, it will not be the Chinese New Year of the century, but relatively optimistic.

Laurence Wyatt (Barclays): Thanks. And just on the first question, I was specifically referring to the data that we've seen in January in the US, some of the extreme improvements in the US Nielsen data. It sounds like you don't think that that is a sustained improvement.

Luca Marotta: But yes, it is very complicated to comment on that because the first - but don't remember, there is also a lot of weather bad conditions right now that could impact the second part of the month. So right now, also the depletion on an effective way, because there are some problems in many states with the snowstorm. And technically, the depletion can be affected by that. It is true that what's happening is helping declining the stock at retail point of sales.

Once again, moderate optimism. We are doing a touch better of the competition. Still negative. So for us, it's very important like for everybody for us even more because it's tough to have negative depletion figures since a lot of months. It is very important also in terms of symbolism to switch to positive land. So relative optimism and cautious and an overall touch of modest optimism overall for the China and the US. That's also the reason why despite the mathematical negative forks between sell-in sell-out in the Q3, we are confident so far at this stage clearly to confirm the guidance. Because even if there is this fork and then we're back on this point because we have to look that on absolute value, not only as a percentage, it is clearly not affecting our guidance at this stage.

Laurence Wyatt (Barclays): Thank you very much.

Operator: The next question comes from Edward Mundy from Jefferies. Please go ahead.

Edward Mundy (Jefferies): Luca, morning. Two questions please. The first is your comment on doing a touch better than competition within China. I think you've historically said on these

conference calls that your mix, i.e. bigger in club and smaller in XO, your route to market, i.e. that big direct to consumer business and your channel exposure, i.e. probably smaller in the traditional on trade, has allowed you to outperform competition. Could you perhaps talk about some of those drivers, and if the market starts to improve, should you be one of the first companies to see that improvement? That's my first question.

And then the second is on currency. Clearly, you're keeping your guidance unchanged for fiscal 2026, but there has been some recent strengthening of the euro versus both dollar and Chinese yuan. I know it's probably a little bit too early to start giving guidance for fiscal 2027, but based on what you're seeing on spot prices and what you know about your hedged rates, is it a roughly similar outlook from a percentage standpoint for fiscal 2027 relative to fiscal 2026?

Luca Marotta: Thank you. So as said, as you understood, Chinese New Year just started. We are in a very cautious position. But I repeat, it will not be the Chinese New Year of the century. But there's no need at this stage to be negative as well, because some good dynamics are installed. So relative optimism and a clear reactivity on all channels. In terms of channel exposure, I repeat, even if all channels in the Q3 were negative in China, including the e-commerce. So we cannot deny that the global confidence of all channels is reduced compared to one year ago.

Globally, we are in a position which with a wave with a lift of the global situation, we can profit that essentially with e-commerce. The fact that the user highlights, we are less focused on trade. Today we are between five and 10% on trade compared to the other. The fact that we are more direct than others, one third of our top line is direct to client with no indirect wholesaler or indirect channel framework involved, makes that we should be in position to profit. But as well, we need to look at another element compound, which will be very important for all our region, for the company as well, which is the needs also to improve the free cash flow conversion as well.

So there is a point that today is early to talk about that with clearly a triggering point to be analysed during June full year representation and where with Franck we will detail the guidelines for the year 2026-2027. So there is some opportunity to grow and then is to be profitable, but even more important, and faster cash conversion growth compared to the previous habits.

In terms of currency, there, as you may understand, it is really clear, the crystal ball because it is very, very early to talk about forex impact for the next fiscal year. So I understand your point. Let me share you where do we stand for next year in terms of coverage. So far for the 2026-2027 estimated net currency needs in terms of US dollar impact currency, we are more or less covered between 65 and 70%, at more or less 1.16 with 60% of options. So very, a bit costly, but very flexible. This year will be lending between 112 and 113. So there is a negative hedging impact. I'm not talking about conversion because this is also influenced by a lot of macroeconomic and macro and geopolitical element that I do not master. I watch and I adjust. I cannot do more than that.

For Chinese New Year, which is increasing the weight, so the weight historically was far bigger. Now it's 50% of our needs of net currency of US dollar impact and 34 is Chinese, one RMB impact. So the Chinese one is very important, much more important than the past. We are 60% more or less hedged at 8.4 with 70% option. This year, the hedging average weighted rate will be between eight, ten. So once again, in both of them, we need to understand that without

being precise in terms of the absolute value, the hedged granted coverage rate for 2026-2027 will be giving less euro than this year.

So let me be clear on that. How much I would - I don't know, which is important also to be taken into account for our EBITDA, including the forex clearly cannot drive the management of the company. We are organically driven, but need to be considered for the free cash flow conversion rate, which I repeat will be more important and is already the case, but even more important than in the previous past as an element to manage the company and the compounders.

Edward Mundy (Jefferies): Okay, thanks.

Luca Marotta: I hope it was clear.

Operator: The next question comes from Chris Pitcher from Rothschild & Co. Redburn. Please go ahead.

Chris Pitcher (Rothschild & Co. Redburn): Thanks. Good morning, Luca. Two questions please. Firstly, on your US price mix, you've clearly gone through a big adjustment from where you were sort of during the pandemic to, I think your ten percentage points still above. I mean, Franck was quite clear on the previous call that you were going to be less dogmatic about price. Are you at the level where you're comfortable now to relative pricing, or do you still see further weakening in price mix, particularly as you're starting - you're seeing the outperformance from Louis XIII?

And then secondly, I'm just intrigued by your comment specific reference that you're using an external consultant or support from an external consultant in your diagnostic. Can you sort of explain what it was that you think Rémy was lacking, that you needed a sort of external set of eyes to try and work out the strategy? Because it sounds expensive to me. Thanks.

Luca Marotta: Thank you. Thank you so much. So let's start with the business question. And then let's talk about transformation, which is business as well. So price mix is negative, is visible, three points declining a bit compared to the previous year to date. What this reflects right now, let's explain and then we'll talk about the future. Price adjustment to 49.99 on most states, price adjustment XO also because XO also price architecture fell down a lot. We are not a leader on it. So clearly, we need to be follower reminding that gross margin, even if we don't disclose the absolute figure.

With gross margin XO, for everybody in the industry, is clearly a very strong element. It is every time you are able to increase one case of XO, you increase clearly the accretive impact in cash and profit and loss profile big time. High end segment underperformance on the 12 months compared to the mix, the revitalization of VSOP, the resilience of 1738 squeezed a bit not as an effect, a mathematic effect the weighted average. Negative performance sometimes also on Louis XIII because limited edition such a rare cask last year not replicated. When you have this kind of limited edition, it can play a role. A lesser spend, talking about cognac specifically, the price reposition of Rémy V. And on top as a company, you have clearly the overperformance of liqueurs and spirits compared to cognac.

What will happen next year? Are we improving the price mix? It's too early to answer in a very precise way, but we need to understand that the gross margin target group level, and clearly also in the US, as an important element target remains. But the fact that we need to improve

every year in gross margin, it is not the way the world today is composed. So we cannot grant that we are able to have the same pricing power of two, three, five years ago. And on that, I go back to the free cash flow improvement. We need to be a bit more commercial and need to move volumes a bit faster to improve globally the turnover and the free cash flow conversion.

I am not saying that in the future the profit will fall. I'm not saying that, but free cash flow conversion and profitable but also liquid growth, it's more a priority now than in the past, and the global environment is less keen to absorb price increases. Or if you do that, we will eventually have an impact in volumes in a declining and complicated market. So in a nutshell, you cannot mobilize big price increase overall in the future and more playing to improve the gross margin to adjust it or to limit the fall in mix, game channel, territory and new format, new product, eventually improving the speed of the innovation.

Chris Pitcher (Rothschild & Co. Redburn): Is it unrealistic to consider you might come back into VS?

Luca Marotta: Never say never to nothing, to anything. But so far, no way on the US. No way. Why? I read some of your notes today. Let me - I will not drop the name, but when talking about will recognize himself, we cannot consider that VS is a technically positive effect in this moment in EMEA. Because every time you do that, you have some dynamism, but you also have cannibalization, and you have to counter about that.

So doing that as VS globally in the - as a name in the US, I don't think will happen. But you have witnessed the presentation of Franck Marilly end of November. I'm not talking about VS, but also a placeholder for a launch of eventually a new product clearly for the American market, which a different approach. So I'm not talking about VS, but I repeat, a more spread tackling new segment of market higher and lower of the old brands, including cognac.

In the future, I think the name and the codes of the competition face to face will change and everybody will try to get rid of it launching new concept, new product that able to install new price positioning inside the global category, being more interesting sometimes wild in terms of competition. But the world of franchise fighting each other with the same name I think could be bypassed. One second that I drink a bit of water.

Operator: The next question comes from Trevor Stirling from Bernstein. Please go ahead.

Luca Marotta: No, sorry, I need to answer the other question of Chris of the consultant as well. I answer only to the question number one. So the second question, so why going externally? They have a huge a lot of benchmarks to leverage. They're quicker. We need to install a mentality of change. And having this kind of example benchmark will be very concrete to show what we can do better without denying the values and the things we are doing correctly right now.

At the same time, we need teams to be focused on a daily operation because we are running at plus ten without any problems. So what the point to lose one or two points commercially. So we have to have teams that are there. The teams are on the field to try to grab any single bottle. Doing that, with the help of the external qualified organization, will also limit the focus on these specific projects inside the company.

There is, they know all players. So there is, as you highlighted, we are doing that quite widely talking about top line, AMP and also operational footprints. So it is 360 degrees, more or less.

There is a strong mutation for the wave of consumption all around the world. We need to touch point in different ways. So if we don't do that with a specialist AMP ratio, which is already at 20% for us, risk to increase without having the payout to be measurable. Needs professional to be able to increase the touch point, at the same time, deliver efficiency and maybe stop doing some other touch points. So we need clearly this help to open our eyes with an additional qualified opinion that will help us decide. And then we will decide.

We are quite opinionated, we will not buy everything. We are quite respectful of the history and the tradition. That is a very strong asset of the group. Sometimes can be also considered an element. That means that we are maybe sometimes a bit less fast than others, but we are more consistent maybe. And that's the reason why on top, the clear triggering point is to improve top line and turnaround of the company, increasing the capacity to win to gain market share, volume and value on the market, improve the conversion free cash flow conversion and without forgetting that even if we are still a bit - we have a strong weight of costs compared to our size today.

Don't remember, we already cut 130 million, more or less 12% our overheads and 9% of the council. We can do it on a base with already without any specific global restructuring plan on a day-by-day improvement and without any bigger plan already reset a bit the base. It is enough, no, we need to go further. But these are the main reasons why we needed to do with an external help. And more than that, an external eye to be able to watch what's happening for us a bit more than the past.

Operator: Thank you. Trevor Stirling from Bernstein. Your line is open. Please go ahead.

Trevor Stirling (Bernstein): Morning, Luca. And morning, Celia. Two questions from my end, Luca. The first one returning to China. You mentioned that excluding the Chinese New Year effect, that you thought China was flattish. But presumably, that means you've got that easy comp in travel retail. So the other channels, ex travel retail are still negative or presumably mildly negative on an underlying basis. And just want to check if that was the right way to understand it.

And the second thing, I was intrigued, Luca, at your presentation. I think three times you referenced Louis XIII strength in Asia, ex-China, in the US and Latam. Is this just easy comps or is there something more in terms of the underlying improvement for Louis XIII?

Luca Marotta: Thank you for your question. For your first one, yes, GTR gave some room, so out of the GTR, we are not at the same level of performance, but only for the Q3. If you consider GTR for the nine months compared to zero, and we have the most important operators are still in double digit negative compared to the previous year. So I expect this to continue. And technically speaking, the same comment for the VS. For me, they are not technical effect. This one more than a catch up or the normal way of acting. So yes to your question, but still on nine months, it is not accretive. The GTR reopening is still a big negative. Big, big negative. So it should be better.

Louis XIII. A bit of a momentum and highlighting that we are there. So Louis XIII, it is clearly not the same without giving any figures in the same shape and weight than five, six, or seven years ago. But our teams continue to fight and to be able, when we can, to grab the specific market share, even if the global worldwide environment is less keen to this kind of high style product. There is a specific market. It is not only a matter of pricing, but there is a bit of

momentum that we count to improve to have an additional positive impact. Clearly, in terms of image and DNA, but even more in terms of our compounders, our financials.

Trevor Stirling (Bernstein): Thank you, Luca.

Operator: The next question comes from Pierre Tegner from Otto. Please go ahead. Please unmute your microphone and go ahead.

Pierre Tegnér (ODDO BHF): Hi, Luca, thank you for taking my question. I would like to come back on your previous very interesting comment on the adapting the asset rotation equation of the economic model. My question is how we have to think about the future in terms of better balance between the PNL and the balance sheet. What I mean is, have we to think about more asset rotation at the same level of operating margin, or is there much more a kind of trade off, if I may, in terms of margin and asset rotation?

Luca Marotta: Thank you for your question. Very interesting. Please forgive me, because I cannot be totally precise because, as you know, Franck said it very clearly, guidance for next year will be - should in June, and some, and the whole plan for the future five years will be disclosed later. Far later in this calendar year 2026. But in generally speaking, clearly, we need to think of future. The company we will be a bit less sentimental in terms of in terms of brand asset everything. So DNA is the same, but cold, pragmatic, real compounders figures will be even more on the table to be discussed. Then the decision will be at the end a collective board of directors' division at Franck's direction.

But the financial point of view will be increasingly important. And on that point, thank you for your question. You have to put a scale or a weighting the three big elements we have, financially speaking, which is balance sheet, free cash flow and PNL. But all three are very important. But it will be even more skewed towards the free cash flow generation, free conversion, progressive balance sheet, solid and robust dynamics, increasing the age and balancing long term assets and liabilities with a bit of more flexibility inside asset priority rotation.

And as a consequence, the profit and loss still remain very important because EBITDA is important compounders of a ratio, clearly. So we forget that. But the more in absolute value that in profit and loss model in percentage basis. Absolute value, absolute cash, absolute EBITDA are more important the percentage of operating profit compared to the top line. I cannot be more precise than that. Sorry.

Pierre Tegnér (ODDO BHF): Very, very useful. Thank you, Luca.

Operator: I will take a last question. The next question comes from Tilly Eno from Morgan Stanley. Please go ahead.

Tilly Eno (Morgan Stanley): Hi. Good morning, Luca. Thank you for taking my questions. The first is on the US. I mean, while your depletions and sell-out trends are declining at a similar rate in Q3 as in Q2, the overall spirits market saw quite a sharp deterioration over calendar Q4. Could you just talk a bit about what you're seeing at the wholesale distributor level in terms of behaviours, and if there's any sort of indirect impact from potential inventory pressures on your plans?

And then my second question is on China. You've spoken previously about some heightened promo activity. Just wondering, are those pressures largely within the cognac category, or are

you also seeing a bit of price competition from other international spirits categories like, say, the sort of lower priced whiskey? Thanks very much.

Luca Marotta: Sorry, I didn't get the second one clearly because -

Tilly Eno (Morgan Stanley): So the second question on China, where you've previously mentioned some sort of mix impact from promo activity, is that largely concentrated within the overall cognac market or other subcategories? Thanks.

Luca Marotta: So talking about US depletion in terms of flexibility, we'll try to speed up that switching progressively also the MP mix or more the fast-moving cognac lines. And for the liqueurs and spirits, we did already part of this job and is witnessed by the performance. In terms of distribution, clearly situation is not totally a seat on a very easy, easy way because everybody knows some of the different situations that are happening right now inside the wholesale footprint.

But all in all, to improve the depletion US speed, we are switching part of the, as I said, the AMP, more on PTL, so less brand awareness on term and more in the short term. For the China promotional activity, it is a bit spread is not only inside our category, but our category is even more. And on that, we are increasing as well, but far less than our competitors. Also, because, as was highlighted before, we have one weakness that becomes a strength when we're talking about promotional activity, which is our exposure to the on trade, five to 10%, which is low in terms of brand awareness in the long term, but protect us a bit in terms of promotional debt.

In that case, we have many types of forms of promotional support that can be driven not only money, but also tasting bottles and so on, banqueting and so on. We increase our promotional footprint far less than the competition. It is more general, not only specific for our category.

Tilly Eno (Morgan Stanley): Thank you very much.

Operator: There are no more questions at this time. So I hand the conference back to the speakers for any closing comments.

Luca Marotta: Thank you so much for your time today. So I would like also to end with the last point, the question was not asked, but it's very important. If you look at the Q3 between sell-in and sell-out dynamics, it seems that sell-in is positive plus 1.8 and depletion negative. So the normal brain reaction is that you are stocking up, the answer is many languages. No, niet, nein, [inaudible][00:57:28] no. Because if you consider the absolute value of the depletion is more than €20 million comparable basis compared to the sell-in.

So what we have done altogether in the three, four, five, six quarters to rebalance sell-in and sell-out has helped us to land in a very balanced stock equation in absolute value. Clearly, we have exceptional state by state, but overall, even if the compound is in percentage level, will show, will tell another story is not the case. Q3 was the stocking, even if sell-in was increasing and sell-out was decreasing as a percentage because the base of sell-out was, and it is, bigger than base of sell-in. Thank you so much. Talk again at the end of April and stay tuned. Ciao, ciao.

[END OF TRANSCRIPT]