Rémy Cointreau Q1 2026-27 Sales

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Operator: Welcome to the Rémy Cointreau 2026-2027 first quarter sales presentation. For the first part of the conference call, the participants will be in listen-only mode. During the questions and answer session, participants are able to ask questions by dialling pound key and five on the telephone keypad.

Now, I will hand the conference over to your host, Luca Marotta, Deputy CEO and CFO. Please, sir, go ahead.

Luca Marotta: Good morning, everyone. Thank you for joining us today. As highlighted in our press release of this morning, Q1 sales grew by 1.3% organically. This performance reflects, first, strong growth in Cognac of plus 7.7%, reflecting a limited decline in the Americas, driven by destocking in Canada and a heavy base of comparison in LATAM. Meanwhile, US sales growth were particularly resilient.

Conversely, APAC generated a strong growth supported by solid momentum in the remaining part of Asia and a slight reduction in China as expected.

Second element is a decline of minus 6.6% of the Liqueurs & Spirits division, driven by a slight decrease in the Americas due to a negative phasing effect following a strong rebound in Q4 of the previous fiscal year and a mixed performance in EMEA region.

Q1 sales performance breaks down as follows. A volume decrease of 1.5% and a plus 2.7% increase of price-mix effects, largely driven by mix on the back, on the heels, of the stronger performance of Cognac compared to Liqueurs & Spirits. This performance is in line compared to our expectation for the full-year trajectory.

Looking inside that, the overall sales performance by region, the Americas were down by low single-digit, reflecting destocking in Canada and high comps in LATAM. US demonstrates a very good top line resilience. APAC, Asia, was up by high single digit, supported by a good momentum across the rest of Asia, while China demonstrated a limited sales decline in line with expectations.

EMEA region was down by low to mid-single digits amid sustained competitive pressure and moderate consumer demand. One last word on the global Travel Retail, which is a transversal business unit across the three region. It was up by very strong double-digit in the quarter, a very good performance to start the year. This is better-than-expected.

In terms of value depletion at Group level, value depletion, which is the best approximation of final sell-out in value. Looking down into that, in the US, value depletion were slightly negative, including, however, slightly positive volume depletion. In China, value depletion were down low single digit, which represents a good performance considering the current market and the low season.

In EMEA, value depletion increased by low to mid-single-digit, representing a clear outperformance compared to sell-in trends. So what we can say that overall Q1 Group value depletion grew by low to mid-single-digit compared to the previous year, outperforming sell-in trends. So best approximation of sell-out depletion in value, better than sell-in trends.

To conclude on this very first slide, we are confirming our full-year guidance.

Before looking at the performance in more detail, I would like to briefly highlight a few encouraging commercial performances from the quarter that you can see in slide number three.

Although Q1 is historically a small quarter, we saw some early green shoots in both China and the US, supported by the two key commercial moments. In China, 6.18 e-commerce festival, where our execution delivered very encouraging and positive result, growing result compared to the previous year, and Cinco de Mayo in the US, centred clearly around Cointreau.

We also witnessed and saw encouraging early sign from our recent innovations, although it is still early to draw firm conclusions. These include the global launch of Bruichladdich Yellow Submarine Limited Edition, celebrating the brand's 25th anniversary. Mount Gay Silver, which contributed to positive value depletion for Mount Gay brand as the brand continues to recover. And the very good performance of Rémy Martin VS in South Africa.

Turning to slide number four. Q1 sales amounted to €223.2 million, representing an increase of €2.4 million or plus 1.1% on a reported basis. This performance was shaped by the following factors. An organic growth of €2.8 million, so as said, plus 1.3% performance, with this performance split between a negative effect of minus 1.5% in volume and a positive price-mix of 2.7%. Inside that, inside price-mix, we can say this is totally driven by the strong positive mix linked to the outperformance of Cognac.

Second point, a marginal currency translation impact, negative 1% or minus €0.4 million, so less than €1 million or 0.2% loss, which is the delta between 1.3%, 1.1%. Mainly driven by the deterioration of the US dollar for €2.3 million, partially offset by the improvement, translationally speaking – sorry, non-transaction, of the Chinese RMB for 1.9. So a limited impact in terms of published figure to the top line.

Now, let's turn to slide number five to delve into organic trends by region.

Let's start with the Americas, in which organic sales were down by low single digits. This performance includes a mid-single-digit decline in volume and low-single-digit growth in price-mix, mostly driven by mix. What we have said at Group level is really confirmed also in the Americas.

Inside Americas, and very important part, chunk of it is the US, where sales grew by low to mid-single-digit in Q1, mostly driven by Cognac despite high comps. In parallel, Q1 value depletion continued to improve sequentially compared to the Q4 of the previous fiscal year, being slightly negative alongside a slight positive volume depletion. This is clearly encouraging, but we are not there yet and it's too early to conclude that this trend is sustainable, it's normative, as the change of distribution also is bringing some positive one-off effects in this quarter.

In this context, inventory level in the US have continued to be improving slightly but in coverage, clearly even more in absolute value, and stood more or less four months of the end of June. In Canada, we already said, sales were down by high single digits in Q1, impacted by continued destocking. And in parallel, in LATAM, Latin America, sales were down by very strong double digits in the quarter affected by high comps.

One last word on Travel Retail Americas, which is part of this regional business unit, sales were strongly down but from very high comps. End of June, Americas accounted for 39% of our Group sales, down 2 points.

Turning to the Asian region, big Asia, APAC, organic sales were up by high single digits in the quarter. Analysing the volume value equation, the performance was mostly driven by a positive volume effect. It is a bit of the opposite of the American region, because here we have the biggest country, China, in which sales were down by low to mid-single-digit in Q1, but in line with expectation. Despite a still very challenging market, we observed some green shoot and good performance during this short quarter, a very low season, such as the strong performance we recorded for 6.18.

I want to reiterate that sales were growing, and growing more or less plus 12.3% compared to the previous year. In parallel, global value depletion were down by low-single-digit. Given that depletions are, in absolute value, above selling trends, inventory levels remain healthy across most brands at the end of June.

Elsewhere in the region, remaining part of Asia, recorded a very strong double-digit growth in the Q1, driven by Cognac and, to a lesser extent, Liqueurs & Spirits.

Finally, the global Travel Retail APAC, which contributes to this region, was up by triple digits from very low comps. You remember, we are lapping also the closing of last year as well. But it's not only a technical factor, was clearly a strong overperformance compared to the expectation. End of June, APAC accounted for 39% of Group sales, up 3 points compared to the prior year.

Then last but not least, EMEA, in which organic sales were down by low to mid-single-digit, primarily reflecting a negative volume effect, while price-mix was positive. Inside that, we have to start with the first sub-cluster in term of weights, which is Europe third-party distributors, where sales were down by mid-single-digit in Q1, mostly negatively impacted by Germany, where consumption is weak and promotional activity is high and volatile.

Second sub-cluster, UK and Nordics, where sales were up by low-single-digit in Q1, mostly driven by the Nordics. Benelux and France, sales were down very sharply, affected clearly by the discontinuation of partner brands' distribution in the Benelux from April. Inside that, I have to highlight that France as a country was more or less flat.

And lastly, AMEI & CIS, sales were up mid to high-single-digit, led, as already said, by South Africa, very strong impact of Rémy VS, while the Middle East conflict had a slight negative impact on the region, but not so important to change the global footprint. We remain positive for this sub-region as well.

Overall, Q1 value depletion were up by low to mid-single-digit. So being better than sell-in, inventory levels slightly decreased. This is an overall statement because inside that, as you understood, we have very different dynamics country by countries and performance that are a little bit leopard dots and spots characterised.

One last word on global Travel Retail inside EMEA, it was up by strong double-digit. end of June, EMEA region accounted for 22% of Group sales, down by 1 point compared to the previous year.

Now let's turn to slide number six and analysis by division, starting with Cognac. Cognac division posted organic sales growth of 7.7%, driven by a plus 15.9% increase in volume and a negative price-mix of 8.3%, equally split between price and mix. End of June, Cognac accounted for less than 54% of our sales, up more than 4 points compared to the previous year.

Let's start with the most important region for Cognac in terms of weight, so APAC, in which China sales, as expected, were down by low-single-digit in Q1. I repeat, in a complicated, challenging market, marked by soft consumer confidence as regulatory restriction on alcohol consumption. But this performance demonstrates the solid resilience of Rémy Martin and the strength of our execution capability during a key direct point of touch, touch point with the consumer, like 6.18 e-commerce festival.

Overall, e-commerce sales as a channel penetration increased by 7 points to reach an historical high of 43% compared to Q1 overall China sales. But to that performance for APAC, Hainan, Macau, and Hong Kong contributed positively because they clearly improved, while Taiwan remained more challenging.

Overall, this was sell-in. Talking about Q1 value depletion, so best approximation of sell-out in the region, we were up by low-single-digit, driven in terms of product by Rémy Martin CLUB. We consider that like a pretty good performance. In the remaining part of Asia, as already highlighted, sales were up by very strong double-digit in the Q1, mostly driven, but also by other types of products like Louis XIII, Rémy Martin XO and Rémy Martin VSOP.

Second region by weight for Cognac, Americas. Start with North America, so combination of US and Canada, where sales were up by mid-single-digit in the quarter, despite high comps. This performance was mostly driven by the US, and more particularly by Rémy Martin 1738. In parallel, on a negative side, Canada was still affected by destocking. This was sell-in.

Talking about value depletion, Q1 value depletion were down by mid-single-digit, but sequentially improving compared to the previous quarter. This is clearly thanks to the greater resilience of Rémy Martin 1738, slight improvement, even if it's still negative on Rémy VSOP, and the solid, concrete, positive performance of Louis XIII.

12 months value depletion included 1 negative point or negative price-mix effects year-on-year, so on 12 months rolling basis end of June.

Latin America. In Latin America, sales were down by very strong double-digit in the quarter, impacted by high comps. Just remind that the last year at the same stage, sales were multiplied by three, so the comps are clearly stellar to match this year.

In EMEA, Cognac sales grew by strong double-digit. So positive note, Cognac inside EMEA. UK and Nordics were up by high teens in the quarter, driven by 1738, VSOP, and Louis XIII. This performance reflects what? Market share gains supported by greater pricing agility, new listing, and improved in-store visibility.

Europe third-party distribution cluster was down by mid-single-digit. That is clearly affected by Germany. Germany is playing a big negative role, overshadowing the performance of the cluster in the quarter. This was partially offset by some green positive performance by Czechia and Switzerland, but not enough. Germany is too important, too big to offset.

AMEI & CIS for Cognac were up by strong double-digit, boosted by South Africa, which more than offset headwinds in Middle East. And finally, one word on Benelux and France, where we were strong double-digit up.

In terms of Q1 EMEA value depletion, we are up by strong double-digit, driven by very strong performance in the Nordics, France, Italy and South Africa.

Now let's turn to Liqueurs & Spirits divisions, slide number seven. Liqueurs & Spirits division reported a negative performance, minus 6.6% in Q1, mostly impacted by volumes. At the end of June, Liqueurs & Spirits accounted for less than 36% in sales, down by more than 3 points compared to the previous year.

Let's now review the division performance by region. And let's start with the Americas, the most important one, and North America, in which sales were down by low-single-digit, reflecting some phasing effect following a strong Q4 of the previous fiscal year, as you remember. However, the healthy tracker, so which is Q1 US value depletion, showed a solid growth of mid-single-digit led by all key brands and more than the others, Cointreau, The Botanist, Bruichladdich, and Mount Gay. This is very positive and bodes well for the future of our recent innovation launches.

Additionally, price-mix on Cointreau only, as shown in the spreadsheet, in value depletion was down 2 points compared to the previous year for the 12 months rolling period ending in June. In Latin America, sales were down as well by mid-teens in Q1, reflecting, as already said, overall for the region is valid, no matter which division in terms of comparison.

In EMEA, second region by weight for Liqueurs & Spirits, sales were down by low-double-digit. UK and Nordics were down by mid-single-digit, affected by tough market condition and some destocking two important key retailers.

Europe third-party cluster was down by mid-single-digit. I repeat myself, but it's very important, affected by Germany, but also Italy, partially offset by solid dynamics, but not enough in Greece, Spain and Czech Republic.

Benelux and France were down by very strong double-digit, while AMEI & CIS also down by strong double-digit on the back of Middle East conflict, as most of our footprint in Middle East for Liqueurs & Spirits in the UAE. So in this division, we are not able to compensate, so the opposite of Cognac. This was sell-in.

In parallel, Q1 value depletion in EMEA were down by mid-single-digit. In APAC, in China, sales were down by strong double-digit in line with value depletion, so negative performance. The market was for Liqueurs & Spirits, particularly tough in Q1. It was marked by very strong promotional activities and price disruption. The main part of Asia was up mid to high-single-digit, driven by Australia and Japan, mainly with Bruichladdich and Telmont Champagne, while New Zealand continued to face tough market condition and negative performance.

Last but not least, a word on non-Group brands, which represent today less than 1% of the Group sales, and we were down by more than 0.5 points in terms of ratio compared to the previous year. They recorded a minus 47.9% organic decline, mostly affected by the Benelux, following the discontinuation of distribution of partner brands from April in this area. This is what we expected. So it's a negative performance, but it's not more negative than the expectation.

Now, let me now turn to the last slide before Q&A session and our guidance for the full-year 2026-'27, slide number eight.

No change. We expect a return to organic sales growth for the year after the plus 0.2 of previous one. And for profitability, we expect the operating profit margin, organically speaking, to remain resilient despite the impact of tariff, and to improve slightly organically. The total impact from tariffs is currently estimated at around €20 million negatively, including more or less €15 million in the US and €5 million of price undertaking delta in China based on our current assumption.

This represents global value, an increase, an additional burden of €5 million compared to the previous year. But as you know, tariff developments and environment in the US continue to evolve rapidly. Some good news, some bad news. Despite the recent update, more on the positive side, I have to admit, we continue to remain cautious and to assume in our budget estimation, a cautious approach of 15% tariff rate on European imports, and at this stage, a limited impact on refunds.

On FX, on the exchange rates, considering the positive evolution of US dollar and clearly the Chinese renminbi in the period compared to the expectation, so it's better than expected. We now expect a negative impact of around €15 million in sales, equally split between H1, H2, before it was a fork between €15 million and €20 million, and we remain at the same level of negative impact on operating profit from switching to organic to published, to minus €5 million to million €8 million, with the most of the impact expected in the H2.

At the same time, one word on very disciplined capital allocation that will remain more than ever a key priority, notably through tight management inventories, working capital needs and capital expenditure.

Finally, we maintain and reiterate our debt ratio commitment and guidance to be below 3.5 at the end of the fiscal year, which it is a key commitment for the Group.

Thank you for your attention. And now I'm happy to drink a bit of water and to answer to your questions.

Questions and Answers

Operator: Thank you. If you wish to ask a question, please dial pound key and five on your telephone keypad to enter the queue. You are kindly asked to limit yourself to two questions only. Our first question comes from the line of Laurence Whyatt at Barclays. Your line is open. Please go ahead.

Laurence Whyatt (Barclays): Morning, Luca. Thanks very much for the presentation. A couple from me. Firstly, your improved performance in the US. I was just wondering if you have any evidence of any sort of change in consumer that you're seeing in the US, whether you're selling more into the on-trade than before, or whether your consumer base has changed in sort of age or any other type of change in your consumer base to sort of drive that improvement in the US sales.

And then, secondly, you mentioned that Travel Retail had very strong double-digit growth across the Group. I was just wondering how much of a benefit you got from the restocking in China following the sort of lack of sales into the China travel retail system last year. How much that contributed to your significant improvement, or how much was a sort of an underlying improvement in Travel Retail excluding that restocking benefit? Thank you very much.

Luca Marotta: Thank you for your question. So no particular point to highlight in terms of change of consumer base in the US. So the underlying dynamics in terms of consumer, I'm not a marketing expert, I'm not a strategic planning expert, but didn't come to my attention some significant changes.

In terms of channel, we can say that on-trade was a bit more dynamic, but the current trading with the sales growth of between low to mid-single-digit was clearly also an act of will and performance of our team with a stronger than ever focus on the execution despite the negative market.

So the most important message from myself today at company level is that market is still very complicated in the US, and we are doing our best, and so far, in very humble way, we are beating the market. So we are gaining, winning market share. We do all we can to realise the best performance possible with the means we have, because also with the negative threats and the volatility of the tariffs question, you cannot overinvest very easily, also because you don't know what will come through tomorrow, come across, even if come across, normally it's considered luck. So in that case, it's not the perfect translation. So there is a cautiousness about that.

No change in consumer base, strong focus on the execution, unlock every possible means to speed up value depletion. They still remain negative, so we cannot consider that what we realise is a normative one. We improve, we remain humble, and we do best we can to increase our performance in sell-in, because at the end, we are all paid and we are all judged on the profit and loss and free cash flow. So it's sell-in. So value depletion is nice, but at the end, it needs to match with that.

In term of dynamics by product and by division. As highlighted, it's important to notice that Cognac did a very good performance in the US despite the difficulties of the moment. So it's not ended. It is not something that maybe will last forever, but we have to be very satisfied what we realised. Performance was driven by 1738. We highlighted also the top of the range Louis XIII performance.

So once again, why we realised that is less of a structural movement of the consumer base, of the channel modification. It is more the strength of the execution. Don't forget also what's happening with the Reyes getting all the – not all, some of the states over in D.C., some disruption linked to these changes. We had some different news in the last two days, also for the remaining part of RNDC with Chapter 11 that will cause some additional crystallisation of the existing terms and existing situation in some states.

So we can really be very satisfied of the performance. I don't want to hide the negative point, mathematically speaking, on the US of the poor. So the Liqueurs & Spirits. We were bad? No. We were lapping very strong Q4, preparing the Cinco de Mayo, and value depletion are clearly better than sell-in. So everything equals, we will continue to realign that.

So in a nutshell, sequential improvement, strong focus to execution, teams fighting as never, a little bit less than expecting more performance because of the slowdown of the market. We are winning and gaining market share.

GTR, no doubt, the performance is only in a minimal way, taking profit or lapping the mix of sales in China last year. It's much more broad. Clear, once again, execution, attention, focus.

One of the first thing Franck Marilly said when he took the helm one year ago of the company, a little bit more than one year ago, is that attention to the top line and focus of the Travel Retail and as well emerging market, with Travel Retail, which is already installed as a channel.

So it is also clearly the reflect of this strategic view that is hammering clearly and waving positively so far in terms of performance. And we are there to continue to surf on the strength of the Travel Retail. It will not be every time so good in every single quarter. This performance is not dramatically, in a terrific way, influenced by lapping a mix of sales last year in the China travel retail. It's only marginal.

Laurence Whyatt: That's great, Luca. Thank you very much.

Operator: Thank you. Our next question comes from the line of Edward Mundy at Jefferies. Your line is open. Please go ahead.

Edward Mundy (Jefferies): Hi, Luca. Two questions, please. I appreciate the RC Forward plan as a medium-term ambition. But you hinted at a few changes, I think, in the quarter, such as VS in South Africa and duty-free recovery. But are there any other early shifts of the strategy that you can point to that are helping to drive top line growth at the business?

And then the second question is, could you provide a bit more colour around what's driving the improvement in Macau, Hong Kong, and Hainan? And is the environment in China getting any better or worse relative to last year?

Luca Marotta: Thank you. So in terms of the weight of the new territory or new products, clearly, without giving all the elements that will be discussed in end of November, because we will be part of the new strategy journey. Once again, I will name drop Mr Franck Marilly, our CEO, because it is the result of the intensity he is putting on new territories and to shake our heads to try to figure out more top line in new territories, increasing the pressure.

So we are starting this journey. So far, we can count on some additional innovation that we highlighted in slide number three, but they are not so important, mathematically speaking, apart from VS. We will continue to figure out some of that.

In Travel Retail, it is not only a matter of commercial aggressiveness. Also some specific product that has been created some years ago that is delivering very good performance. One of that is CLUB Exception, which is a specific SKU that has been created for Travel Retail to avoid any face-to-face comparison or competition.

In terms of the second question, how much Hainan, Macau, Hong Kong contributed to the quarter was very strong. As you have seen in the past, it’s a bit up and down more for the Macau and Hong Kong. Macau used to be a very strong territory. So if the game industry will be solid enough to be back, we can be back at some extent to part of what we had in the past, not totally 100%.

Hainan and Chinese border are at the opposite much more standing and lasting source of growth. So all in all, in the quarter, a strong impact. All around the year will be much more the internal China home, we call market dynamics that will contribute.

And performance like the 6.18 that combined with the Super Brand Day are now realising 8%, 10% of top line of the year, comfort ourselves on this strategy.

Last but not least, to be highlighted, the solid resilience compared to the relative performance of the e-commerce in China, in which our digital knowledge and commercial, but not only supply chain marketing execution is clearly a competitive advantage in this market.

Operator: Our next question comes from the line of Andrea Pistacchi, Bank of America.

Andrea Pistacchi (Bank of America): Yes. Thanks and morning, Luca. Sorry, I and probably other people got disconnected now for like a minute or two. I know Ed just asked about China, but I and maybe other people didn't hear the answer. So I just wanted to ask something on China, probably framing it slightly differently from Ed's question. Could you talk about the situation in Cognac in China? Because on the one hand, you mentioned a still challenging market, but on the other hand, you reported positive depletions, which is good. And also one of your peers earlier this week sounded more constructive sequentially on China. So do you feel that China is – I mean, while still difficult, but on an improving trajectory? And how do you feel as we get closer to the peak season on China?

And the second question, Luca, is on the rest of Asia. You reported a very strong double-digit growth there. Can you explain a bit more what is driving that? Is it a comp effect, shipment phasing, or is it maybe a reflection of your recent territory expansion plans? And on this basis, how do you expect rest of Asia to play out for the rest of the year? And can you remind us how much today rest of Asia represents of APAC? I reckon about a quarter. Thank you.

Luca Marotta: Thank you. So let's talk a bit more organically about China current trading and try to explain our performance without entering in the comp and bench with the Hennessy communication of yesterday, even if it's your question.

Q1 sales in China were down low to mid-single-digit. Value depletion also were down by low-single-digit. So mathematically speaking, we are negative compared to previous year. Is it what we expected? Yes. It is in line? A touch better, in line mathematically, a touch better in terms of quality.

Because inside this end market, which is still marked by soft consumer confidence in our opinion and regulatory alcohol consumption restriction and tension is not lifted. And the fact that even if in a small quarter, we have to wait for Mid-Autumn Festival to have a clear direction. Every time we were able to be in touch directly with the consumer, we were resilient and beating our expectation, helped by clearly CLUB, which is our most important weapon, and we protect that. We protect in terms of image, in terms of price inside China.

CLUB, which was positive in terms of value depreciation. And in terms of channel, not only e-commerce, but also exploring additional way to be even more directly in touch with our consumer.

E-commerce continue to overperform compared to the overall performance, plus 7 points to reach 43%. Every time we are increasing that, we are touching new consumer, we are getting new territories, because we are now in tier two or three and four cities, and going beyond our classical territories. And on top, which is a slight positive element, the performance was homogeneous between direct and indirect channel, weighing for more or less 50% of sales in the quarter.

So meaning that, and this is something important, indirect, and we'll say that tier one. We are not scared also to be in line with our performance. So clearly negative, but still much less than could have been, and in line with the expectation. The remaining part of the equation, which are inventory. Inventory remains reasonably healthy across the brands in June.

In terms of performance, which is the part linked to the brands of your question, Cognac was clearly showing a great resilience, much better than Liqueurs & Spirits, driven by CLUB in sell-in and value depreciation. High-end brands were more contrasted.

In Louis XIII, we need to split that. Louis XIII is more in our journey or change the way we are communicate and distributing that, even if we have to improve the top line and the sell-in impact in the very next future without delaying any further. For XO, it is still something that needs to improve in China, specifically, and in which also the aggressiveness of our competitors, specifically on the XO, was hitting our performance.

It is that we are bad compared to others? In my personal opinion, it's more a game of change of route to market inside the rhythm and the pattern of big Asia for other peers than real consumption. But the final result will be given by what will be published by every peers in the next quarter.

Ourselves, looking into our house, XO performance was not in line with the expectation. For CLUB and other parts of the Cognac portfolio was bigger and more than in line than our expectation.

Liqueurs & Spirits, very negative, a bit of deception. So no particularly negative feeling about the cognac desirability in China and cognac performance. It's more the other way around, a bit of unsatisfaction, a need to correct the performance for PHD whiskey and even more strategic for Cointreau.

Rest of Asia, is a bit what you said. There is some additional territories that are starting to ramp up. There are additional pressure and aggressiveness. And the performance of Travel Retail that in published figure is embedded in APAC region is clearly visible. I repeat what I already answered to Laurence of Barclays. It is not only a matter of lapping negative performance or absence of top line of last year in China, which is explaining the Travel Retail performance. We are doing things better, and inside that CLUB Exception, or CLUB Exception à la française, it is a clear weapon that we gave some years that is improving in terms of performance inside Travel Retail.

In being a specific SKUs, it makes no direct bench on comp negatively affecting CLUB into China. This is very important.

In terms of weight, today is a minor in part. China is clearly overshadowing the global part of the overall performance of APAC, but it will be increasing and starting as it was when I arrived in the Group 13 years ago, starting with Travel Retail. Travel Retail used to be very, very much more important inside APAC.

The important thing I insist is to develop a complementary offer and not to have a price war inside home territories and Travel Retail's territories. Playing on different SKUs, different offer, avoiding any face-to-face comparison. Otherwise, this is a destroying of prices and base of consumption. It is the devaluation war internally. We want to avoid that.

Andrea Pistacchi: Thank you, Luca.

Operator: Thank you. Our next question comes from the line of Trevor Stirling, Bernstein. Your line is open. Please go ahead.

Trevor Stirling (Bernstein): Hi, Luca. So two questions from me on the US, please. I think in the US, if I got it right, you said that shipments was up low single digits to mid-single digits. Depletions were down slightly negative, but the stock levels improved slightly at around four months. I'm just wondering if you could explain the math of how that works.

And the second thing, perhaps more importantly, in the US, I guess it's over a year now since we had that change in leadership of one of your major competitors at a Group level. Are you starting to see the pricing intensity lessen? Maybe it's for the wrong reason. I don't expect to see prices get any worse, but are prices still falling in US cognac from your competitors?

Luca Marotta: Can you repeat the second one? Because I didn't hear well. We have some technical problem today. The second one.

Trevor Stirling: Yes, sure. So it's very shortly, are prices still falling in US cognac? Your competitors, are they still further increasing their level of discounting, or are we starting to see stability at the new lower price points?

Luca Marotta: Thank you. So I start with the second one, the same. The same, that can be different in terms of promotional intensity. Can be different state by state, the more fought one in Illinois. Clearly everybody is fighting with two knives and not one. If you go in more classical one, less of that. But no major delta, no major differences, still being a very big level.

First question, and I thank you for your question. The maths are correct. Actually, we destocked more or less €5 million to €6 million in the US. Why? Because the base, the quarter, or the absolute value of the depletion value was clearly bigger, higher than sell-in. So even if you are growing from a lower base and they are decreasing, you are destocking in that way. So that's important.

In a given quarter, it’s not so important if you want, but we follow that, not only the percentage of growth of reduction, of decrease, but also the absolute value, because despite the dynamics of one quarter, inside specific momentum like OND, October, November, December, or the end of the year when you do the financial statement of destocking and stocking, we rebalance that.

And as I said, last year was very important for the second year in a row. The absolute value of the value depletion estimated on a comparable basis was bigger, the absolute value of sell-in. We are starting from a higher base of guests coming to our house to have dinner, so we lower what we have in the fridge compared to the previous year.

Even if there were negative performance, the absolute value was big enough to justify a destocking. Hope it is clear.

Trevor Stirling: Yeah. Thank you very much, Luca.

Operator: Thank you. Our next question comes from the line of Simon Hales from Citi. Your line is open. Please go ahead.

Simon Hales (Citi): Morning, Luca. So my first question was just carrying on the US theme, if possible. You mentioned that you saw some one-off related distribution change benefits in the quarter. I just wonder how big a benefit that that was and how we should think about those distribution changes continuing to impact future quarters from here, or are those changes now largely in the base as far as the US is concerned? So that's the first one.

And then, secondly, I wonder if you could just talk a little bit more generally about the EMEA region, particularly Europe. You talk about the high levels of promotional intensity you've seen there. Is that largely a reference to Germany and sort of competition on the ground there? Or is that much broader where you're seeing that promotional intensity sort of coming through? And related to that, I wonder if you could talk about the exit rate and perhaps early trading in July that you may have seen in Europe, given the better weather we've seen. Is that helping your Liqueurs & Spirits business in particular at all?

Luca Marotta: Thank you so much. So let's start for the last one, and we profit on that, not talking only about EMEA but more overall. What they are the exit and the current trading July at the Group level, which is very important.

In terms of sell-in, July is in line with our expectation overall, with EMEA still a bit complicated, but the Travel Retail overall, worldwide level offsetting that. It's more important the current trend and the current trading in July for value depletion. Without giving specific figures a lot, only want to give you the flavour of that.

US is still negative because the comps become higher. So we'll be back to the question number one, distribution changing up and down in the US. EMEA remained contrasted. When I say contrasted, not everything is negative. So UK and Nordics, I highlighted this year seems to start with the right foot. Africa is doing very good. Compared to our peers, we are able to absorb, thanks to the US, but not only, more aggressive in penetration inside some market to compensate the Middle East. So for us, it has been digested, so it is not evident at the moment.

Southern Europe is not doing badly, even if it is in low scale, and other part, more than leopard spot, performance are positive. So not everything is negative, but The impact of Germany is so important and will be improving progressively because we are getting more promotional slot, even if the environment is negative, that is negatively impacting the global performance.

On top, do not forget also, even if it's expected, that Benelux loss of distribution is waving, not only on Group brands, also on our brands, because we are adjusting the operation in terms of who will distribute our products in Benelux so far.

So EMEA is complicated, still contrasted, both in sell-in and sell-out, even if not everything need to be thrown out with the water of the bathroom. There is some positive things.

What is missing, which is important for you to understand? What's happening in China in current trading, in sell-out or the value depletion? July is so far very positive. So I tried to explain the exit rate. I repeat myself, good dynamics. At the end, the glass is more full than empty in terms of value depletion.

In terms of distributional change in the US concerning to the performance of the market and even more by ourselves. Q1 was a bit influenced by a lap of comp. You remember last year, there was an impact because of the California change that made some important impact positively. So we need to lap that. We lapped that, so it's positive, and the Reyes takeover from the part of some states of RNDC caused a speed up of the operation.

How much of that will be normative? We'll see at the end of the Q2. Clearly, month by month, when you have this kind of disruption, monthly results do not mean so much.

On top, I think that you witnessed that two days ago, RNDC remaining part, which is still important for part of our distribution between 5% and 8% of our turnover, considering our estimations so far for the full year, has been put under Chapter 11.

So apart from some technical element linked to the existing, eventually, AR, accounts receivable position, but is marginal. The point is what will happen in terms of dynamics of top line. When you are in Chapter 11, you crystallise a bit everything. So you put a bit of pause on all the operation by the law. So we suspect we might slow down a bit all the operation transition. We will see. But we are waiting and thinking that will eventually have a short-term negative impact on our operation.

We are doing everything we can to cope with that and to solve that. But Chapter 11 of a company is something that you cannot avoid if it happens. So it's the way it is. So the distribution change of this year will be two ways. Acceleration when the transition from Reyes had been completed without any specific accident or delaying by the law, and a bit more slow compared to expectation when you have some states that were not sold to Reyes, that need to be changed in terms of helm or to continue until the end of the year, or when the Chapter 11 cause will be defined, somebody by, I don’t know, will be addressed. So this will weigh a bit on the depletion and on the top line dynamics, making the expectation in term of normative quarters more complicated than before.

But again, don't quit and don't say goodbye on this note, giving a negative point or negative impression about the performance. US teams, like China, like every team in the world, are fighting in a very complicated market, and they are committing, and they are realising market share gains. And so far, we are continuing to fight. And the guidance for the year is confirmed despite all the cloud negative eventually threats that we might invent or think they are there.

Sorry for the technical disruption of today. Clearly, I am very, very sorry. I apologise. Hope that our figures will continue to be better than our previous one. Talk with you in October, and even more with Franck, end of November. Until then, please keep safe and have a nice summer. Thank you so much.

Operator: Thank you. And we apologise as well from the technical team for technical problems. This concludes today’s conference. You can now disconnect.

[END OF TRANSCRIPT]