Rémy Cointreau

Q2 / H1 2026-27 Sales Presentation and Q&A

Cleaned transcript: paragraphed, corrected and figures standardised. Square brackets mark reconstructed or unclear passages.

Presentation

Luca Marotta (CFO)

Hello everyone, and welcome to our first-half sales presentation. As I highlighted in our press release, Q2 sales grew by 4.2% organically, bringing H1 organic sales growth to 2.9%.

This performance includes, first, strong growth in cognac of +12.4%, reflecting a significant acceleration in sales in APAC, particularly in China, and to a lesser extent in EMEA. Meanwhile, sales in the Americas declined, impacted by a high base of comparison in the US. Second, a decline of −7.4% in Liqueurs & Spirits, due to destocking in the Americas following the transition from RNDC to Reyes in the US. In parallel, EMEA continued to show mixed performance, still weighed down by Europe, despite a return to growth in key countries like the UK.

Specifically, Q2 sales performance breaks down as follows: a volume increase of 0.5% and a positive price/mix effect of 3.7%, largely driven by mix, on the back of the strong outperformance of cognac versus Liqueurs & Spirits. This performance is in line with our expected full-year trajectory.

Looking at the overall sales performance by region, let's start with the Americas, where sales were down 5.5% in H1. Performance was impacted by a high base of comparison in cognac and by destocking in the US due to the change in distribution, in a market that remains very challenging.

APAC was up 14.3% in H1, reflecting a strong acceleration in shipments in China in Q2, ahead of Mid-Autumn Festival, and continued momentum across the rest of Asia. EMEA was down 2.2% in H1. This reflects contrasting performances: a strong performance in AMEI and a solid improvement in the UK, more than offset by a subdued consumer environment in the rest of Europe.

One last word on global travel retail (GTR), which for us is a business unit spanning all three regions. Sales were up by a very strong double digit in Q2, mostly driven by APAC and, to a lesser extent, EMEA. Last year, the technical impact of the duty-free disruption in China was estimated at −€2.2 million in Q2 and −€7.7 million in H1. Even excluding this base effect, which mathematically improves the growth performance, GTR would have remained at a strong — I repeat, strong — double digit. So it was a very positive quarter and H1 for global travel retail.

In terms of value depletion, which is the best approximation of sell-out, for H1 at group level, all brands together: in the US, value depletion was close to flat. Liqueurs & Spirits depletion was positive and offset the decline in cognac volumes, so there is a negative impact in terms of the volume/value equation for depletion in the US. We were particularly pleased with the September exit rates, which reached double-digit growth. But as I will highlight later in the Q&A session, it is too early to consider that sustainable, given the strong month-to-month volatility that we are now witnessing even more than before. It is very important to look at figures at quarter level, in terms of trends, rather than at single months. However, September was very, very positive.

In China, value depletion was up mid-single digit in H1, which represents a very good performance considering the current market environment. However, despite high-single-digit growth in Q2, Mid-Autumn Festival depletion was below our internal expectations — I repeat, internal expectations — because Q2 was a high-single-digit growth performance in depletion, and so below sell-in. Despite that, we gained market share in depletion and in retail sell-out during Mid-Autumn Festival.

In EMEA, value depletion increased by a low double digit. Overall, we can say that H1 group value depletion grew by mid-to-high single digit year on year, outperforming sell-in, whose trend was lower than the performance of depletion value.

To conclude on this very first slide: we are reconfirming our full-year guidance, even if the underlying assumptions related to tariffs and forex have been updated. I will provide more details at the end of the presentation, so that you can understand where these new flows come in.

Now, slide 3. H1 sales amounted to €510.9 million, an increase of €21.3 million, or +4.4% on a reported basis. This performance was shaped by the following factors. First, organic growth of €14.1 million, which means +2.9%. This is split between a negative volume effect of −0.4% and a positive price/mix of +3.3%. The positive price/mix is, in reality, entirely driven by a strong positive mix linked to the outperformance of cognac. Second, a positive currency translation impact of €7.2 million, or a 1.5% gain, marking a clear shift in trends compared with the previous quarter. Of course, it is a bit early to know whether this is sustainable given the volatile macro environment, but this gain was mainly driven so far by the appreciation of the Chinese RMB, which contributed around €8 million — €7.8 million to be precise — while the US dollar, even if improving, still had a slight negative impact of −€1 million.

Now let's turn to slide 4 to look more closely at the organic trends by region at group level, all brands together. Let's start with the biggest one, APAC, where organic sales were up 14.3% in H1. This performance was driven by a positive volume effect in the region. China is clearly the most important country, where sales were up mid-teens in Q2, in line with expectations. Q2 was very positive, I insist, improving sequentially compared with Q1. Market conditions remain challenging, with Mid-Autumn Festival depletion below our internal expectations, which were very, very high. Overall, H1 value depletion in China was up mid-single digit but, I repeat, with an acceleration to high single digit in the last quarter.

Given the mathematical equation between sell-in and value depletion in H1, inventory levels in China at the end of September were slightly higher than at the end of June, which will create the need for a measured destocking in Q3, ahead of Chinese New Year. Our overriding priority is to maintain healthy inventory levels in China. We are talking, I repeat, about a very measured destocking, which is aligned more in absolute level than in weeks of coverage. So we did not blow up the stock after Mid-Autumn Festival, at the end of September, with the festival selling campaign. The destocking need is measured, I repeat.

Elsewhere in the region, the rest of Asia recorded very strong double-digit growth in Q2, driven by cognac and, to a lesser extent, Liqueurs & Spirits. And finally, as already highlighted globally, GTR related to the APAC region was up by a strong double digit, even stripping out the technical effect of last year. At the end of September, the APAC region accounted for 44% of group sales, up 5 points compared with the prior year.

Let's now turn to the Americas, where organic sales were down 5.5% in H1. This performance reflects a mid-single-digit decline in volume and a slight growth in price/mix, mostly driven by mix, in the US. Specifically, sales declined by a low double digit in Q2, impacted by a very high base of comparison in

cognac and by some destocking following the change of distribution — also clearly some mechanical effects linked to that change.

In parallel, H1 value depletion continued to improve sequentially, and we are close to flat at the end of September. This is very encouraging, even more so if you consider the exit rate at the end of September, but we are not there yet because, as I explained, volatility is increasing. Technical factors are sometimes overwhelming compared with the underlying trend, so we need to be very cool-headed to define what is a spark and how much of this spark is sustainable. But at least there was a strong spark. There was a fire. It was not as cold as before.

Inside that, in terms of state dynamics, control states, which account for roughly 20% of our total value depletion, are now in growth, which is very important. Control states are less impacted by sell-in/sell-out stock dynamics because they are leaner in terms of stock, while open states, accounting for 80%, are close to flat, with a solid depletion performance from Liqueurs & Spirits offsetting the decline in cognac. In this context, inventory levels in the US stood at more or less the same 4 months at the end of September, with a slight asymmetry between cognac and Liqueurs & Spirits: a bit less in Liqueurs & Spirits and a bit more in cognac, given the dynamics of sell-in compared with sell-out.

Canada: sales were down by a low double digit in Q2, impacted by continued destocking. In parallel, in LATAM, sales were up by a very strong double digit in the quarter, mostly driven by cognac. One last word on GTR Americas, which was slightly up. Our footprint is very small so far, and the potential is therefore very, very important for the future. At the end of September, the Americas accounted for 35% of group sales, down 4 points compared with the previous year.

Finally, the EMEA region, where organic sales were down 2.2%, primarily reflecting a negative volume effect and a positive price/mix, essentially mix. As I highlighted, sub-cluster performances were very differentiated within Europe. Third-party distributor sales were down 18% in Q2, mostly impacted by Germany and Poland, where consumption is weak and promotional activity is high. Some news concerning excise duty in Germany is not going in the right direction, mathematically speaking, for our sales. So it will be a complicated year, not only H1, for Germany and Poland and for that sub-cluster inside Europe.

In the UK and Nordics, sales were up mid-to-high single digit in the quarter, accelerating from Q1, mostly driven by very important markets like the UK. After a touch of positive, a touch of negative: in Benelux and France, sales were down sharply in the quarter, affected by the discontinuation of partner brand distribution in Benelux from April onwards. You remember that we discontinued the cooperation with the William Grant brands. However, excluding non-group brands, sales would have been up. France was down by a low single digit; there is no non-group brand history to highlight there. So it is a negative performance, low single digit, in France in H1.

Lastly, in MINCAS, sales were up — so positive again — by a very strong double digit in the quarter, led by South Africa and partially also by the UAE. The conflict in the Middle East had a slightly negative impact on the region, but we still grew compared with the previous year. This was sell-in. Overall, H1 value depletion was up by a low double digit. As a consequence, inventory levels remained more or less unchanged compared with Q1. And finally, GTR EMEA was up by a strong double digit. At the end of September, EMEA accounted for 21% of group sales, down 1 point compared with the previous year.

Now let's turn to slide 5 for the analysis by division. Let's start with the queen: cognac. The Cognac division posted organic sales growth of +10.3% in H1, driven by a 16% increase in volume and a negative

price/mix of −5.7%, mostly affected in this case, clearly, by the price effect. At the end of September, cognac accounted for 66% of our sales, increasing its weight by 5 points.

Inside cognac, let's start with APAC, and with China. Cognac sales in China were, as expected, positive, up mid-teens in the quarter, which means high-single-digit growth in H1. In a still challenging market, the performance was mainly driven, in terms of channels, by direct channels, while indirect sales channels strongly underperformed compared with the weighted average. Does that mean it is negative? No, it is not. When I talk about underperformance or outperformance, it always means compared with the average performance and sometimes with our expectations. If it were negative versus the previous year, I would say so. E-commerce was up by more than 30%, accounting for 30% of sales in Q2.

Looking at performance by brand, multichannel Rémy Martin Club continued to grow, and the quarter witnessed a particularly strong performance for Louis XIII, as well as a meaningful acceleration in Rémy Martin XO. Finally, sales in Hainan, Hong Kong, Taiwan and Macau were all strongly up in the quarter. This was sell-in, top line.

Now let's look at the other side of the equation. H1 value depletion was up mid-single digit, including high-single-digit growth in the quarter. So it is an acceleration of cognac depletion in China, mostly driven in that case, clearly, by Hainan, Hong Kong and Macau. Louis XIII and, to a lesser extent, RM VSOP led this performance, while at the same time Rémy Martin Club continued to be resilient. These results are positive but clearly reflect a much softer Mid-Autumn Festival, below our internal expectations, which requires a very measured realignment between sell-in and sell-out in the last quarter. Despite that, at the end of Mid-Autumn Festival we gained market share compared with competition — a performance that we can qualify as comparatively better than our peers.

In the rest of Asia, sales were up by a very strong double digit in Q2, mostly driven by Rémy Martin and Rémy Martin VSOP.

Now, the Americas. Let's start with North America. Sales were down by a low double digit in the quarter, impacted by a high base of comparison and some destocking, particularly in Canada, as highlighted. US value depletion was down by a low-to-mid single digit in H1. What does that mean? It means that value depletion in the US is improving sequentially compared with the previous quarter and period, driven by a very strong performance of Louis XIII, for instance, as well as a sequential improvement of Rémy Martin VSOP. Twelve-month rolling value depletion included a positive 1 point of price/mix at the end of September, year on year. In Latin America, sales were up by triple digits in the quarter, albeit from a very marginal base, led by Rémy Martin VSOP, Rémy Martin XO and, to a lesser extent, Louis XIII.

And then, last but not least, inside cognac, EMEA sales grew by a very strong double digit. What happened? The UK and the Nordics were flat in Q2 led by the UK, which returned to growth and also benefited from a very strong sell-out. So, quite a healthy Europe. The third-party distributor cluster was down by a low double digit in the quarter, mostly impacted by Germany. AMEI and CIS were up by a very strong double digit, boosted by South Africa and supported also by the continued success of Rémy Martin VS , and by the UAE. And finally, Benelux and France were up by a very strong double digit ahead of the transition to the two new distributors that we named in October in Benelux: one for Belgium and one for the Netherlands. Lastly, EMEA cognac value depletion was up by a very strong double digit in both Q2 and H1.

Now let's turn to the Liqueurs & Spirits division, slide 6. This division reported organic sales of −7% in H1, mostly driven by lower volumes. At the end of September, Liqueurs & Spirits accounted for 33% of our sales, down 4 points compared with last year.

Let's review the division's performance by region, starting with the Americas. In North America, sales were down by a low double digit in the quarter, impacted by some destocking in the US. However, in Q2, US value depletion continued to display solid growth, low-to-mid single digit in H1, led by all key brands: Cointreau, Mount Gay and The Botanist. That is the reason why the stock realignment and the stock equation are less of a potential issue for the distributor compared with cognac, and we are still at the same 4 months overall. Additionally, price/mix for Cointreau was negative, at −2 points over the 12-month period ending September. This reflects a mix of price aggressiveness, which has been reduced compared with the past, but even more so the format and SKU mix. Latin America sales were up by a high single digit in the quarter, supported by a strong performance of Cointreau.

The second region by weight for Liqueurs & Spirits is EMEA, where sales were down by a mid-to-high single digit in the quarter. UK and Nordics were up by a single digit, driven by strong growth in the UK, also thanks to some new distribution gains and a solid innovation pipeline, including Cointreau Spicy and Mount Gay spiced . The spicy range is something that we are trying to push as a new wave of innovation, given its solid top line and its contribution to our future growth. In Europe, third-party distributors were down by a strong double digit, once again because of Germany and Poland. Benelux and France were up by a low single digit, benefiting partly from the change in distribution. [MINCAS], while mixed, was more or less flat, more affected than cognac by the conflict in the Middle East and by some on-trade impact, as most of our on-premise footprint is clearly touched. In parallel, EMEA Q2 value depletion for Liqueurs & Spirits was up by a low single digit but down by a low single digit in H1.

And the last region in terms of weight, at 14%, is APAC. In China, sales were down by a mid-to-high single digit in Q2, affected by Cointreau, which faces high promotional competition, while whisky was up by a strong double digit in the same period. This was sell-in. In terms of volume, depletion was down 18% in H1, with a strong improvement in the second quarter for whisky, which is now back to growth. In the rest of Asia, Liqueurs & Spirits was up by a low-to-mid single digit in the quarter, mostly driven by Japan, where Bruichladdich continues to enjoy good momentum, particularly Octomore, and Telmont is doing well too, while Australia continues to face tough market conditions.

One word on non-group brands, which today represent less than 1% of group sales and were down by 1 point in ratio compared with the previous year. Clearly the Benelux part has disappeared. They recorded an organic decline of −62.5% in H1, mostly affected, as I said, by Benelux, following the discontinuation of William Grant partner brand distribution from April onwards.

Let me now turn to the last slide, slide 7. In a nutshell, our organic guidance is unchanged. We expect a return to organic sales growth for the year, and we expect the operating profit margin to improve slightly organically, net of tariffs. However, the underlying assumptions have been updated.

First, we have reduced the expected total tariff impact from €20 million to €5 million. Why? We now forecast no impact in the US and an unchanged €5 million impact from the price undertaking put in place last year in China. This mainly reflects a reduction in the US tariff rate on European imports from 15% to 10%, as well as €6.4 million in tariff refunds recognised and already received in H1.

The second point is that we already started in H1: we decided to reinvest the reduction in the expected tariff impact of €15 million in the business, to continue to fuel growth, to improve the top line and to increase the dynamic momentum of the company. I will come back to this point in the Q&A.

But now, it is the fourth growing quarter in a row for the company. On a 12-month rolling basis, we are running at more or less +4%, a touch more than +4%, in sell-in, and to the same extent in depletion. So, okay, we have not recovered compared with 2022-2023. But in this context, we are a company that has

grown for four quarters in a row, and we are growing about +4% in top line and depletion. So, not to be rocking and dancing about it, but we are quite satisfied.

On forex, given the very favourable evolution of the RMB and the US dollar, we now expect a positive impact of around €15 million on sales, equally split between H1 and H2, and a positive impact — I repeat, positive — on operating profit, at published rate, of between €3 million and €5 million, with most of the impact expected in H1.

At the same time, disciplined capital allocation remains a key priority, notably through tight management of inventories and capital expenditure. Finally, maintaining our debt ratio below 3.5 at the end of the fiscal year, March 2027, is a key commitment for the group. Of course, this target, set last June as you remember, excludes the favourable impact of the hybrid issue completed at the end of September. As you know, the hybrid bond is fully recognised as equity, which should enable us to achieve a better ratio at the end of the year. But the guidance does not rely on that: something will come on top. The hybrid bond was announced at the end of September but will not impact the H1 figures, because we recognise it in cash terms on October 7.

Thank you for your attention. Now I'm happy to answer your questions.

Q&A

Operator

Thank you. If you wish to ask a question, please dial star 1 1 on your telephone keypad or click on the hand-raise icon on your screen to enter the queue. To withdraw your question, please press star 1 1 again or click on the lower-hand icon on your screen. You are kindly asked to limit yourself to two questions only. Thank you.

We are now going to proceed with our first question. The question comes from the line of Simon Hills from Citi. Please ask your question.

Simon Hills (Citi)

Thanks. Morning, Luca. I wonder if we could go back to Mid-Autumn Festival and your comments there. Could you provide a bit more colour on what you actually saw from a trading perspective, both within Rémy and for the broader industry, through Mid-Autumn Festival itself? I think you talked about having very high internal expectations for what you saw, which you weren't able to meet. And then you also talked about a measured destock, I think, in China in Q3, to get inventory levels back to a more sensible place. How should we interpret that? How big is the measured destock to come in Q3, Luca?

Luca Marotta

Thank you for your question. I will try to start with the first one. Our performance in China was positive compared with last year, both in sell-in and in depletion — even more so if you include our peers' and our own performance in Hainan, Macau and Hong Kong on top of mainland China. Mid-Autumn Festival has not been the Mid-Autumn Festival of the century for anybody, so we had set very high expectations and forecasts. As for our satisfaction, considering the challenging market and the very present promotional activity, everybody considers it quite successful. Even if we put a little more sell-in than the best estimate, the final sell-out depletion was positive. But depletion represents sales to tier 1 and tier 2; then you have to go to tier 3 and to retail. There is a long route to market in China to follow, and we have to take that into account.

So, in terms of Mid-Autumn Festival dynamics, we are satisfied: we gained market share, clearly even more in mainland China than in Hainan, compared with our peers. If I may, our performance in mainland China was relatively more solid, while our peers' performance outside mainland China was a little stronger than ours, in Hainan and Hong Kong. We also benefited from that dynamic, but in a lower proportion. So this strong positive sell-in and very positive high-single-digit sell-out, on a best-approximation basis, call for some caution in Q3.

But Q3, if you allow me, needs to be analysed a bit more globally, in terms of the company's dynamics. Q2 was +4.2% and H1 +2.9%. It is too early to guide, but we expect, at group level — not only China — Q3 sales to slow down compared with H1. Why? Because of China? No. First, the negative components, which will be or should be — because we are always forecasting, and nobody has a crystal ball — EMEA. EMEA will continue to be particularly tough, in particular Germany, Poland and other big countries which have been challenging for several months. There is a problem of promotional activity or lack of consumption. And even if there is an excise tax increase on January 1, the ecosystem is so globally depressed that nobody in the industry is betting on a big last-minute pre-ordering effect on the Q3 top line. So the first reason for this Q3 sales slowdown compared with H1 — I will qualify that, don't worry — is not China, it's Europe.

The second one, which is a moderate one, is China. They will face, in absolute value, some destocking ahead of Chinese New Year, considering a softer-than-expected level of final retail, and so of depletion in terms of pull and push during Mid-Autumn Festival, versus our internal expectations. I don't want to quantify it in millions of euros, but we are clearly talking about a very measured impact of destocking in absolute value. In Q3, China in terms of sell-in will probably be negative, but less negative than EMEA, so it is not the first component.

In parallel, Q3 will clearly be influenced by positive components. The US should be back to growth following the normalisation of the distribution transition. Even if we are not there yet, overall the sparks are adding up: we are seeing, on a weighted average, more solid sell-out data, and no additional important destocking is expected in the quarter. And clearly the engines of Q3, the positive components, will be the rest of Asia, GTR, emerging markets and GTR all over, and we should also start to see some improvement in the Americas.

In a nutshell, this is the point you want to know at the end: at group level, we expect Q3 to be more or less flat versus last year — so not negative, flat — and Q4 to reaccelerate. Inside that, China will probably deliver a negative top-line impact, in a very measured way, realigning sell-in with stock in absolute value. We did not inject a bomb of sell-in at the end of Q2 that now needs to be digested with −€30 to 40 million. We are very far from that. I hope to have been clear and exhaustive.

Simon Hills (Citi)

That's great, Luca. Very clear. Thank you.

Operator

We are now going to proceed with our next question. The question comes from the line of Edward Mundy from Jefferies. Please ask your question.

Edward Mundy (Jefferies)

Luca, two questions from me, please. The first is around sparks. You pointed to the improvement in depletion trends in both China and the US in Q2. As we think about the sustainability of this inflection,

how much do you think is due to a better underlying market, and how much is due to a shift in your strategy? That's my first question.

And then the second question is on this change in the tariff burden, which is quite meaningful. How should we think about this within the context of the forward plan? It's worth about 1.5% on A&P, roughly. Are there things that you may not have been able to do from an activation standpoint, but now can, that should help this forward plan? Or is this more about giving more confidence in the profit drop?

Luca Marotta

Okay, let me try to answer your questions. I will take the second one first, if I understood it correctly, because the line was a bit disturbed. The reinvestment is meant to be not the strategic weapon of the company, but something that will help the company to conquer. The strategic objectives will be made clearer and detailed on November 25. Today is a sales conference, so I cannot enter into all the details in terms of profit dynamics. But there are two or three things I can say.

First of all, the benefit of the €100 million of savings that we highlighted, before reinvesting, will be more skewed to next fiscal year. This year will be more or less 10% of the savings that we are expecting, which theoretically contribute to the operating profit of the year. On top of that, there was the good news of the tariff change, with some refunds and a change of rate. So we were faced with three different types of dynamics: a programme that is installed; some good news; and a positive free-cash-flow tension that has been installed as a new milestone for the company, which used to be more a consequence of some type of strategy and is now part of the strategy as well. And there was the decision by our CEO to focus on top-line dynamism. We are using some of these resources to reinvest right now, straight away, without thinking too much, without conceptualising.

If we consider that the delta is more or less €10 million in H1 — because it is €6.4 million of refunds, and then we consider the €7 million, because €8 million and €7 million make €15 million], which is the delta between 15% and 10% — we can say that €10 million would have affected the H1 bottom line, and it has already been reinvested. So don't build it into your consensus estimates twice, because some of that is already in the top line.

Why do we reinvest that? €4 million is price promotion and top-line dynamism, which you can see. More or less €1 million is absorbed by the Middle East war, on logistics. More or less €2 million goes to A&P and brand-equity support initiatives — even if A&P will be more skewed to H2 than H1, because we have to preserve all our bullets for the OND and Chinese New Year. And more or less €3 million is an injection into strategic topics. So we are already getting some gains from the tariff part and some from the Middle East war dynamics, and re-injecting them into the business. That is the reason why our internal expectations, as in China, are particularly high compared with the previous period.

Second point: sparks, depletion rate, and what is sustainable or not. Let's start with the US. Things are going better, but we are not there yet. The market is still very complicated, and if you want to look at the negative side of the moon in the US, you have a lot of arguments to sustain that theory. But sparks are not only in the figures; they are also in some considerations on a 12-month rolling basis. The 12-month rolling performance is much more driven by cognac than by Liqueurs & Spirits, in depletion as well. So it means that the dynamism is there, more than we expected.

The September exit rate was influenced by some technical factors: Labor Day, some days of change, and the fact that national chains needed to be delivered before and were comparatively increasing their footprint. Changes of distribution and timing, which are sometimes negative, can sometimes create a

disruption in a positive way. So I don't think that the double-digit rate of September will be replicated in October — I hope to be wrong. Then we will touch base on the current October rate at group level, so you can have a brighter idea. But we are improving. Probably at the beginning of the year we were too optimistic in terms of the phasing of this improving ; we will probably end up a little short of our estimates compared with the realisation.

But things are improving in China. I'll give you only one figure: October depletion is positive. That says it all. October depletion trends are positive in China, in value and in volume. So I don't know, probably we are putting a lot of pressure on our estimates because we are investing a lot as well, and it is potentially a little bit disappointing compared with our internal estimates. But the top-line dynamism is really there, and the underlying trend in both should drive positive figures, even if we are differentiating, with more volatility, in a positive way in China compared with the US.

What is happening so far in current trading at group level, in terms of sell-in and volume depletion? It is something that doesn't need to become an habit, because otherwise you are too spoiled but at this moment it is important to give you some clarity: sell-in in October is in line with our expectations, and we are growing in volume depletion. We don't have final data yet, but the mathematical components and the figures worked on spreadsheets show that the US is clearly in a negative dynamic compared with September, because there is a technical factor: Labor Day. EMEA remains contrasted, with some negatives in Germany and Poland. But at the same time the UK, South Africa and other major countries of Europe are positive on depletion, which is very important for us, because in the end the equation should reverse.

China, I repeat, is growing. October is growing in depletion, in volume and value. So the destocking topic of Q3 might also be a little bit reversed, with an increase of stocking in the first months of the quarter. As for the rest of Asia and emerging markets, touch wood, but so far very good. A lot of pressure from Franck, our CEO, on this new territory is right, and if pressure bears fruit, we are seeing the results, because that is clearly what we have witnessed so far.

Edward Mundy (Jefferies)

Great. Thank you.

Operator

We are now going to proceed with our next question. The question comes from the line of Laurence Wyatt from Barclays. Please ask your question.

Laurence Wyatt (Barclays)

Morning, Luca. Thanks very much. A couple of questions from me, please. Firstly, on your different cognac SKUs, I was wondering if you could give us a bit more information on which ones are performing particularly well, and which ones are struggling a little with the destocking during the Chinese New Year period. From your comments earlier, I think you've done pretty well with Louis XIII and the VSOP products in China, and Club looked like it did all right. Can we then assume that this destocking is largely coming from XO?

And similarly, you mentioned that Louis XIII is doing particularly well; you highlighted it in China and the US. I'm just wondering if there's anything specific that's driving that improvement in that important brand.

And then secondly, in your US business, of course, you've seen a bit more new product activity from your peer set in the cognac ready-to-drink space, and Rémy has talked about introducing new products in the US. I was wondering if there's been any development on that, and if there's anything you can share regarding how you're thinking about new products within the US market.

Luca Marotta

Thank you for your question. I will start with the last one, because it's very easy: we will talk about that in November. What you already said about it is a placeholder with another type of code. I will be fired if I say more, so I cannot say more than that. This is something that we will highlight very clearly, also because, in terms of competitive arena, you understand that it is something very disruptive, in my opinion. And clearly, if we are wrong, everybody will be very happy, obviously, if we are right, we have a lot of jealous. So I keep this news for later. As we said, it shouldn't be, and will not be, another brick in the wall on the shelves. Not a Pink Floyd reference, but not another brick in the wall. Something different, which should move differently, without cannibalisation.

On the products in China, the destocking is moderate, I insist, Laurence. I know that we personally sometimes diverge on this, but the semantics are the same: moderate destocking in China, because we are positive. I repeat: solid Club, and very positive on XO as well, from a lower base. So it may seem counterintuitive, but the destocking will be more in in the Liqueurs & Spirits in China, even if it's a very small part of portfolio in China, and partially in Club as well, because Club was positive and resilient, but lower than the weighted-average increase of top line driven by the remaining part of the portfolio. At one point, we also cannot be so reliant on Club, so that is also something very important. In the third quarter, Club might be a little more negative on the top line compared with other products of the portfolio. Does it mean it has a cold or the flu? No. It is the dynamics of sell-in versus sell-out, because it is becoming what used to be the VSOP in the US We don't want to end in the same way. So it's very protected in terms of means, in terms of code, in terms of geography As you know, Club is sold in China 99% of the time. We did not decide, and will not decide, to sell it to Asian consumers elsewhere in the world, such as in the US. But the dynamics call for a small adjustment on Club in Q3. Once again, a very measured destocking: China can be negative in Q3, and probably will be, but on the heels of a very healthy depletion level, and October was positive as well.

Louis XIII is doing quite well because there is a lot of pressure. There was also a change at the helm of the division, with some creativity on top of a lot of top-line pressure, attention to execution, attention to detail, and more focus on A&P and a little less on long-term brand equity than before, without any impact on top-line volumes. And we think that we can increase it, but the comps are also easier compared with the old days. Louis XIII is not what it used to be, so we can have a volume gain, which is not easy but is less complicated to realise. +10% or +20% on Louis XIII versus +3% on Club volumes: volume-wise, it is not the same thing. We cannot compare Club and Louis XIII. In the end, figures are figures. So the comps are also playing in our favour, and the dynamics everywhere in the world — including travel retail, including emerging markets, including some more difficult countries — in terms of performance in Europe at this moment are positive. So the momentum is positive.

Laurence Wyatt (Barclays)

That's really clear. Thanks very much, Luca.

Operator

We are now going to proceed with our next question. The question comes from the line of Travis Sterling from Bernstein. Please ask your question.

Travis Sterling (Bernstein)

Good morning, Luca. Two questions from my end. I just wanted to dig in a little more into China. You talked about China still being a challenging context, but you did deliver high-single-digit depletion growth, so clearly something's going right. Would it be fair to say that Hong Kong, Macau and Taiwan are in better shape, and mainland China is where the challenges are? And then, by channel, e-commerce is clearly doing incredibly well, but it's the on-trade channels, the nightclubs and karaoke bars, where the challenges exist?

And then my second question: how do you feel about consensus at the moment?

Luca Marotta

Thank you for your two interesting questions. Let's begin. Your assumption is quite fair. Everybody in the profession, in the industry, is at this moment performing better in selling, at least outside mainland China — Hong Kong, Macau — compared with the previous period. The weight of mainland China has been reduced for us by between 8 and 10 points compared with the past. The challenge is also to protect price competitiveness inside a big ecosystem like China. That is why it is important that, in our organisation, the GM of China is in charge of all the components of China, cooperating sometimes with customers that are also present in China but also in travel retail. There is a huge debate, sometimes arbitrated at CEO level, to grant this kind of identity. In our figures, I have the feeling that the shift is less significant than for our peers. But it is fair to say that the mainland China depletion battle, day by day, is our biggest global — not challenge, but topic.

In terms of channels, you are absolutely right. But we are lucky in that we are only 5% on-trade. I would prefer to have a bigger problem, 40% on-trade, but that's not the way it is. We have 5 to 10% on-trade compared with our peers. So the problem and the 100 days campaign that up and go and some restriction is more overwhelming for the global confidence, but in terms of the specific outlets in which our products are sold, we are less exposed than our competitors. So I agree with your two sentences; your point of view just needed some modulation, considering the structure of our sales and the fact that I think our internal governance is better prepared to avoid internal cannibalisation of pricing and volumes between different views. So we are very attentive to that positive tension, to avoid internal disruption of value.

So let's talk about consensus for a while. Let's start with H1. For H1 operating profit, as I read Visible Alpha, it is +2.9%, and company consensus is +4%. At this stage, for the reasons we explained, we are comfortable with the consensus. And I also explained what we are planning to do with the mathematical €10 million that we are getting in H1 in terms of reinvestment: I repeat, €4 million in price support, €1 million in logistics, €2 million in A&P and €3 million in strategic opex.

But, even more important, I think, in your question, is the full year, and I need to complicate things a bit by splitting sales consensus and operating profit consensus. On sales consensus, Visible Alpha is +2.6% and company consensus is +2.4%. At the same time, the operating profit consensus is more or less +5%, between 5 and 5.5%. On sales, we are okay at this stage with the company consensus for the year, at +2.4%. Today we are at +2.9% organically. Clearly, we have a higher base of comparison in H2. There is the EMEA issue, which will weigh clearly on Q3 and, I suspect, on the remaining part of the year. The US will be a positive component in the second part of the year, as will GTR and emerging markets and the rest of Asia, with China at the end of the year remaining positive. So even if Q3 will probably be specifically negative for China, I repeat, with the measured destocking, overall China will be a positive global performance compared with the previous year. We are talking top line.

Today is a sales conference, so I will not elaborate much on operating profit. But so far we are comfortable with the +5.1% organic growth, despite the good news on the tariff side, and the extra gains or cost avoidance versus the initial forecast will be reinvested in the second part of the year as well, to fuel growth. Clearly, the dynamics of margin and so on, and what the future will be, all that will be detailed on November 25, including a forward-facing, one-time cost payback — all the classical stuff. So: comfortable with sales, comfortable with operating profit.

Travis Sterling (Bernstein)

Perfect. Thank you, Luca, and we look forward to talking more on the 25th of November. Thank you.

Operator

Thank you. We are now going to take one last question. The last question comes from the line of Chris Pitcher from Rothschild & Co Redburn. Please ask your question.

Chris Pitcher (Rothschild & Co Redburn)

Thank you very much, Luca. Two questions, one following on from the last one. In terms of these tariff refunds, etc., have you said how much more you expect to come through? And in terms of the way you're reinvesting, had you not had the tariff benefit, would these investments not have been made? In other words, if we look beyond any extra top-line growth driving operating leverage, are you still very much in reinvestment mode?

And then just a clarification: partner brands are incredibly small now. Are there any direct costs associated with partner brands? It would seem logical to me to roll that into another division. Could that improve efficiency or save some costs? Thanks.

Luca Marotta

I will start with the second one. The 1% of non-group brands is the result of a series of decisions, partially made by our side, partially decisions of our partners. When I joined the group, they were more or less 20 to 25% at the time Macallan was in our portfolio in the US — and today we are at 1%. I don't know what the right level is; probably it is something between 3 and 5%. I agree with you: when you are a small company and you want to control your distribution, in some countries, if you do not enter with the right distributor, the right strategy can be to enter into a joint venture or to be distributed by big playersand so being ourselves and group brands, in that type of case you need to send a lease-back. So in that case, we might in the future, for some important countries, distribute some brands of our competitors peers, to benefit from our knowledge and human mastery of the field. Brands are always considered for cost allocation. Sometimes this can be something more strategic, because it can also give you the twofold opportunity to penetrate a new market, to enter a market that otherwise you wouldn't have the size and means to enter alone, because a subsidiary costs a hell of a lot of money to put in place, and you have to be very passionate before bearing the bottom-line return that you expect.

Are we in investment mode? Yes, yes, because we believe a lot in it. Touching wood, we had some positive news compared with the budget assumption on tariffs. Today, I repeat, our assumption is zero in the US, composed of an €8 million refund, of which €6.4 million is already in our bank account, and €7 million, which is the differential rate. But if you look at last year, the amount of tariffs we paid was €16.7 million. What does that mean? I am still cautious, considering that part of it will not be paid because of a slowdown at federal level in the US, and also that part of it, more or less €4 million, is blocked in RNDC Chapter 11. Is it a problem for our accounts? No, it is something that can be an additional positive element.

But on top of that, we believe a lot in RC Forward to improve the top line. It is not cost cutting. It is something that increases our ability to run a marathon. It is something that is fuelling our muscles. That is the reason why, compared with what we did two or three years ago — €230 million of savings — we are more in an evolving, rolling, dynamic game of saving and reinvesting in top-line dynamism. Also because pricing power is not there, we can no longer live with a fixed movie trailer that is replicated, a picture that is no longer valid. Season One of our series has been done. Now we are in Season Two and Season Three. Let's go all together to be able to run Season Four of Game of Thrones for Rémy Cointreau — the best one. Thank you so much, Chris.

Chris Pitcher (Rothschild & Co Redburn)

Thank you.

Operator

Thank you. There are no more questions at this time, so I will now hand back to you for closing comments.

Luca Marotta

I would like to thank you for your attention. My answers were particularly long today, but it was important, because Q2 was a very positive picture. The last 12 months, with four quarters of growth, were very positive. Today I'm very into series: Season One of the series. Q3 is the trailer of the series, which is experiencing slightly less dynamic figures, so flattish. But we hope to be able to discuss together all the wonderful next episodes of Season Two, which will start on November 25. Thank you so much. Have a nice day.