Pernod Ricard travel retail sales dip -1% in first half; Asian market hit by COVID-19 impact in Q3

Pernod Ricard said it was expecting a “severe impact” on its Asian travel retail sales for the third quarter of its financial year as a result of COVID-19, with a significant hit to passenger traffic and business performance visible in early February.

In its forecast for the second half of the financial year, Pernod Ricard said the COVID-19 outbreak would have a -2% effect on overall group sales and a -3% impact on profit from recurring operations for its full financial year.

The company is forecasting a -66% reduction of Chinese passenger numbers in February and March with a gradual recovery starting in April and for its travel retail business to be back to normal by June.

The company reported a -1% sales drop in travel retail, a market billed by CEO Alexandre Ricard as “an absolute must-win”, in the six months to the end of December 2019.

The wines & spirits company said there was robust sell-out in the channel, but that it was impacted by shipment phasing.

A selection of the diverse Pernod Ricard portfolio of brands; the performance of Martell, Royal Salute, Jameson and Beefeater stood out within travel retail

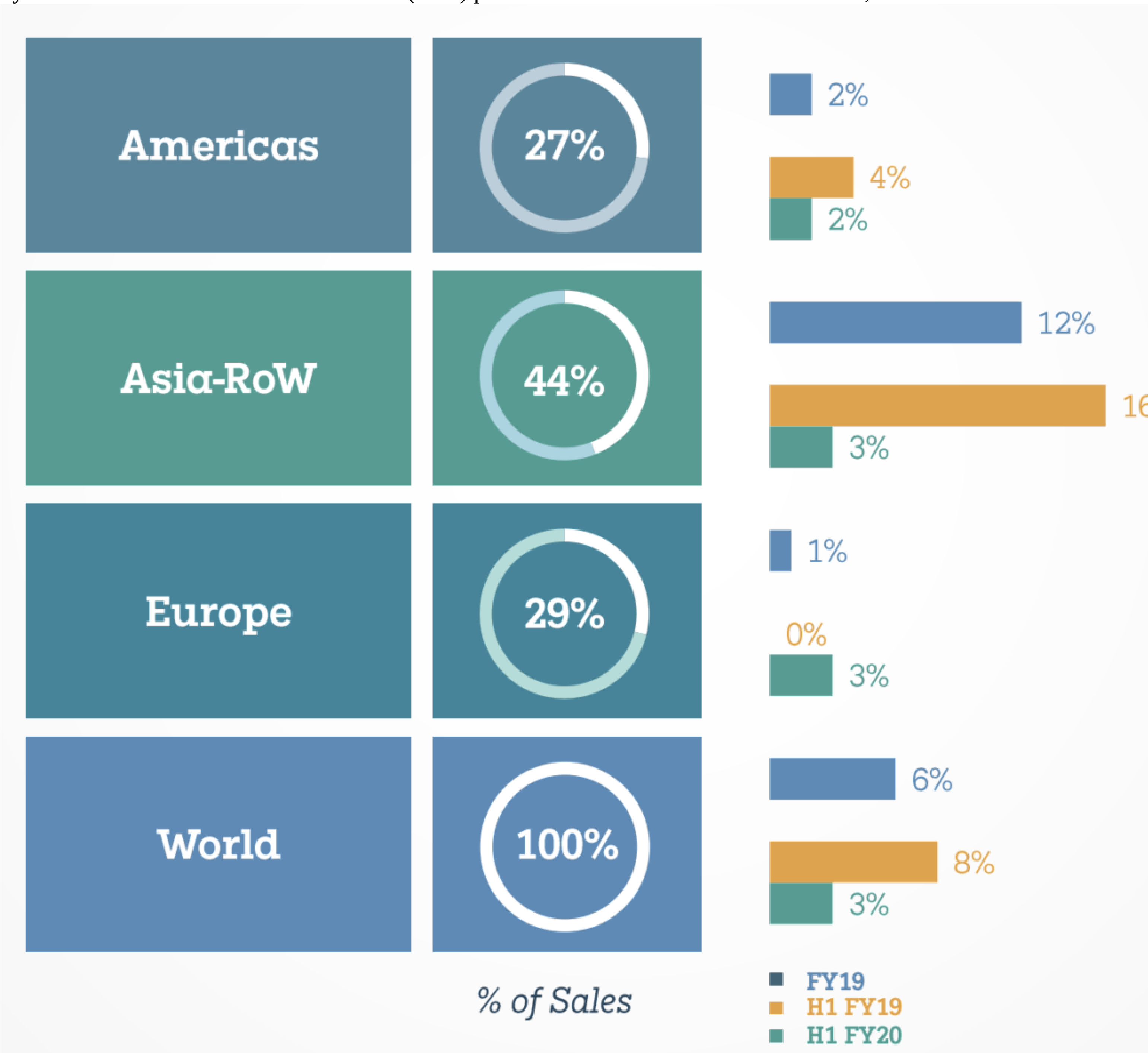
Sales for the travel retail division were driven by Martell, Royal Salute, Jameson and Beefeater, while new launches including Jameson Triple Triple, Secret Speyside, Ballantine’s 23-year-old, Beefeater Blood Orange and Royal Salute 25-year-old showed promising performances.

	H1 FY20 (€m)	H1 FY20 vs. H1 FY19	
		Reported	Organic
Sales	5,474	+5.6%	+2.7%
Mature markets	3,008	+4%	+1%
Emerging markets	2,466	+8%	+5%
PRO	1,788	+8.1%	+4.3%

Total sales for Pernod Ricard in H1 were €5,474 million (US$5,880 million), with year-on-year organic growth of +2.7% and reported growth of +5.6%.

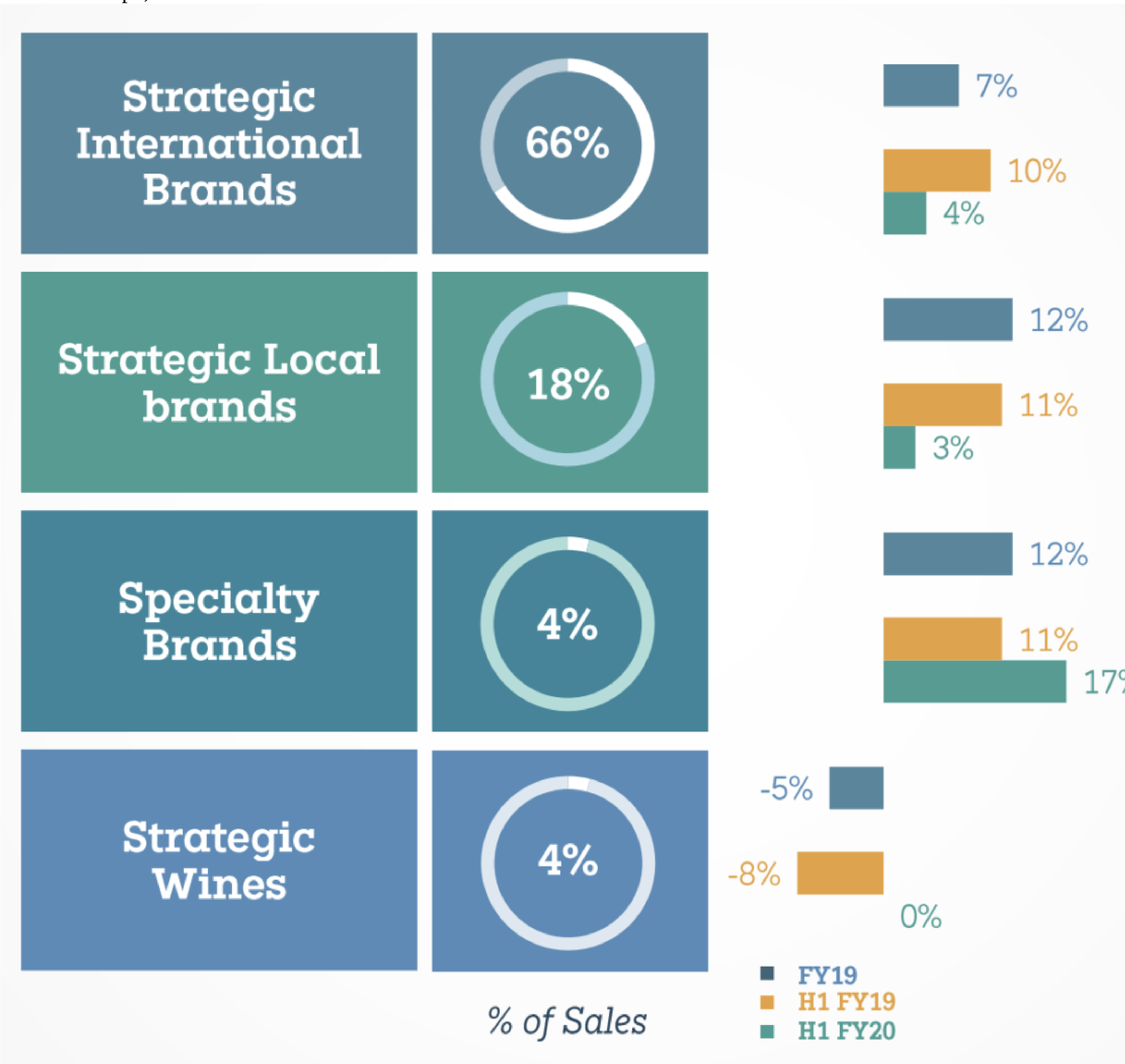
Profit from recurring operations for the half was €1,788 million (US$1,916 million), an organic increase of +4.3% and reported increase of +8.1%.

Furthermore, other markets billed by the company as “must-win” reported year-on-year sales were up for the half. The US (+4%) had good growth driven by whiskies and Speciality Brands, China (+11%) was enhanced by an earlier Chinese New Year and India (+5%) performed well in a volatile environment, Pernod Ricard said.



The company witnessed overall growth across all of its regions. Americas (+2%) benefited from the growth in the US; Asia/Rest of the World (+3%) had a good performance in China and India, but was dampened by the transfer of Imperial Korea to a third-party distributor; and Europe (+3%) was driven by Germany, the UK and

Eastern Europe, but difficulties remain in France.



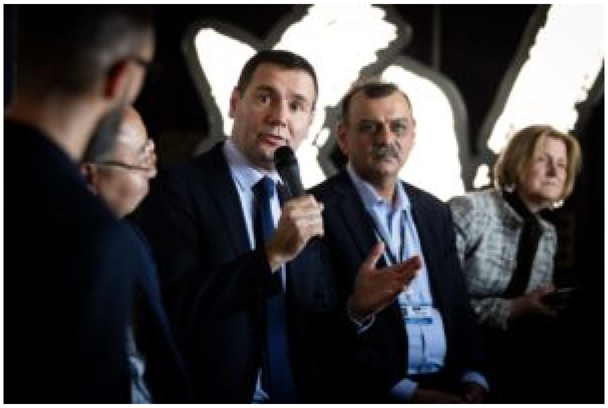
Across the brand divisions, Strategic International Brands had a "dynamic performance" the company said. This was due to the performance of Jameson, Martell, The Glenlivet, Malibu, Ballantine's, Royal Salute and Beefeater.

Strategic Local Brands had good underlying growth with the acceleration of Ararat and the return to growth of Ramazzotti.

Growth accelerated in Speciality Brands, led by Lillet, Monkey 47, Altos, Redbreast and Avion.

Sales in Strategic Wines were stable with good growth of Campo Viejo, offset by softening decline on Jacob's

Creek.



Alexandre Ricard: “Assuming a severe impact of COVID-19, we are providing a guidance of organic growth in profit from recurring operations for FY20 of +2% to +4%”

Alexandre Ricard said: “H1 FY20 demonstrated solid growth and resilience of our business model. Our three-year plan Transform & Accelerate is driving success, as evidenced by the diversification of the sources of growth in terms of geographic footprint and categories, continued strong pricing and ultimately the improvement in operating leverage.

“Looking to H2 FY20, the environment remains particularly uncertain from a geopolitical standpoint, with the additional pressure related to the COVID-19 outbreak. While we cannot currently predict the duration and extent of the impact, we remain confident in our strategy.

“Our first priority is to ensure the safety and wellbeing of our employees and business partners. I would like to praise the exemplary behaviour of our teams during this difficult time. We fully support their efforts, as well as those of the Chinese people and authorities to contain the epidemic.

“Assuming a severe impact of COVID-19, mainly on Q3 FY20, we are at this stage providing a guidance of organic growth in profit from recurring operations for full-year FY20 of +2% to +4% and will continue to closely monitor our environment. We will stay the strategic course and maintain priority investments in order to continue maximising long-term value creation.”