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PRESENTATION

Florence Tresarrieu ***Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury***

Good morning, ladies and gentlemen, and welcome to Pernod Ricard First Half Sales and Results Call FY '22. We're hosted this morning by Alexandre Ricard, our Chairman and CEO; and Hélène de Tissot, our EVP, Finance, Operations and IT. We'll take you through the presentation and then take your questions.

Alexandre, over to you.

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

Well, thank you very much, Florence, and good morning to all of you. I hope you're well and safe. So here we go for our half year results, July 1 to December 31.

First of all, very strong net sales performance with a record sales of EUR 6 billion, an organic growth of 17% and reported growth of 20%. This is driven by robust consumer demand across most, if not all, markets. This growth is diversified, coming from all the regions and spread amongst all the categories with a clear on-trade rebound and a strong resilience of the off-trade. All must-win markets, and we'll see this in more detail later, are growing strongly. And market share gains have occurred in most of our markets internationally. We have a strong price and mix on our Strategic Brands of 6%.

There's also a very strong financial performance. You'll see dynamic sales with phasing of A&P spend resulting in a strong margin expansion of roughly 150 basis points. Very strong cash generation with a free cash flow -- a recurring free cash flow of EUR 1.4 billion, an increase of plus 39% versus the same period last year.

Talking about our financial policy, we've continued our active portfolio management with the acquisition of The Whisky Exchange that we had announced a few months ago and a minority stake in Sovereign Brands. We have resumed our share buyback with the execution over the first half of this year, fiscal year, of EUR 250 million.

In terms of business transformation, we call it velocity, of course, we've upgraded the pace at which we're transforming our business. Clear drive on our 2030 Sustainability & Responsibility road map; agile resource allocation, investing on our strategic priorities; and finally, very strong progress on our digital transformation and, of course, solid e-commerce growth.

So here, you have the table summarizing our financial performance. And by the way, if you look at versus pre-COVID as well, you'll see that we're far above the pre-COVID levels. I'll just take the net sales number, so plus 17% versus last year, but that is 13% above the pre-COVID level.

Going forward as well, creating value for all our stakeholders. As said, we have advanced at pace on our Sustainability & Responsibility road map. I'd just like to stress 2 messages here. We've run our iSay, which is our internal poll, our employee feedback survey. The one thing is the very, very strong, I would say, the outstanding commitment and engagement of all our employees across the world.

And again, I would like to praise their commitment, their work, all of the efforts they've been going through for the last years and, in particular, this first half of our fiscal year. The results are there. And without them, the results would not be there. So again, thank you to all our colleagues from around the world for driving such remarkable results.

The other topic I'd like to mention on this slide is, of course, we're very, very active on engaging with our consumers around the world around responsible drinking. Our campaign, which was launched last summer as the on-trade was reopening, our campaign about Drink More Water is a huge success. And we have now reached above 60 million young adults over 34 countries, and this is very important for us.

Again, agility to gain exposure to fast-growing categories and scale acquired brands. I mentioned the acquisition of The Whisky Exchange, which will remain absolutely independent. I mentioned the minority stake. We talk in -- we took in Sovereign Brands and the work we're going to be doing together in terms of co-creation, but also the successful integration in -- within the Pernod Ricard ecosystem, within the Pernod Ricard distribution network. So Pernod Ricard had the service of entrepreneurs and their little babies, if I may say so.

Look at Monkey 47, we've multiplied by 4 since 2016 the sales of Monkey 47; multiplied by 3 for Del Maguey; multiplied by 2 our American whiskey portfolio; and multiplied by 5 the gin -- the Malfy gin since its acquisition in 2019. So it's quite a nice recipe for success.

Well, deep diving clearly by region, you see that all regions are in double-digit growth: Americas, plus 14%; Asia-Rest of the World, plus 16%; Europe, plus a remarkable 21%, driving 17%; and of course, all regions above pre-COVID levels.

If we dive into our must-win markets, all of them are in dynamic growth. Starting with the U.S., plus 9%; plus 17% versus pre-COVID levels, with a strong on-trade recovery, very strong rebound there and a resilient off-trade, which is driving good sell-out growth for us. The growth is driven by Jameson, but also by Martell, by our super premium whiskeys, our American whiskey portfolio, but as well Redbreast and the higher marks as well of Jameson. Very strong rebound of Jameson in the on-trade and the recent launch of Jameson Orange, which took place a few days ago, which we expect to see roll out throughout the whole of the second semester.

Excellent performance of Martell with the new media campaign, and we'll talk about this a little bit later. Very solid contribution to growth of The Glenlivet, which is the leading single malt whiskey in the U.S.; and of course, the continued development of our agave portfolio, in particular, our mezcal brand, Del Maguey.

Global Travel Retail is still below pre-COVID levels, see, minus 40% versus pre-COVID, but in strong growth, up 38%. So we're really witnessing a steady recovery of international passenger traffic outside of Asia, principally in Americas, principally in Europe. There is a return to growth in all regions, of course. And finally, resumption of strong activations, so we're back in investment mode in the Travel Retail channel, notably behind brands such as Jameson and Chivas Regal.

China, up 14% and up 28% versus pre-COVID with good growth with a very good, in fact, MAF last semester. Solid Martell sellout despite some localized on-trade disruption in the first semester related to the sanitary environment. Acceleration -- or should I say clear acceleration of The Glenlivet and very strong growth of Royal Salute and Ballantine's. As well, a very strong development of Absolut Vodka.

And finally, for those who haven't seen, we've unveiled and inaugurated officially THE CHUAN, which is China's first-ever malt whiskey distillery by an international player by ourselves. The last of our 4 must-win markets, India, up 19% last year and up 12% versus pre-COVID. Listen, broad-based growth both in terms of our Indian whiskey portfolio, but also in terms of our imported brands, our Strategic International Brands that are in very, very strong growth there.

Now excellent momentum and market share gains in most markets. Indeed, Europe is up 21%, a very strong rebound in France, which should slow down, however, on the second half. Very strong rebound in Spain, up 34%, clearly driven by the reopening of the on-trade and with some strong innovation there. Strong growth of Havana Club in the U.K., of Jameson in the U.K., of Absolut in the U.K. So good performance -- very good performance of our spirits portfolio in the U.K.

Continued good growth in Germany despite the high comparison last year. Remember, last year, Germany was in strong growth. Very strong growth as well in Russia, driven by our whiskeys, in particular, Jameson and Absolut -- sorry, Jameson and Ballantine's. And finally, a very strong double-digit growth of plus 22% in Poland related as well to the rebound of the on-trade.

Americas, up 14%. Slight decline in Canada on a very high comparable basis. Very good growth in Brazil and as well as in Mexico. Asia-Rest of the World, well, up 16%. Good recovery in Japan. Very good growth for our premium international spirit brands in Korea. Outstanding growth in Nigeria, principally driven by Jameson and Martell. And finally, very strong double-digit growth in Turkey, in particular, behind our -- all our whiskeys and Absolut.

If we look at our performance from a brand point of view, again, very diversified growth across the whole portfolio with our Strategic Brands, International Brands, up 19%, really driven by all our Strategic International Brands. Our Strategic Local Brands, up 14%, in particular, our Seagram whiskeys. Specialty Brands, up 21% on the basis of 22% growth last year. So continued very dynamic momentum, our American whiskeys, of course, some of our malts, of course, Malfy gin, Monkey 47, Redbreast, our agave portfolio and, of course, not forgetting Lillet. A soft first half for our Strategic Wines, down 6%, in particular, related to supply constraints and a soft harvest for our New Zealand wines.

If we look at our brands a little bit in more detail, you see that Martell is up 11%, up 8% versus pre-COVID levels, driven by China, of course, but also driven by the U.S. Jameson, up 22%, so continued strong global expansion. So the strong performance is related, of course, to the U.S., but not only. Europe is in very strong double-digit growth. There's Russia, there's Ireland, there's the U.K., there's Germany. We can say it's broad-based, both in emerging markets and in developed markets, and also in Sub-Saharan Africa and as well as in Asia, in particular, in India.

Absolut is up 23% and also up 8% versus pre-COVID levels. Excellent international development for Absolut, up 35% outside of the U.S., but also strong resilience in the U.S. related to the on-trade recovery and with some good pricing globally, especially driven by Eastern Europe and Brazil. Our scotch portfolio is up 23% and is up 10% versus pre-COVID levels. I think the key message here is that the growth is broad-based across the portfolio and across the regions. You see Chivas up 23%. You see Ballantine's up 29%. The Glenlivet, up 21%. And the remarkable performance of Royal Salute, up 41%.

We've invested quite a lot behind our brands during the first half with A&P up 16%. We've had great campaigns, a global one behind Chivas XV, which is delivering very strong results. A brand-new campaign in India where we've invested quite significantly over the first half behind the Blender's Pride with the new ambassador, Alia Bhatt, and therefore, as I mentioned, a new campaign.

We introduced Fill Your World with Wonder with Perrier-Jouët, very successful campaign as well. And finally, just a last example here, but it's not limited to these 4 examples, of course, Soar Beyond the Expected, which is the new campaign behind the Martell Blue Swift in the U.S., which is experiencing a huge success. And I could not resist to show you what this campaign looks like. So maybe we can see a video right now. So video, please.

(presentation)

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

So there you go. Huge success, and this campaign will continue to develop throughout the full fiscal year in the U.S.

Strong growth behind our innovation. So innovation has grown by 43% over the first half. I mentioned earlier the launch of Jameson Orange in this second half of the year in the U.S., and it was launched a couple of months ago in the U.K. and rolling out to a number of other markets as we speak.

The continued development of Ballantine's and Beefeater Light in Spain. You see here the visuals. The launch of The Glenlivet 15-year-old, which is being rolled out globally. Very strong development of Absolut Watermelon. Martell Blue Swift, I already mentioned and you saw the campaign. And finally, really remarkable development for our Chivas 13-year-old Sherry, which, by the way, tastes remarkably well.

Specialty Brands, I won't come back on the plus 21%. It's really broad-based. I mentioned all these brands you see here on the slide, whether it's Monkey or American whiskeys, our agave portfolio, Lillet or again some of our high-end whiskeys starting with Aberlour, but also Redbreast.

And likewise, our other Strategic International Brands that are growing, they're all growing. Malibu, up 9%; Beefeater, up 31%; Havana Club, up 12%; Ricard, up 2%; Mumm, up 24%; Perrier-Jouët, up 51%; and finally, our Prestige portfolio, which is growing 18%.

And on that note, on these notes, on these beautiful numbers, I'd like to hand over to Hélène to see how they translate into profit.

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

Thank you, Alexandre. Good morning, [everybody].

[Let's take a look] at the profit. So first, with the profit from recurring operations. So with these dynamic sales that Alexandre presented to you and the A&P spend phasing, we are delivering a strong operating margin expansion of close to 150 basis points. The gross margin is expanding by 39 basis points with strong pricing across regions and operational excellence savings that are more than compensating inflation in cost of goods, notably from logistics and commodities.

We have some phasing in the A&P, as I just mentioned. So we should expect some acceleration in the second semester as we are expecting to roughly spend 16% of our net sales for the full year '22. Structure costs are reinforced to support the sales growth, but as well the transformation momentum, which is leading to this plus 22% organic growth from profit from recurring operation. And you should add to that a positive FX, which is then bringing the PRO growth to 25%. These positive effects amounts to EUR 39 million, and it's mainly due to the U.S. dollar and Chinese yuan appreciation.

Moving now to the net profit from recurring operation, which is growing at an excellent pace, which is driving as well a significant EPS increase. So this -- the profit from recurring operation is increasing by 32%, thanks to the increase of profit from recurring operation, I just mentioned, with as well a very strong improvement in the financial results. Given the recent financing, we have now average cost of debt of 2.2%. The income tax on recurring operation is increasing along with the profit growth. And when it comes to the EPS, it's growing by 33% with an accretive impact of the share buyback.

Moving now to the group share of net profit, an excellent performance as well for this first half as the group share of net profit is increasing by 44%. We have a strong increase in net profit given by the increase in the profit from recurring operation; again, a lower nonrecurring operating items on a high comparison basis last year with some restructuring cost that we spent in H1 last year with the group transformation; the lower financial expenses with a historically low cost of debt; and the increase in corporate income tax I was just referring to.

Moving now to the cash generation. A very strong cash generation in this first half with EUR 1.4 billion recurring free cash flow, which is a growth of 39%, roughly EUR 400 million more than the year before. The recurring operating cash flow is at close to EUR 1.7 billion, plus EUR 400 million versus last year. And this is linked to the higher usage of maturing inventories given the strong business recovery. There is some cash-out increase to expect in second half as we continue, for sure, to invest in future growth. There is some negative working capital requirement variation in this first half, which is very fair given the very dynamic business growth and the usual seasonality in this first half.

Our CapEx are broadly stable versus last year. We should expect some acceleration in H2 to support as well the future growth. Financial expenses and taxes are increasing very modestly with the historically low average cost of debt I was already mentioning. And we have as well, from a cash point of view, reduced nonrecurring items against a high base last year. So all in all, our free cash flow is growing by

58%.

Moving now to the debt evolution. So we had a dynamic financial policy supported by this consistent strong cash delivery leading to a net debt of EUR 7.9 billion at the end of December with a ratio of net debt-to-EBITDA of 2.4. So a very strong balance sheet with an excellent cash performance, allowing the M&A cash-out that Alexandre mentioned before with the acquisition of The Whisky Exchange and the minority stake purchase of Sovereign Brands.

We have executed the EUR 250 million share buyback program in this first half. And we have as well paid EUR 820 million dividend, which is an increase of EUR 120 million back to -- versus last year, which is back to the historical high, aligned obviously with our 50% payout policy.

So back to you, Alexandre, for the conclusion and outlook.

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

Well, thank you very much, Hélène. So as you can see, we're really focused on delivering our Transform & Accelerate strategy, and so far, so good.

Now looking forward, so looking towards our second half, January to June, well, of course, we expect the environment to remain somewhat volatile. But despite this environment, clearly, we expect to see continued on-trade rebound, continued resilience of the off-trade. The gradual recovery of Travel Retail should continue. And therefore, this should continue to drive, number one, strong, and number two, diversified sales momentum across all regions.

We do believe that the dynamic top line will drive some operating margin expansion, albeit moderating somewhat versus the first half, with increased investments to fuel growth momentum. As Hélène explained, A&P will be roughly around 16% of our net sales.

We also will continue to implement our Transform & Accelerate road map, specifically around our digital transformation to develop Pernod Ricard into a Conviviality Platform. More to come on that note during our Capital Markets Day. And finally, we expect strong cash generation while upweighting investments behind key CapEx and strategic inventories.

And finally, we have -- the Board has decided to accelerate our share buyback program with an additional EUR 250 million. So that would be a total of EUR 750 million for the full fiscal year '22 versus EUR 0.5 billion initially presented.

And I think that on that note, we can go to the Q&A, Florence.

Florence Tresarrieu ***Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury***

Thank you, Hélène and Alexandre. We will now turn to your questions. So operator, if you can still -- please, sorry, open the line to the first question.

QUESTIONS AND ANSWERS

Operator

Question comes from the line of Andrea Pistacchi with Bank of America.

Andrea Pistacchi ***BofA Securities, Research Division - MD in Equity Research & Head of European Beverages***

I have 2 questions, please. The first one is on pricing and the pricing environment in some markets. I think you said 6% price/mix on your Strategic Brands, so clearly, clearly strong. But more specifically on pricing, could you talk about how you're seeing the environment in the U.S., what brands you've been able to put pricing through? And are we getting anywhere near the point where you can actually think of taking pricing on some of those brands where we haven't seen pricing in many years? And on China, please, whether -- I don't know whether you're able to share whether you're planning a price increase in China also this year. This is typically the time when you take it.

My second question, please, for Hélène on the balance sheet. Net debt-to-EBITDA heading towards historical lows, even with the incremental buyback, leverage should continue to decline. So what's the optimal level for you of net debt-to-EBITDA? And how are you thinking about use of cash going forward? I mean could the buyback conceivably continue to increase in the absence of potential M&A?

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

Okay. Thank you. So maybe I'll start with those 2 questions, if that's all right with you, Alexandre. So pricing environment, obviously, a very important topic in the current environment. So we are seeing some positive price/mix, which is this plus 6% you were referring to. So it's partially delivered by the mix, but as well by a strong pricing benefit in this first half.

So this is mainly linked to, I would say, 2 drivers. First, we are getting the benefit of last year price increase. And back to your second question, obviously, this is, as well, largely driven by the Martell price increase that took place back in March, April last year in China. There was as well some other price increase in other geographies, for instance, in Russia in January '21. And we were able as well to put in place some new price increase in this first half in many markets, I would say, especially in emerging markets. So we did increase prices quite significantly in countries like Turkey as well in Nigeria, in Brazil, but as well in other markets.

So for the U.S., thanks for asking that question, that's really a very hot topic because we just announced a few days ago the significant price increase of the portfolio in the U.S., I think the 1st of Feb, if I'm not wrong. So this is happening as we speak on many brands in the U.S. China, as you know, it's too early to talk about price increase. We never comment price increase ahead of, let's say, actual implementation and decision. And most of the time, a good timing to think about increasing prices in China is after Chinese New Year.

Moving now to the question on the balance sheet, so thanks for highlighting the strong deleveraging that took place. That thanks to, obviously, the acceleration of our EBITDA and as well the very strong cash generation that I was detailing. As you know, we don't give a specific optimal level or target in terms of leverage. No change on that topic. Having said that, this strong cash generation is obviously very helpful to allow us to have a very active and strong financial policy.

So I will just repeat our 4 priorities that I'm sure you know. First, invest behind the organic growth and the future of our growth. So this is obviously true for all the spending we have in the P&L, but as well to increase our strategic inventory and to strengthen the CapEx. That's why I was flagging that you should expect as well some acceleration short term on that topic. We have, as well, a quite active M&A strategy as we, as well, illustrated for this semester.

The dividend payout policy is as well quite strong, obviously. And if after those, all those 3 priorities, we have some, let's say, significant cash available, we believe that this is the right thing to do to return it to our shareholders. So no change as well on that. But I would say this cash generation is as well, obviously, a very strong pillar for us to invest for the future.

Operator

Next question comes from the line of Ed Mundy with Jefferies.

Edward Brampton Mundy ***Jefferies LLC, Research Division - Equity Analyst***

Three questions from me, please. The first is around structure costs, which are down about 100 basis points versus H1 '21 and 90 basis points versus H1 '20. Clearly, part of this is operating leverage, but there's also good cost discipline from the transformation momentum. Hélène, are you able to provide a bit more color around some of the key buckets here that's really driving that operating leverage?

The second question is really around the outlook that appears to be upgraded from good growth to strong growth. Clearly, it's still a slightly volatile environment, but you're seeing really good momentum within your business and you're talking about a dynamic top line. Does this imply that in the second half, growth might still be ahead of the medium-term 4% to 7% as the recovery comes through?

And then the third question is around the Conviviality Platform, Alex, that you've fleshed out with results back in September. One of the opportunities is to activate more brands. I think you talked about activating as much as 30 brands in any given market versus previously more like 10. Is the goal here to scale up the Specialty Brands? Or is it to focus on more sort of local brands in each market?

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

Yes. Hélène, structure costs?

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

So maybe I start with the question on the structure. So as you said, this is contributing to the margin expansion in this first half despite a significant reinforcement of our structure. So just to remind you that we are now back to, let's say, a more business-as-usual way of building a structure for the future, meaning there's no recruitment freeze or salary freeze. We are really investing behind our teams and the resources to transform and accelerate in line with our strategy. So it's not increasing as much as the top line because of all the dynamics we mentioned for the top line, and that's why we are getting to this operating margin expansion.

So what I would like to say is that you should expect those structure to keep being reinforced over the fiscal year because of all the strategic priorities I was mentioning, but obviously, with a very, I would say, purpose-driven focus. We did reorganize our business pre-COVID and during COVID for a very good reason to have the right teams at the right place. And we want to keep that, obviously, moving on. But at the same time, to invest behind strategic priorities and our people are definitely part of our strategic priorities.

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

Okay. On your question on the outlook, Ed, of course, we have our Transform & Accelerate, let's say, global framework on, let's say, in the normal or normalized world. On an ongoing basis, we believe that the way we are set up in terms of geographical exposure and segment exposure that the framework within which we operate is a framework that can deliver 4% to 7% top line kind of growth. And we always said that you would have outliers, in some cases, negatively. By the way, 2020 was one of these outliers of minus 10%. And in other cases, positively, and it clearly looks like this year will be an outlier if you look at our first half.

So to put it in a nutshell and answer your question tangibly, yes, we do expect, without giving any quantified guidance for the second half, but we do expect second half to still look like an outlier in terms of top line versus that 4% to 7% framework. So you should expect to see second half to be above that kind of level. And that's why we did mention continued dynamism of top line growth for the full year, for the second half as well.

For your question on the Conviviality Platform and specifically on specialty, over the course of the last few years, we've acquired a dozen brands, and they have all been -- they're all Specialty Brands. Today, Specialty Brands account for roughly 5% of our global business. They've grown 21% over the first half on the basis of 22% growth last year at the same time, on the basis of, again, strong growth the previous year.

If all of these Specialty Brands were summed up to being one brand, this would start being quite a nice impactful and weighing acquisition. But I do think that having a portfolio of these brands and if we're capable of activating that portfolio in the right way and at scale, clearly, this could be a very dynamic source of growth for the group as it's starting to be.

And this is the whole basis or ethos behind the Conviviality Platform concept, which is to be able to activate more and more brands by having the right brands proposed to the right consumer at the right time with the right content at the right price and this at scale leveraging, in fact, data. So this is exactly our intent. And we're starting to see this happen, in particular, in Specialty Brands, but not just across our entire portfolio of brands.

Operator

Next question comes from the line of Olivier Nicolai with Goldman Sachs.

Jean-Olivier Nicolai ***Goldman Sachs Group, Inc., Research Division - Equity Analyst***

Alexandre, last year, you've joined the Board of L'Oréal, which operates in many markets you know very well, and it's also very advanced in e-commerce. I know it's still early days, but what do you think you could learn from L'Oréal? And how could it be applied to Pernod in the medium term?

Second question is, obviously, we've heard a lot of commentaries about disposable income pressure, whether it's in the U.S. or in Europe or in emerging markets. Are there any markets in particular or part of your portfolio where you see any pressure moving into H2 and beyond?

And just lastly, a follow-up on your guidance. So you flagged a dynamic top line driving operating margin expansion, albeit moderating versus H1. I was just wondering if you could perhaps tell us if you are referring to organic margin progression on an organic basis or if it's reported margin for H2.

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

Well, thank you for your questions. I'll take the first one, of course. Listen, I'm very happy to have joined the Board of L'Oréal. I do believe, first of all, that we share many, many values together between Pernod Ricard and L'Oréal. We're not competitors, but we do have similar dynamics. We do have similar opportunities. We do have similar challenges. And ever since I joined the L'Oréal Board, I've learned a lot as well.

I do think that in terms of digital transformation, there is a lot happening at L'Oréal and a lot happening as well at Pernod Ricard. In terms of channel management as well, the omnichannel concept as well, there are many things to do. In terms of geographical exposure, some similarities as well. So I do think -- and by the way, they're announcing their full year results right now as we speak.

So listen, all I can say is, to be fair, when I was appointed Chairman and CEO in 2015, my clear commitment to my Board and to my investors was to be solely focused on Pernod Ricard during my first mandate. And as I now entered into my second mandate, I thought and my Board thought it would be a great idea for me to get exposure to another Board of another company where there would be mutual positivity. And the opportunity of L'Oréal popped up, and that's a great opportunity. And I do think it's working quite well. So thank you for asking the question.

Hélène?

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

So your second question was around the inflation pressure and what could be the impact for the consumers. To be fair, as you know, premiumization has been a long-term trend for a while now. And despite previous crisis that augured over the past, whatever, 20 years, we believe that as well, this drink better is a very powerful trend and probably quite sticky, if I may say. So we are quite positive for the future with this long-term trend of premiumization and probably as well the strength of our brands portfolio, which is very inspiring for the consumer. At least, we are working hard to make it happen.

Second question was on the guidance. So yes, we are talking about organic expansion here.

Operator

Your next question comes from the line of Simon Hales with Citi.

Simon Lynsay Hales ***Citigroup Inc., Research Division - MD***

Three questions from me as well, if I can, please. Could you just talk a little bit more about the A&P phasing? I think obviously, the spend in the Americas in the first half looked like it had been held back. Is that where we should expect to see some of the biggest acceleration in the second half of the year? And if there's any more details you can generally share from a marketing standpoint as to where things will be stepping up in the second half.

And secondly, just coming back to the earlier question of Ed's around structure costs. I think, Hélène, you said you would continue to invest through the fiscal in structure costs. How should we think about that rate of investment in the second half relative to H1? Will it be lower? Or should we think about a similar rate of investment?

And then finally, I wonder if you could just talk a little bit about any early thoughts on trading trends that you saw through Chinese New Year, so maybe share momentum, how stock levels are sort of post the holiday period, please?

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

So I start with the question on the A&P phasing. So first, it's true that there's obviously some impact of the phasing between H1 and H2. The reason why I mentioned as well our ambition to spend circa 16% of the net sales in A&P for the year is to tell you that this, no doubt about our ambition here, we have great marketing assets. There's a lot to come -- and a lot happened already in H1, but there's a lot to come in H2. So some phasing here, which, by the way, happened already in the past. And it's fair that because of the, as well, the weight of the net sales between H1 and H2, you have some impact in terms of ratio because the weight of the net sales in H1 is stronger than it is in H2.

But when it comes to the brand activation and to the way we are engaging on consumer, I would say, a strong ambition again for the full year. The acceleration, to be fair, is going to happen in many geographies because, as we said, the dynamism of the top line is probably going to as well materialize again across the geographies. So acceleration everywhere, especially as well in the U.S. That's fair for you to flag that. There's a lot of activation for us in the coming weeks and months in the U.S. to support some great, I would say, festive season and opportunity with St. Patrick and many others happening in May and to prepare the summer in the U.S.

There is as well some exciting innovation launches. We mentioned Jameson Orange, which is happening right now. So you can expect as well as some strong activation behind Jameson Orange in the U.S. in the coming weeks, but as well on many more innovation. We had the launch of Avión Reserva 44 Cristalino, which is happening as well in the coming days. We have as well some innovation with Jefferson's. So a lot to watch hopefully and to enjoy in the U.S. in the near future.

For the structure cost, I'm not going to give you the exact growth for the second half. What I think is fair to flag is that the structure cost, as I mentioned, I believe before, are not going to grow probably as fast as the top line for this fiscal year '22. So you should expect, despite the structural cost reinforcement, some leverage coming from the -- from this line.

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

Yes. So thank you for asking the question on Chinese New Year. First of all, we had a good first half in China, and we had a very strong Mid-Autumn Festival. Now we've put in place everything in terms of execution. We have a very strong execution program, which was rolled out ahead of and during Chinese New Year. Still, sorry to say this, because every year, we have the same question and every year, we say -- we have the same answer, unfortunately. We still don't have realtime data in terms of consumer offtake, but it's still too early to tell.

The only kind of indication that I can give you is more a qualitative one, which is it might be a slightly softer start than it was last year. Now bear in mind, last year was a remarkable -- I think you used the word a stellar Chinese New Year last year. So a softer start versus last year, but again, it's too early to tell because we'll have the real depletions during the month of March, in a month or so. So we'll have to wait our next communication on that front.

Operator

Our next question comes from the line of Laurence Whyatt with Barclays.

Laurence Bruce Whyatt ***Barclays Bank PLC, Research Division - Analyst***

Three for me, if that's okay. Firstly, on the digital part of your business, so you said there's strong progress in the digital transformation, and you've made the acquisition of The Whisky Exchange. I was just wondering if you could split out your ambitions on B2B digital versus B2C that you've clearly got with The Whisky Exchange.

Secondly, in the Spain part of the slides, you highlighted there's some supply tensions. So I was just wondering if you could elaborate on those a little bit.

And then finally, on the A&P spend, the 16% guide for the year, I mean, obviously, it depends on what the top line is, but implies something in the region of 18.5% of sales in the second half. As we look forward into your sort of medium-term guidance, is that the sort of split that we'd expect first half, second half, low 14s in the first half of the year and then sort of mid-18s in the second half of the year because the second half sales is somewhat lower than the first half sales in normal years? Is that sort of how you're thinking about it? Or is this year particularly unusual due to COVID recovery or other things?

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

Thanks, Laurence. On digital, listen, we don't share our objectives at that level of granularity between B2B, B2C or B2B2C, by the way. But I just want to take the opportunity to mention that our digital transformation is not just related to e-commerce. It is really related to every single function of our business. It is really related to the entire organization and our ways of working. And it's all about leveraging the data to really have a lot more impact in our ways of investing, in our ways of promoting, in our ways of engaging with consumers and with customers and so on and so forth. And I'll stop there because this is, I would say, the teaser for Capital Markets Day.

On supply, listen, as you all know and you've all read in the media, in the press, there is some tension across the whole supply chain. I'd like to take this opportunity again because our supply chain people across the world from Grain all the way through to Glass, they've worked remarkably well to make sure that our bottles, that our products end up on the shelf, whether it's in the store or on shelf if it's in a back bar. So they worked remarkably well.

Yes, we've had a few supply chain incidents, one of them being gin in Spain, which was under a little bit of supply constraints because of some tension. But listen, this is quite immaterial compared to the business. So at the end of the day, when you look at our performance over the first half, yes, maybe there are a couple of cases that didn't make it all the way through to the shelf on time. But again, the teams did a remarkable job to make sure that, let's say, everybody, with a couple of exceptions, were able to celebrate accordingly with our brands around the world.

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

So if I may, before talking about the A&P phasing, I would just like to add, as you mentioned, Alex, by the way, for the first half, that this supply tension is obviously mobilizing many people across the group, and it will be the case in H2. But I would like as well to flag the work that we are doing with our suppliers that are really working hard with us to help, let's say, each other in this specific context of this very, very positive discussion happening as well with our suppliers to be sure that we are managing and navigating in those tough times together.

For the A&P phasing, no specific, I would say, ratio target by semester. What we want, to be fair, is really to have lots of agility in the way we are allocating resources, and it starts obviously with A&P. So there's no, again, target by semester. But as I mentioned, you could expect the seasonality of the net sales to still be quite consistent in the near future because of the O&D weight in the H1 and then, obviously, some more Asian festive season in H2 moving forward.

Operator

Our next question comes from the line of Trevor Stirling with Bernstein.

Trevor J. Stirling ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***

Most of my questions have been asked already. But just one on Specialty Brands. You've put out the very impressive growth that you've achieved with the Specialty Brands, Alex. But I noticed that the American whiskey portfolio has not been quite as dynamic as the others. And does that reflect, to some extent, stock limitations? And maybe just talk a little bit about to what extent you're limited in terms of stock in terms of growing those brands.

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

The whiskey portfolio grew 31% over the first half. I don't know if it's not as strong as some other brands. But clearly, we see our whiskey portfolio in the U.S. as extremely dynamic and principally led by Jefferson's who's really, really having outstanding growth, but also Rabbit Hole, which is a great proposition as well, but in fact, all of them, TX and Smooth Ambler. No supply constraints limiting growth on our portfolio as we speak.

And if and when, obviously, this kind of growth keeps on happening structurally, we'll make sure we invest the right way to support that growth. But so far, so good. But I do think it's quite a good growth to post 31% on our American whiskeys. And by the way, I think then one of the very first slides I shared with you over the course of the last, let's say, 2 to 3 years, we've doubled our whiskey portfolio in terms of net sales. So the performance, I think, is quite strong. And for that, I'd like to congratulate the team in the U.S. because they're doing a great job on the sales front, but also on the marketing side behind these brands.

Operator

Our next question comes from the line of Sanjeet Aujla with Credit Suisse.

Sanjeet Aujla ***Crédit Suisse AG, Research Division - European Beverages Analyst***

I have a few questions on the U.S., please. I think your sell-in was 9% in H1. Is that consistent with your sell-out trends? I recall in Q1, there was some trade loading into O&D, but just love to get a feel for where sell-up trends are against that.

And then just following up on Jameson Orange, what's the target audience and occasion here? Do you expect that innovation to be incremental to the franchise or potentially could cannibalize a little bit of core Jameson?

And thirdly, if you're just able to quantify the price increase you've put through the portfolio, that would be great.

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

Okay. So I'll start maybe with the first and the third question. So on the third one, we are not going to give you the exact number. And to be fair, it's happening on many brands, so it would take me a few minutes to go through these precisely. But it's quite global, as I mentioned, and happening right now.

So your first question was referring to the sellout in the U.S. So we have a strong sell-in, plus 9%. Our sellout as well are strong versus last year. And this is mainly linked to the very strong growth in the on-trade. And by the way, before letting Alex comment -- answer your question, Jameson Orange, I must say, Jameson is a key contributor to that performance in the on-trade with a very strong rebound. And as you know, we have as well a strong exposure in the on-trade as well, thanks, but not only thanks to Jameson. So a very strong performance in the on-trade. We are a bit behind in the off-trade, so slightly behind the market when you add on and off.

Your question was as well in terms of trade inventory. So as you know, we are monitoring our trade inventory very closely, especially on a full year basis. What we can say right now is that probably with the strength of the rebound in the U.S., there might be some restocking in the retail, probably not very significant. But it's true that in the current context of supply tensions, probably some outlets are doing their best to have a level of inventory they believe they need to satisfy this very strong rebound and very strong consumer demand.

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

And on Jameson Orange, to put it in a nutshell, it's incremental. But I just want to clarify one thing. I don't mind if there were cannibalization. It's always nicer to cannibalize yourself rather than be cannibalized by competition. But in that specific case, what Jameson Orange is designed to do and as a consumer-centric company, it is really designed to go get consumers out there that have developed a taste for some very specific flavors. So we're going to recruit into the Jameson franchise a different type of profile of consumer.

And by the way, for those of you who have not tasted yet Jameson Orange, number one, it tastes remarkably well. Number two, my favorite perfect serve is Jameson Orange old-fashioned as a cocktail. But obviously, I'll let you try whichever way you want. And I'm looking forward to seeing how successful it can be in the coming weeks and months, especially in the U.S.

Operator

Our next question comes from the line of Chris Pitcher with Redburn.

Chris Pitcher ***Redburn (Europe) Limited, Research Division - Partner of Beverages Research***

A couple of questions from me. Firstly, on the Americas, there was a modest gross margin compression in the period, but I expect that was all due to geographic mix. Could you give us a bit more detail on how the U.S. gross margin developed? And also, just a bit more color on just how strong Mexico and Brazil have been because after many years of restructuring the Latin American portfolio, do you think you're now on much firmer footing there for sustainable growth?

And then secondly, just on supply chain issues to the U.S., there were some reports of difficulties getting Jameson into the market. Can you just reassure us that you're getting Jameson, Glenlivet in to meet the higher demand?

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

I'll answer the second one and let Hélène answer the first question. Yes, I saw these articles. I think it was regarding a pub in Bourbon Street in New Orleans, which did generate a little bit of buzz. Listen, you might have anecdotal issues here and there, for sure. But again, as we mentioned, there is a tension on the supply chain. But please be reassured that our brands are out there on shelf in front of our consumers.

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

So your first question was on the margin expansion in Americas. Maybe just to be quite fast on that one, I would say, we have a positive margin evolution in all our geographies in Americas as well.

Your second question was on Mexico and Brazil. So I'll start with Brazil. Very strong growth in Brazil, which is driven by very strong volume rebound, very strong pricing and share gains with a very strong performance of brands like Chivas, like Ballantine's, Absolut and as well Beefeater, so very strong performance there and that's great. And Mexico as well is contributing to that strong performance of LatAm in this first half.

Florence Tresarrieu ***Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury***

Thank you, operator. I think that was the last question. So thank you very much, Hélène and Alexandre. Thank you for the question. Stay safe and enjoy your product responsibly.

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

Thank you.

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

Thank you.

Operator

With Deutsche Bank.

Mitchell John Collett ***Deutsche Bank AG, Research Division - Research Analyst***

I'm not sure if you've finished or not, but if we're still going, I've got a couple of questions. So the first was you've had 13% growth in the first half versus fiscal '19. Given the on-trade is reopening, Travel Retail is potentially better, is there any reason you can see for that slowing?

And then my second question is, yesterday, there was a U.S. Treasury report on competition in beer, wine and spirits. I appreciate it's still pretty new, and there's probably some puts and takes. But have you got any views on how that might change competition within spirits and your position within the U.S. market?

Florence Tresarrieu ***Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury***

Sorry. So we didn't hear very well your first question. If you can repeat the first question. And sorry, operator, I'm not sure you heard me. I think this is going to be our last question. So if you don't mind repeating the first part of your question, and then I think we got the second part. Thank you.

Mitchell John Collett ***Deutsche Bank AG, Research Division - Research Analyst***

Yes, of course. So you've achieved 13% growth in the first half relative to fiscal '19. And you've got the on-trade reopening a bit more, potentially Travel Retail getting better. Can you see any reason for you not to be able to deliver similar growth relative to '19 in the second half of the year? And then I think you said you got my second question about the U.S. Treasury report. I would have to repeat that if necessary.

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

Okay. So I'm going to answer the first question. First, thanks for asking it so that I can clarify it. The 13% is versus first half of fiscal year '20, not '19. Because in the first half of fiscal year '20, we were still running the business without any disruption from COVID. So this is from fiscal year '20. So then obviously, you can imagine my answer for H2, we're going to have a very abnormal basis of comparison in the second half of fiscal year '20 because, obviously, this was the time period where COVID impacted us and the whole world in all geographies. So the numbers was versus H1 fiscal year '20.

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

Yes. And on your second question, we don't comment.

Florence Tresarrieu ***Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury***

Thank you very much. Thank you. Thank you. So this is concluding our call. Thanks again for the questions. Thanks, Hélène and Alexandre, and speak soon.

Helene de Tissot ***Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board***

Thank you.

Alexandre Ricard ***Pernod Ricard SA - Chairman, CEO & Member of Executive Board***

Thank you.