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Half Year 2020 Pernod Ricard SA Earnings Call

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PRESENTATION

Julia Massies ***Pernod Ricard SA - VP of Financial Communication & IR***

Good morning, ladies and gentlemen, and welcome to our H1 sales and results. We will follow the usual format and running through a quick presentation before taking your questions. We are hosted this morning by Alexandre Ricard, our Chairman and CEO; and Hélène de Tissot, our Director for Finance, Production and IT.

Without further ado, let me hand over to Alexandre.

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

Thank you very much, Julia, and good morning to all of you. So without further ado, let's start with the presentation of our first half results for the fiscal year 2020. I'd like to say that this executive summary is the perfect illustration of the implementation results of our Transform & Accelerate strategic plan. This is year 2 of the plan. And if you look at our first half, you can see that the performance was very solid.

First of all, you see diversified growth, which is extremely important. So growth across all regions, and by the way, across all sub-regions as well, with a robust performance of our must-win markets with the USA, India and China. Dynamic performance as well across all categories of brands, whether it's our Strategic International Brands, in particular, Jameson, Martell, Glenlivet, Malibu, Ballantine's, Royal Salute and Beefeater. We'll dig deeper into these later on, but as well regarding all the other segments, such as local strategic brands, such as Specialty Brands as well, we'll see this later and stabilization of wine, which is the direct result of value strategy. Talking about value strategy as well, strong pricing, second year in a row at plus 2%, and our strategic brands, continuation of our operational excellence road map with more and more optimal resource allocation with a very clinical approach to the allocation of our resources across the business and across our strategic priorities, and all of this driving positive margin -- operational margin of 51 basis points over the first half. Our reported profit from recurring operations is, therefore, growing by a little bit more than 8%. This is driven, of course, by more than 4% of organic growth, but as well, favorable currency impact resulting from the U.S. dollar but as well, emerging market currencies.

As I mentioned it earlier, continued rollout of Transform & Accelerate as well recurring free cash flow, very strong at EUR 627 million despite increasing Capex and aging stock inventory, as expected, in order to fuel the future growth of our business. We'll briefly talk as well about our sustainability and responsibility road map. I'll mention a couple of words as well on project Reconquête in France. We have finalized the reorganization of our wine business over the last few months as well. We are continuing the dynamic management of our portfolio with the M&A and recently with the completion of TX, Texas Whiskey, Rabbit Hole bourbon and Castle Brands acquisitions.

And finally, over the first half, as expected, we started our share buyback program. You have here are key figures, both reported figures and organic figures. And so as I mentioned it earlier, robust sales growth on the back of a first half a year ago, which was quite high. Remember, exactly a year ago, we were growing top line by close to 8%, mainly driven by the way, by Asia, but across the whole business, and we're now growing by roughly 3%.

Must win markets are in growth. USA, plus 4%, good growth, driven by our whiskey brands. You saw we opened with the new -- the

Glenlivet TV commercial, which is currently airing in the U.S. and by the way, currently, it is right now, one of our growing brand in the U.S. and is one of the fastest-growing brands across the industry in the U.S. with a great marketing platform, but as well, phenomenal innovation behind The Glenlivet, with the recent launch of The Glenlivet 14 Cognac Cask finish, Specialty Brands as well. Nicely growing in the U.S., so 4% growth over the first half in the U.S. on the back of a 4% growth last year.

China, plus 11%. I'll dig into it a little bit later, on the back of 28% a year ago. India, plus 5%, which is a good first half and a quite a challenging, let's say, context over there. And again, on a high comparable basis a year ago over the first half. India was growing by 24%.

Travel Retail, robust sell up for our Travel Retail business. There is some shipment phasing across the business in Travel Retail. As I mentioned, growth is indeed, diversified across all the regions and subregions.

Quick snapshot on the second quarter of our first half with sales at 4%, some acceleration versus Q1, which was only up 1%.

So if you look at the markets, as I mentioned, I think the clear point here is diversified sales growth. So let's start with our #1 must-win market the U.S. As I mentioned, it, good growth driven by whiskeys and as well our Specialty Brands. If you look at our store brand, Jameson, we have the Nielsen and NABCA performance, there is a little bit of moderation in the growth rate. This is still linked to the fact that we're cycling a very strong launch of Jameson Caskmates back a year ago. There are very strong initiatives planned, actually, as we speak, for the run-up to St. Patrick's Day, number one. A great innovation, which has been launched a couple of weeks ago with the likes of Jameson Cold Brew, which is quite an original, let's say, innovation. We are expanding geographically. Our, let's say, Jameson's footprint across the U.S., in what we call our emerging market states in the U.S. for Jameson with the likes of Texas and Florida. And as we had mentioned a few months ago as well, we're deseasonalizing our strategy across Jameson. It's becoming an everyday brand and not just a St. Patrick's Day brand.

Our growth relays with The Glenlivet, I mentioned it earlier on, very good growth for The Glenlivet. Continued strong sellout for Martell, in particular, our innovation Blue Swift. Our tequila brands are still quite dynamic in a dynamic segment as well. And well, I'm happy to start commenting the performance of our more newly acquired brands with the likes of Jefferson's, which is now fully integrated in our mainstream portfolio in Pernod Ricard USA.

Future growth stars, through our new brand ventures organization in the U.S. are performing extremely well, especially Monkey 47, which are -- which is almost considered as a luxury brand in the Gin category in the U.S. Lillet, again, strong double-digit growth for Lillet; Del Maguey; Malfy, our newly acquired gin brand as well. And the rest of the Irish Whiskey portfolio, namely, for instance, Redbreast.

Again, I mentioned the new American whiskey portfolio acquisition for Pernod Ricard with the likes of Smooth Ambler. Rabbit Hole, which is performing extremely well and with our partner, Kaveh, and TX, our Texas whiskey brand.

Our bastions, Absolut is still in decline in a quite challenging category despite the very successful launch of Absolut Juice, it's Absolut Blue, which is still a challenge in vodka category, which has been challenged. We have the new brand campaign launch on Valentine's Day, so that's a small teaser and stay tuned for tomorrow.

Malibu, very strong, continued good growth, outperforming the category. If we can mention the category per se, I think Malibu is a category of its own right, and it's driven both by original and our innovations around flavors for Malibu. And confirm improved performance for Kahlua, which is one of our most profitable brands in the U.S.

Other must-win markets, very important, of course, China, a very strong first half, with 11% top line growth. For China, remember, our Transform & Accelerate ambition for China is high single to low double-digit growth. This 11% growth is all the more strong as it's on the basis of a very strong comparable basis, up 28% the previous year. Very good sell-in ahead of Chinese New Year. Martell, the demand for Martel, the consumer-driven demand is very strong. We had double-digit growth in Q2, enhanced by a non-trade rebound. Q1, remember, was somewhat soft mainly as well related to closures of on trade accounts. Excellent price and mix for Martell. And we've decided over the last few months to increase our investment behind Martell, ahead of Chinese New Year.

Chivas, the decline is clearly linked to a challenging on-trade environment particularly Q1. I won't go back again on what we said in Q1. But back to good growth on Q2 across all channels for Chivas. And finally, our premium brands portfolio is continuing its very strong growth, namely driven by Absolut; The Glenlivet; Ballantine's Finest; our wine, Jacobs Creek; of course, Jameson, off of a smaller base; and Beefeater and PJ Champagne.

Now Q3 will be severely impacted by COVID-19. I'll get back to it in a couple of minutes. There has been a very strong implementation of our entire program ahead of Chinese New Year with great sell-in. But the reality is, over the last few weeks, COVID clearly impacted our performance in China. Clearly impacted, let's be clear, not just our business, but China as a country. Our #1 priority right now is clearly our colleagues in China. I would just like to take a moment just to obviously praise all the different radical measures taken by the authorities in China, by global authorities over there, but also the local authorities. We fully support these measures. I'd like also to praise the exemplary behavior of our own colleagues in China and obviously, our thoughts and prayers go to them, to the Chinese people, to our colleagues and their families. But again, it's in these very difficult moments that you see how amazing people can be. And I have to say, we have a direct link with them, almost daily calls with them and their behavior is absolutely second to none. It's exemplary.

Must-win markets as well, there's India, of course, our Transform & Accelerate ambition for India is low double-digit growth. For the first half, we grew 5%. There again, just as is the case in China, off of a very high basis of comparison. Last year, we were up 24% for the first half. This year, the first half has been impacted somewhat by weather condition -- quite tough weather condition with flooding, which obviously had an impact direct, direct impact on consumer consumption. And also a somewhat weaker macroeconomic environment, leading to some temporary down-trading in India. I think the GDP growth rate is as low as it's been in a number of years. Our Seagram's Indian whiskey portfolio is clearly driven by positive pricing, which is offset by the negative mix due to the very strong performance of the lower end of our portfolio with Imperial Blue.

Our Strategic International Brands continued their strong momentum with double-digit growth across most of the range and particularly -- and particular, sorry, Chivas, The Glenlivet and Ballantine's. Very strong growth for our wine business, principally led by Jacob's Creek, which is the market leader and as well by Brancott Estate.

Global Travel Retail, our fourth must-win market is enjoying a good sell-out. The first half has been impacted by shipment phasing and some technical impact. We closed the warehouse and found nothing major. Strong underlying depletions, as I mentioned, driven principally by Martell, especially the higher qualities, Cordon Bleu, XO, our whiskey brands as well and gin, which is quite buoyant in that channel.

Great innovations throughout the whole channel with the launch of Jameson Triple Triple, triple distilled and finished in 3 different casks. The launch of Secret Speyside, which is rare malts, single malts from Scotland at a very, let's say, high price point. The launch -- exclusive launch across the channel Ballantine's 23, but I could also talk about Royal Salute 25-year-old and so on. Very strong price and mix across the channel.

Just as I mentioned, for China, Q3 for Travel Retail will also be severely impacted by a significant decline in passenger travelers, of course, related to the COVID-19.

Europe. Well, Europe overall, up 3%, with strong broad based, diversified growth in an environment that remains somewhat contrasted. Okay, France continues to be a difficult market. We're down 1%. But let's be clear, sell-out is worse than that minus 1% with a sellout of minus 6%. The market is extremely challenged, and that is not helped by the Egalim law which is, la loi sur Les Etats Généraux de l'Alimentation, where, let me remind you, this had direct impact on consumer pricing, which went up, for instance, for our #1 brand here in France, Ricard, by 10%. 10% price increase has obviously an impact on consumer behavior by definition. We do have great performance from our growth relays, particularly Absolut, growing double-digit. And Beefeater, which is emerging as being a very strong growth relay for us as well.

We're in the middle of projet Reconquête, the entire reorganization of our French business, with the merger, which will be effective as of July 2020, so in a few months from today, of Ricard and Pernod. I have to salute here as well the remarkable commitment of our teams, in these difficult times for France, with a very, very strong reorganization and reinvention of our business to drive future top line growth here in France.

Spain, up 1%. The market is in decline, which means we're gaining market share, mainly driven by gin, and particularly Seagram's Gin and vodka, of course, driven by Absolut. Difficult segment is the whiskey segment. U.K., we're gaining market share as well. U.K. is up 2%, but double-digit sellout for our spirits business. Huge continued success for Beefeater, with the rollout of new innovations across the brand franchise. This as well, great performance for Jameson as well. And we're starting to see the turnaround of our value strategy starting to pay dividends as well.

Germany, double-digit sales growth and the acceleration of our Gin portfolio, particularly Beefeater and Monkey 47. Double-digit growth in Russia, up 14%, with some market share gains and some good price and mix. And finally, market share gains and great performance of our business in Poland.

While other key markets, stable business in Canada with good growth for Jameson, which is our strategic brand over there. Dynamic growth in Brazil with share gains. Decline in Mexico, principally led by destocking but share gains for our imported premium spirit brands. And for Asia, rest of the world, continued growth and momentum in Japan around our champagne business, PJ and Mumm, Chivas and The Glenlivet as well. To some extent, I could mention as well, Jameson. Positive mix on most of our brands, if not all of them, and double-digit growth for Absolut. Korea, down 28%. No surprise there, but up 11%, excluding Imperial. We will have a favorable comparable basis as of April 1, because, as you know, last year, we decided to basically outsource distribution of Imperial and refocus our business in Korea on our imported strategic brands.

And finally, good performance across Africa and Middle East, with very good growth in Turkey, driven by whiskey and Havana Club, and continued dynamism in sub-Saharan Africa, especially linked by Jameson, which is becoming basically a regional strong growth brand in Africa. And finally, somewhat of a challenging environment in Middle East.

Very briefly by brand, just to say, as I mentioned it during the executive summary, all brand category is now growing. Strategic International Brands, up 4%; Strategic Local Brands, up 3%; Specialty brands, up 17%. And finally, our value strategy is starting to pay dividends with the stability of our wine business, which mentioned innovation is contributing above of our strategic plan, 1/3 of our top line growth, and we have strong pricing of up 2% for the second year in a row.

Good growth on Martell with a clear value strategy, so driven by price and mix. And we continue the internationalization of Martell. First half, Martell was up 4%, with positive pricing basically across every single SKU and across all regions and channels. Double-digit sell-in in China ahead of Chinese New Year with strong pricing, particularly in China. 11% decline in the U.S., but this is literally due to the recycling of the strong launch of Blue Swift. Remember, last year, we had triple-digit growth for Blue Swift across the U.S. and again, strong pricing across the whole range in the U.S. as well. Good growth in Travel Retail. Very good performance in Eastern Europe. I could have mentioned here sub-Saharan Africa as well. Our strategy here is clear. International of -- Internationalization of Martell as a brand.

It's a different word, but the same strategy for Jameson, we want to globalize Jameson to make a strong global brand, and the performance over the first half is perfectly in line with that strategy. The brand is growing literally, basically almost everywhere. If I start with the U.S., accelerating -- acceleration of the underlying completions in Q2 in the U.S. All of our key footprint states are in double-digit growth. We have good pricing. And as I mentioned it earlier, we very recently launched Jameson Cold Brew a couple of weeks ago. Double-digit growth in Europe. As well, driven by Russia, Ukraine, Kazakhstan, France. In fact, the U.K., Ireland, Germany, and positive price/mix across the whole region. And as I mentioned, all other markets, basically in very good growth for Jameson. So the brand is on -- it's perfectly on track with our globalization strategy.

Scotch, up 4%, excluding Imperial. So a very good performance for our Scotch performance, again, perfectly in line with our strategic plan for Scotch, which is one of the key growth drivers. And of course, with the impact on Capex and aging inventory, of course. Chivas, down 2%. So we have strong growth in Eastern Europe, which is offset by the decline in China, which I referred to, but with a tale of 2 stories, a weak Q1, but actually, a very strong Q2 over there, some negative phasing in Travel Retail. The Glenlivet, up 15%, a great success story for The Glenlivet. Ballantine's, plus 5% as well, perfectly in line with our plan. And great performance for Royal Salute, which is our luxury Scotch proposition, up 17%, principally driven by Asia, but not only.

Absolut. Continued international development of Absolut. Our strategy is very clear, expand beyond the vodka category, to become the natural choice of an experience-seeking generation, which is the Gen Z, LDA+ generation. Sales outside of the U.S., plus 2%. Actually, the underlying trends are slightly better than that. Asia, continued strong growth. China, plus 25%. Good growth across Europe with strong double-digit performance in France, Germany, Poland, for instance, market share gains, across most Western European markets as well. America's decline is principally driven by some phasing in our travel retail shipments. Very strong performance in Brazil. In the U.S., however, the brand is down 6% despite the successful launch of Absolut Juice. And as I mentioned during the introduction as a small teaser, stay tuned for tomorrow, in fact.

Other key brands, Beefeater, up double digit. Havana Club, up 6%. Malibu, I mentioned double digit. Ricard, no need to dwell over it, but the issue of the Egalim Law, which is a painful law. Mumm slightly down, which is still partially impacted by the commercial -- one of the commercial conflicts that started a year ago, which is still ongoing for Mumm in some specific accounts here in France, so be it, that's life. PJ, up 1%. And I mentioned our value strategy for our strategic wines portfolio. No need to dwell over this. All I say is Specialty brands of 17%, innovation of 15%, luxury of 5%. Direct results of Transform & Accelerate.

Sustainability and responsibility, a little bit less than a year ago. I think it was in April. We basically shared with the markets, through a live presentation out of Cognac, our 2030 sustainability and responsibility, strategic road map with 8 very ambitious, very strong objectives. So we're perfectly, again, in line with our road map here. I won't go through all these. I would just like to share a few recent events here, for instance. And again, Pernod Ricard is all about people first. When you see the level of engagement of our colleagues from around the world, you see these levels of engagement, which are absolutely extraordinary. 88% of our employees with very strong levels of engagement across the group. 94%, 94% of the people are proud to be associated with Pernod Ricard. And equally as important, 92% of our colleagues view Pernod Ricard as a socially responsible organization. I'm very -- and I'm personally very proud to see these numbers.

In terms of terror, we'll just pick one number which, again, is a very strong number. We're down 50% almost in terms of use of synthetic agrochemicals since 2013 and still focusing to bring that number down. And we more recently had announced that we're banning glyphosates across all our cognac vineyards.

In terms of circular making, I would just stress, for instance, that we plan by 2025 to have 100% of our 86 production sites to be 100% renewable energy sites. We're currently at 76%. We more recently announced, as an industry, whom we're a proud member of, IARD, International Alliance for Responsible Drinking. Very, very strong commitments, focusing on basically underage drinking. So we have undertaken the commitments, for instance, just to name one of them, to have a symbol on every single bottle produced by and marketed and sold by Pernod Ricard, with a clear mention regarding age restrictions. That's one example, amongst many that are absolutely important. And right now, actually, we're also rolling out a mandatory Mooc. Mooc is massive online course across all 19,000 colleagues around the world, regarding responsible consumption. So we're perfectly on track in terms of sustainability and responsibility, which is at the core of everything we do. That's very important to our people within the organization, very important to our talents, to attract them, to retain them. But equally as important, very important for all our stakeholders, whether it's our suppliers, whether it's our customers and, of course, our consumers around the world.

Now that being said, I'm passing the floor to Hélène to go through our financial performance.

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

Thank you, Alexandre. Good morning, everyone. So let's look now at the profit from recurring operations. You have here the figures in terms of organic performance, so plus 4.3%. And the reported fees is a plus 8.1%, figures in terms of growth due to the positive FX impact that Alexandre mentioned as an introduction. So a strong price -- pricing on strategic brands, plus 2%. As already mentioned, this is very consistent with the performance we delivered on that topic last year. And obviously, pricing ambition is a key driver of our ambition moving forward. So that's a good performance here.

Gross margin, a slight decline in terms of impact on profit from recurring operation, minus 15 bps. We had to remind that last year, we had a very strong H1. On that matter as well, the gross margin ratio was improving by 71 bps. And this is due this year to a positive impact of earlier Chinese New Year, but the negative mix of India and as well, cost of goods headwinds, in particular, agave and as well, GNS, grain neutral spirits in India. Our A&P increase is broadly in line with the sales, plus 3% with strong arbitration and focus behind strategic priorities. Structure are down 2%, thanks to strong discipline, but as well a favorable phasing. We expect, for the full year, growth in terms of structure costs.

When we look at the impact on the margin. So 51 bps improvement, driven by pricing and tight resource allocation. And as I mentioned briefly, positive FX impact on the profit from recurring operation for EUR 59 million, thanks to U.S. dollar but as well emerging market currency appreciation versus euro.

So if we look now at the performance by regions, starting with Americas. So continued good growth in the U.S., we mentioned it already. And Brazil, dampened by Travel Retail and Mexico, with as well the strong basis of comparison last year, where the profit from recurring operation was growing by 8%. We have here the figures for this first half, minus 2% in terms of organic performance. Plus 3% when it comes to the reported profit from recurring operation growth.

So let's look now at the different drivers of that performance. Gross margin is a decrease -- is increasing by 1%, which is below top line growth. So translating into 72 bps negative impact on the profit from recurring operation. And this is mainly linked to adverse mix and as well, cost of goods pressure. We mentioned already the agave increase, which is obviously impacting Americas P&L. A&P, overall stable, but important to mention that we are increasing investments in our #1 market, the U.S. We had the investments growing by 6%, and this is particularly linked to Jameson, Martell and The Glenlivet in fiscal first half. This is offset at Americas level by phasing, mainly in Canada and Latin America. Structure are growing by 6%, and this is mainly linked to phasing and as well some technical one-offs last year. Despite that number, we have strong discipline, obviously, in our structure cost management in Americas. Strong favorable FX, that we mentioned already, linked to USD appreciation.

Moving now to Asia, rest of the world. So good growth, lapping a very strong basis of comparison. So the profit from recurring operations are growing organically by 5% compared to a plus 26% last year at the same time. And this 5% organic growth is translating into a 9% reported growth. So gross margin are growing by 3%, which is slightly lower than the top line with this minus 13 bps impact on the profit from recurring operation. This is driven by pressure on Indian margin, linked to adverse product mix, Imperial Blue is driving the growth in this first half. And as well, as I mentioned before, some significant headwinds in terms of COGS, especially on the grain neutral spirits. And this is partially offset by a significant margin improvement in China, thanks to a very strong Martell pricing impact in this first half. And as we are early Chinese New Year, 11 days earlier than the year before. A&P increasing significantly ahead of sales, plus 7%, which obviously is the translation of our strategic priorities in that region and as well some phasing impact. China and India, as you know, the top priorities for us in terms of investment. Structure are at minus 6%. This is driven mainly by the impact of the Korean restructuring that we performed at the beginning of the calendar year '19. And as well, tight resource management in that part of the world as everywhere else. Obviously, we are still investing strongly behind our priority markets, notably China, India and Turkey. Positive FX impact that I mentioned already, boosting the reported growth in that region.

Moving to Europe. So a very strong H1 profit from recurring operation growth. Double digit, both in terms of organic performance, but as well reported performance. Plus 10% and plus 12%, respectively, with a plus 3% top line growth that Alex already explained, translating into a gross margin expansion. Gross margin are growing by 4%, so 39 bps, a positive impact, thanks mainly to pricing and country mix, notably the acceleration of Germany in this first half. A&P are broadly stable with a strong arbitration, but as well some favorable phasing. We expect some acceleration of those investments in the second half of this fiscal year. Structure, minus 3%. This is thanks to the implementation of several efficiency projects and very strong discipline, in particular, in France and as well in the Nordics, and we have as well as some favorable phasing in this first half. So a very strong increase in profit from recurring operation. Margin plus -- close to plus 200 bps, driven by positive pricing and mix and gross margin improvement and structure cost discipline.

So moving now to the net profit. So if we look at the net profit from recurring operation, it's growing by 10%. And so is the EPS with profit from recurring operation at plus 8% from a reported viewpoint. As I mentioned before, a slight increase in financial expense from recurring operation, which is resulting mainly from the implementation of IFRS 16 norm, which has a EUR 6 million impact in those figures, and more modestly from the issuance of the new bonds back in October. The tax charge is increasing consistently with the profit growth. Our tax rate is close to 24% versus 25% last year in the first half, which is the translation of the positive impacts of tax reform in India. As you know, India has decided to reduce its corporate income tax rate from closely 35% to 25%, which is a very positive move to support investment there and I would say, to align as well the CIT rate to OECD standards. So recurring tax rate for the year is expected at circa 25%.

Moving now to the nonrecurring items. So the nonrecurring expenses for the first half amounts to EUR 152 million, which is driven mainly by restructuring and reorganization costs for EUR 115 million. So this is the translation of the adaptation of our operation, especially in France, with the project Reconquête, that Alexandre mentioned already and as well the adaptation of organization within our wine business. Non-recurring corporate income tax is at EUR 31 million, which is driven by some technical effect on deferred tax further to the Indian tax reform I was mentioning before.

So moving to the group share of net profit. Operating profit is plus 3%, and group share of net profit is plus 1%, despite the strong growth of profit from recurring operation, mainly due to the nonrecurring items I just described.

Let's move now to the cash flow and debt evolution. You have here all the details of the free cash flow performance that I'm going to comment in the -- using the following slides. So free cash flow of EUR 570 million with a strong increase in the profit from recurring operation, and as well as strategic investments as expected. And again, this is the perfect translation in terms of use of our cash generation to support the future growth of the business.

Recurring free cash flow at EUR 627 million, which is plus EUR 5 million, that is the first half last year. The strong profit from recurring operation, I already mentioned. Increase in strategic investments. So both aged inventory and Capex. You have the figures here. It accounts for EUR 84 million in this first half.

We are obviously reinforcing our age inventory to support our ambition, both for whiskeys and cognac, and we are as well increasing our Capex in this first half mainly to -- linked to the cask purchase at Irish Distillers, the building of our new malt distillery that we talked about few months ago in China in the Emeishan region and as well the completion of the new bottling hole at Chivas. Our operating working capital request is as well increasing in line with the business growth. And we have some positive impact of the IFRS 16 in this first half for circa EUR 40 million in the recurring free cash flow. We're going to talk about the impact on the net debt a minute. Nonrecurring free cash flow at minus EUR 57 million, due mainly to the restructuring cost that I mentioned already.

Let's look now at the evolution of the net debt and the translation in terms of net debt-to-EBITDA ratio. So our net debt increasing by EUR 1.6 billion, translating it into net debt-to-EBITDA ratio of 2.7%. If I focus first on the cash generation, so free cash flow that I already commented, we, as well an increase in the M&A cash out, which is reflecting the active portfolio management we talked about already with the closing of some of our U.S. whiskey acquisition in this first semester. We are as well started the share buyback program in this first half.

As you know, we announced global program up to EUR 1 billion over fiscal year '20 and fiscal year '21. And we did a bit higher than EUR 220 million in this half. We have, as well, obviously, increased the dividend payout up to 50%, as announced, and you have all the impact in this first half. So talking about IFRS 16, we have an additional lease liability resulting from that new norm for a bit more than EUR 500 million in this first half. As a reminder, we, as well, successfully -- I would say, very successfully placed a new bond issuance back in October for EUR 1.5 billion in 3 tranches, with an average coupon of 0.46%.

And I hand over to Alexandre for the conclusion and outlook.

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

Well, thank you, Hélène. So as I mentioned earlier, the COVID-19 is clearly impacting this current year. We made a number of assumptions to appreciate the impact it can have on our current year performance. I'd like to stress just that these are Pernod Ricard working assumptions. They're not predictions. They're pure assumptions that we share -- we'd like to share with you completely, transparently, so that you can see how this can or could impact our business. Again, it's assumptions. It's not predictions. We don't know, frankly, what's going to happen, but we made a number of assumptions with our teams in Asia and in China. So for the on-trade in

China, we took as an assumption that all the outlets are closed in February across China and that all the outlets are closed until the end of June in the province of Hubei, where you have Wuhan. We then believe, and that's, again, an assumption that there could be a gradual recovery starting from the month of March to get somewhat back to a normal by the month of June. That's for the on-trade.

For the off-trade, obviously, there is a significant impact on both traditional and modern outlets that started in late June, clearly ongoing for the full month of February. Again, we took an assumption of a recovery in March. So that's for Mainland China.

In terms of Travel Retail, specifically Travel Retail Asia, the assumption, we basically took into consideration is a reduction in Chinese passenger numbers of roughly 2/3 in February and also for the full month of March. We assume a gradual recovery starting from the month of April with, again, some situation which could be back to normal by the month of June.

So taking these assumptions into consideration and having run our numbers, we believe, based on these assumptions, that the impact would be of 2% on our top line and 3% on profit from recurring operations. I think it's very, very important also to stress that we are maintaining our priority investments throughout the group. As you can see, they are delivering. Our plan Transform & Accelerate is fully ongoing. Of course, we are activating specific targeted measures where we believe we can. But we are adopting a very clear, very confident and very long-term approach to the situation.

So in terms of outlook, again, I won't go back on H1, which shows and clearly demonstrates the resilience of our business, of our business model. For full year, fiscal year '20 in particular, given the uncertain environment, we do expect clear, continued execution of Transform & Accelerate. It's second year of our strategic plan. We're right in the middle of it with a strong focus on operational excellence and sustained investment, as I mentioned earlier on, behind our strategic priorities in terms of markets, brands and initiatives. So good, diversified growth is expected to continue, albeit clearly the third quarter, January to March, will be, that's for sure, severely impacted by COVID-19 in China and Travel Retail Asia.

We will continue our share buyback program as planned. And also, we could expect now that as well can be quite volatile, but based on our -- the most recent currency numbers we have, we also expect a very positive currency impact of roughly EUR 70 million for the full year on profit from recurring operations. So taking all of this into account, and again based on the assumptions, we decided to share in full transparency with you our new guidance for the full year is, we expect organic growth in profit from recurring operations to grow anywhere between plus 2% and plus 4%.

On that note, I'll let Julia start maybe the Q&A.

QUESTIONS AND ANSWERS

Julia Massies ***Pernod Ricard SA - VP of Financial Communication & IR***

Thank you, Alexandre. Thank you, Hélène. We'll start with some questions in the room, if there are any? Okay. We'll turn to our callers then, please.

Operator

(Operator Instructions) We will now take our first question from the line of Edward Mundy from Jefferies.

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

Alex, Hélène, three questions from me. I think in one of your earlier slides, Alex, you pointed to the very high level of employee engagement within Pernod. As part of the Transform & Accelerate program, I was wondering whether you could highlight some of the biggest changes in your view as to how the business is being run and what are the biggest opportunities from here still to come?

The second question is on Jameson Cold Brew, obviously, a very early stage in that rollout within the U.S. I'd love to hear some early feedback and what particular consumption occasion does this play to.

And then the third question around your updated commentary around both China and Travel Retail in Asia to reflect the coronavirus.

Does this take into consideration potential inventory build into the -- into Chinese New Year, given that the coronavirus was unforeseen prior to really accelerating?

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

I'll start with the first 2 questions. Question number one, for me, it's the most important question of them all. You can have -- you can probably have the best strategy in the world, if you don't have the right people, the right talent, ruthlessly committed to delivering it, it will only remain some good-looking slides.

Reality is, I think what I can really share with you is the ruthless, absolutely ruthless commitment of our teams across the world to deliver Transform & Accelerate. That's point one.

Point two, Transform & Accelerate starts with that word transform. We have seen, and we are seeing, and we will continue to see within the course of that 3-year plan and even beyond because some of the initiatives we have undertaken go obviously beyond 3 years in terms of horizon. We're witnessing -- it's a huge transformation of our business. That transformation is tied to just 2 things. If I had to really oversimplify things, which sometimes is a good thing to do, it's tied to, number one, our consumer focus, our consumer centricity. More and more in our discussions, and I can feel it, I can see it and obviously hear it, the name -- the word consumer is pronounced. So everything we do, we say, what is it for from a consumer standpoint. So that's the number one, I would say, trigger of transformation because today's consumer has transformed and will keep on transforming.

And the second big trigger, which is, by the way, impacting the whole world, not just ourselves but for us it's a great opportunity, is technology and digital, which is -- which has radically changed our interaction with consumers, which is radically changing our ways of working, which is radically changing every single function within Pernod Ricard. I think we had mentioned during Transform & Accelerate Finance 4.0, where we will be leveraging a lot of artificial intelligence in terms of predict-logy and so on. It is radically changing our marketing approach. And we have a huge transversal -- marketing transformation approach. It is transforming our sales teams. It doesn't mean we'll have less. It just means that they'll do things differently. We are working on sales teams of the future and so on. So the 2 big changes is ruthless commitment to delivering the plan based on the 2 triggers: consumers and technology.

Regarding Cold Brew, it is currently exclusively available only in the U.S. It is being rolled out as we speak right now, nationally, to achieve maximum distribution by St. Patrick's Day, mid-March. Initial feedback is very, very positive.

By the way, obviously, outside the U.S., that product doesn't exist, except in Ireland, where it was actually tested. Part of our transformation is TLO: test, learn, optimize. So very clearly, very quickly, tested in market. And in my bar, by the way, so I tested it. I have my friends test it. It's a very, quite, groundbreaking proposition, leveraging a little bit the Irish coffee kind of sentiment. So it's line priced as well with Jameson Original, which will simplify and facilitate as well the franchise planning across the U.S.

So we'll see within the next, let's see, next ComFi, which is on April 23. I'm talking on the control of Julia, but by then we should have some initial concrete results of Cold Brew. But from a qualitative standpoint, so far, we're quite bullish.

And maybe on your third question, I'll let Hélène answer.

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

Yes. So on the coronavirus assumption. So first, I would like to repeat what Alex said. Obviously, it's very difficult to have a clear view of what would be the extent and the duration of the various impact. What we shared with you, I believe in a very transparent and hopefully very understandable way, is our current assumption of what could be the impact for us in terms of business. So -- as well as we mentioned, we had a strong execution of our Chinese New Year program in December and early January. So everything, I would say, was there to have a great Chinese New Year season.

We don't have the visibility at this time of the year. We're only mid-Feb of what would have been the depletion in Chinese New Year. So it's too early to have the visibility of what could be the stock replenishment to happen in the coming days and weeks. So that's why, in our assumption, we are as well assuming some gradual recovery in March. That could be more or less what I would say, depending on the level of stock we're going to have post-Chinese New Year.

Operator

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

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

Just firstly, I've got 3 questions in total. Firstly, on the COVID-19. You mentioned that you believe your working assumption is that it will end in June in terms of the impact on your business. Other beverages companies have suggested this might last a little bit longer in terms of using their SARS playbook from 2003, sort of 6 to 8 months has been suggested by other companies. Could you give some detail as to why you think June is -- why are you using that as the working assumption date for recovery?

Secondly, in terms of the effect on cognac in China, in particular, during the anticorruption clamp down earlier, last decade, you moved cognac around the world quite successfully and sold more in other countries. Is that something you would be looking to do at the moment or is that -- is it too short a term to do that?

And then finally, there's news reports on the EGAlim law in France, suggesting it might be reduced, in particular, on champagne, but also on other products. I was wondering if you could share with us any working assumptions do you have on that law, in particular.

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

Yes. So listen, on COVID-19, at this stage, your guess is as good as ours. We do believe as a central scenario that taking these assumptions into account is a good working scenario, and you see the impact.

Listen, if it'd last 1 more month, it will last 1 more month. If will last 1 month less, it will last 1 month less. Again, what we're trying to do here is to work on reasonable assumptions. Listen, if it runs into July, May, the one thing -- maybe the 2 things we do see and read in the media, by the way, is that by August, there will be a vaccine, that's point one. We also know that flu, generally speaking, not just COVID-19, tends to weaken and then disappear during summer days. But if it's 1 more month, it'll be 1 more month. That's -- we're basically monitoring the situation almost on a daily basis.

And by the way, not only is there the timing of getting back to normal, but there's also the rapidity then -- or the impact it can have, which, again, we don't know what it'll be. So it's difficult to say more on that side. You have our assumptions and you see their impact. And then based on the evolution of the situation, we'll obviously keep you updated.

But thinking more long term, I just want to stress, the fundamentals in China are very strong. We saw them over the first half year. The emerging middle class in China is still growing. Our penetration strategy and ambition of doubling by 2025, going from 1% to 2%, is fully on track. We're above 1.2%, close to 1.3%. So we're really on track from that point of view. And so I think we really need to keep focused on the underlying strong fundamentals and the longer term when it goes down to China.

Regarding cognac, by the way, it's a good transition, we started internalizing -- internationalizing Martell as a brand a number of years ago, maybe 4 or 5 years ago. So basically, for the brand to move out of being just Chinese-Asian brand to being an international brand with clear, must-win battlegrounds for Martell, obviously, China remains very important and critical to Martell's success, but more broadly speaking Asia as well. Broadly speaking as well, Travel Retail as a channel. U.S. with the launch, I mentioned it during the presentation, of Blue Swift 2.5 years ago, very successful launch. Great rollout. Still ongoing in the U.S. with strong investments behind Martell, Blue Swift in the U.S., but of course, as well, investing behind the brand in some sub-Saharan African markets, in particular, in Nigeria, where we see great potential for Martell, but as well in Eastern Europe.

So there's no change in strategy for Martell. The keyword here is internationalization of the brand, and we are investing behind the brand across all regions to make it a global brand.

As for Loi EGalim, listen, we read the media as well. My dream is for this to go away. But so far, there's not much I can really comment. Obviously, it's hitting our champagne brand, fine, but the reality is it's mainly hitting Ricard, again, price went from EUR 18 2 years ago to now EUR 22.4 today. EUR 22-plus in France for a liter of Ricard is huge. It's not great for our consumers. Purchasing power is critical for our consumers.

But if that law could go, I'd be happy. It's a lose-lose law, by the way, because if our volumes are significantly down, it's not good for us. It's not good for state's income either. It's not good as well for consumers that are trading down to distributor brands, private labels. It's not good for our commercial partners as well because they make more money on Ricard than they do on their private labels. So that's what I call a lose, lose, lose scenario. All stakeholders lose. So equal treatment, that's good news, but not sure it's good.

Operator

We will take our next question from the line of Simon Hales from Citi.

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

Alex, Hélène, three for me as well, please, I'm afraid. Firstly, Alex, I wonder if I could just clarify with you some of your comments you made with regards to your outlook on the investment spending for the rest of the year. And I understand that you're maintaining investment spend. From that, though, I assume that actually you're going to continue to be investing in China despite what's happening in the short term? Or should I assume that perhaps you are reducing marketing investment and just transferring that to another part of the group? That's the first question.

Secondly, just around the potential impact of the U.S.-EU tariffs. What are you now assuming within your guidance for that? Are you still assuming there is a risk of some further carousel-ing of those tariffs going forward or has that risk dissipated somewhat?

And then finally, just around India. If you could just talk a little bit more about the outlook as you see it as we move into the second half from both the top line standpoint and also on COGS, particularly the inflation we've seen on neutral grain spirit?

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

I'll do the first question. I'll let Hélène answer the second and third ones.

Just on the outlook, yes, it's very important for us to stress the fact that because of this very unfortunate and terrible situation, it's not going to deter us from investing behind our clear priorities. Of course, specifically in China and specifically in some channels, Travel Retail, nobody goes out in outlets. We're not going to activate these outlets. So remember what we said, we said, we are maintaining our investments and we very clearly intend to do so. But we also just stress the fact that we would have some specific, targeted mitigation measures. And these obviously are specifically regarding some investments in China and Travel Retail just because people aren't there. But other than that, we remain fully determined to invest across all our priorities, in particular, by the way, the U.S.

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

So talking about the U.S., it's true that the U.S. tariff situation is one of the points of the uncertainty, I would say, and this is still a valid one. As you know, there was the increase of the tariff back in October on the single malts and wines, so impacted us mainly on the Glenlivet, Aberlour and Campo Viejo for the U.S. So this is already happening.

And by the way, we are improving the Glenlivet -- increasing the price on the Glenlivet early February. So we took some assumptions for the -- what could be the impact for the full year because there's still uncertainty, as I mentioned. We have the carousel-ing risk, which is the flexibility for the U.S. authorities to revisit the perimeter and the quantum of the tariff as soon as next week. In our guidance, it's fair to say that we are already well advanced in the fiscal year. So even -- obviously, we hope there won't be any increase happening next week. And by the way, we'll be, obviously, even more in favor of the cancellation of this tariff in the future. The impact should be manageable for this fiscal year.

Let's go now to India. So in term of outlook, as we mentioned, we had, in this first half, as a very, let's say, complex environment, which was definitely less favorable than last year.

For the second half, we are obviously still super committed on our strategic investment in that market. So we believe the top line could be slightly better than in the first half. Let's say, strong mid-single to high single-digit growth would be probably a good ambition for us in the second half in terms of top line.

Talking about COGS, grain neutral spirit, significant increase impacted our margin in this first half. Hopefully, the major impact is behind us. But I would like to be very cautious on what could happen in the second half in terms of COGS.

By the way, we mentioned grain neutral spirits, Glass as well as some impact on our margin. Having said that, as you know, our ambition is to improve our margin as well in India, and we are improving our pricing strategy there and premiumizing our brands, investing significantly behind our strategic local brands and as well Strategic International Brands.

Operator

We will now take our next question from the line of Sanjeet Aujla from Crédit Suisse.

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

Alex and Hélène, three questions also from me, please. Firstly, on Jameson in the U.S. Hélène, I think in Q1 you talked about depletions being up around high single digit. In the release today, you talk about an acceleration in the second half of the year. So can you just give us a bit of a feel for how Jameson depletions really accelerated from high single-digit in Q1? And within the Jameson franchise, how big are Texas and Florida today, just to trying to get a sense of how under-indexed it is in those 2 big states in the U.S.?

And just finally, on Martell in the U.S., appreciate you're cycling some tougher shipment comparatives, but just to clarify, are depletions also running negative in the first half as well?

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

Okay. Thank you for the questions. So I'll start with Jameson in the U.S. So first, I would like to say that when we look at the October, November, December period, which is obviously extremely critical in the U.S., we see a stronger velocity of Jameson during that period. However, there were some strong pricing pressure in the market, particularly from American whiskey brands. So that's one of the reason of the performance of Jameson sell-out in this first half. No need, I guess, to come back to what is our ambition in term of second half with strong activation and innovation to support the Jameson ambition.

You mentioned the -- what is the position of Jameson in Texas and frankly I don't think we give the exact number. I'm looking at Julia. But it's fair to say that in those key states, we have room for stronger acceleration of Jameson compared to its weight in other key states like California and New York.

So now moving to Martell. So Martell, we had, obviously, a very successful launch of Martell Blue Swift in our comparable basis, if I can call it that way. This is a successful launch on a small basis. And the brand is performing strongly on a small basis. We believe this is a great innovation, and we want to support that innovation with right investment and build the brand in the U.S. in the coming months.

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

Just a quick follow up on Absolut. Clearly, the base brand seem to have deteriorated in the period. Are you seeing any impact on the brand from hard seltzers?

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

So on Absolut, as you know, this is obviously a difficult category, by the way. I think the last 4 weeks have been even a bit more difficult for the category globally. Absolut Blue is still in decline. We have a successful launch of Absolut Juice, as mentioned, but with no significant impact of -- on Absolut Blue, even if we have, let's say, good figures in terms of consideration for the brand.

Talking about the hard seltzers performance and dynamism, it's obviously a very strong one. We don't see at that stage any impact on the premium spirits category. It's really more, let's say, impacting the beer drinking occasion.

Julia Massies ***Pernod Ricard SA - VP of Financial Communication & IR***

At this time, we'll take questions from our 2 final callers, please.

Operator

We will now take our next question from the line of Trevor Stirling from Berstein.

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

Alex and Hélène, two questions my side. Firstly, just to say thank you very much for sharing those detailed assumptions on COVID. They're very helpful and makes lots of sense. But second question on China underlying trends. You talk about premium growth in China, Alex, can you just give us a little more color, is that group of products, are they growing broadly in line with Martell on an under lying basis slightly faster. So maybe a sort of update on what you told in (inaudible) would be great.

And the second question around Glenlivet. It looks like the brand is picking up and accelerating again. Is your supply situation on Glenlivet in a better position now that you can actually supply the right levels of the qualities that we want to?

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

Well, thank you for your questions. Listen, what -- our strategic plan for China is remaining completely unchanged. The dynamics we saw over the first half are definitely in line with what we had in mind. Now the performance may vary from one brand to another just because some brands are more skewed towards the on-trade, other ones are more skewed to the off-trade. We did mention softness for Chivas in Q1 because Chivas is clearly skewed towards some of the on-trade outlets, which were hit in Q1. And then we saw a strong rebound in Q2 for Chivas as a brand. But across -- we see growth across the entire portfolio. And of course, whether it's Jacob's Creek, which is our strategic wine brand there, whether it's a Glenlivet in China, along with, by the way, single malt category, whether it's Ballantine's Finest, which is really picking up, specifically targeting middle-class consumers over there and as well our focus champagne brand, P-J. All of this, of course, alongside, for sure, Martell. But we see strong growth across the whole portfolio, perfectly in line with our plan of Transform & Accelerate and penetration rates, also which have grown since last time we had our Capital Market Day in China, have grown by roughly 30%.

Regarding the Glenlivet supply, I'd love to have supply issues because when we have supply issues, it's a great a problem to have. Reality is, now we have a good, comprehensive portfolio of SKUs within the Glenlivet franchise. We have both aged propositions, of course, but as well nonaged propositions as well. Again, not driven by a supply strategy, but driven by a consumer-centric approach. Some consumers like aged and specifically aged products with age statement just because they're reassured by the age and they like comparing different ages and so on and so forth. Others like nonaged statements, but flavored statements around the finishing of the product and so on and so forth. And finally, some like both. And what we most recently launched in U.S., which is proving to be quite a huge let's say early success, is the Glenlivet 14, so it is aged, but finished in cognac casks, so with a twist to the flavor. I'll remind you that 4 years ago, we had launched Founder's Reserve, which is nonaged statement, specifically targeted to consumers that would like to enter into a single malt category. So very simple, accessible, versatile flavor recruiting into the category of market leaders in the U.S. within that category. And then trading them up progressively into aged or nonaged and flavored or nonflavored expressions.

I hope this answers your question.

Operator

We will now be taking our last question from the line of Chris Pitcher from Redburn.

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

Two questions. Firstly, on Jameson, going into St. Some Patrick's Day, can you give us an idea of what the lessons we learned from last St. Patrick's Day where they movement in the whiskey category was quite dynamic. Will you be quite as aggressive in promotional reduction this time around?

And then secondly, on China and the COVID impact, can you tell us where you think your e-commerce revenues are right now as a percentage of sales? And have you factored in some lost on-trade and off-trade sales shifting into e-commerce in your analysis?

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

Yes. On your first question, I'm not going to be very extensive just because St. Patrick's Day is coming soon, and we have a plan, which we don't really fundamentally want to disclose. But overall, some of the key lessons learned are, Jameson is not only a St. Patrick Day brand anymore. It has now the size and scale of a brand that can basically be everybody's everyday kind of brand, which means that we are progressively -- maybe, maybe one key lesson is we started deseasonalizing our investment strategy behind Jameson a little bit too quickly, maybe a little bit too quickly. But we really want to drive activations around the brand, both from a promotional point of view, but also from an experiential point of view around the year.

So obviously, the next one coming is run-up to St. Patrick Day and St. Patrick Day, of course, but as well, we'll be quite active around Jameson during the summer. So we wanted to be not a seasonal brand, but basically an annual brand. It deserves it, by the way, and that's what we're going to do. And again, from an innovation standpoint, the way we launch innovations and the way we're executing against Cold Brew this year, I think it's going to be quite remarkable.

On your second point, I'll let maybe Hélène answer.

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

Yes. So on the e-commerce in China. So first, in the current assumption of the impact of coronavirus, I guess, you saw that we are assuming a recovery of trade in China. In March, we had some, let's say, strong ambition in those assumptions in term of e-commerce. So that's part of our current assumption.

Having said that, e-commerce is a strategic channel for us moving forward. It's not so far very big in terms of weight. It's probably below 10% in term of weight of the off-trade. So to cut the long story short, we have some bullish assumption in terms of e-commerce. Our current understanding is that there is some disruption in terms of home delivery, but again we had this assumption of recovery in March, in the current assumption we presented to you today and that we have in our new guidance.

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

Can I just confirm, you said 10% of the off-trades, so roughly 5% of total China sales? Is that a (inaudible)

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

I said below 10% of the off-trade.

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

Below 10% of the off trade.

Operator

That was a final question. I would like now to hand the call back to Mr. Alexandre Ricard.

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

Julia, please?

Julia Massies ***Pernod Ricard SA - VP of Financial Communication & IR***

Thank you, Alexandre. Thank you, Hélène. Ladies and gentlemen, thank you for your time, and have a good day.

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

Thank you.
