



Pernod Ricard

*Créateurs de convivialité*

Jean-Christophe Coutures, Chairman & CEO of Premium Wine Brands

# Capturing the wine opportunity in Asia

28 May 2013



Capital Market Day  
— Beijing 2013 —

# Agenda

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- Overview of Pernod Ricard's wine business
- Wine opportunity in Asia
- Key initiatives to unlock growth

## Pernod Ricard is one of the world's leading wine companies

### Key facts and figures

- Involved in wine since 1989
- World's #4 wine company, 22m cases<sup>1</sup> in 88 markets
- Ranked #3 for premium wine >US\$10 / €7.25



1. Branded bottled wine sold above US\$3.00 per 750ml bottle, excluding Champagne  
2. Kilotonnes or thousands of tonnes of capacity

## Our vision is underpinned by five strategic pillars

**Vision: Be the leader in premium wine worldwide**

**Consumer  
centric**



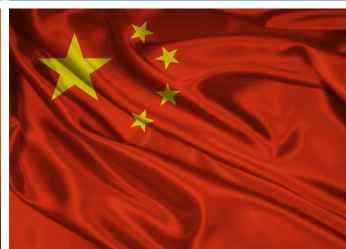
**Play in  
premium**



**Key brands  
& origins**



**Focus on key  
battlegrounds**



**Flexibility  
& quality**

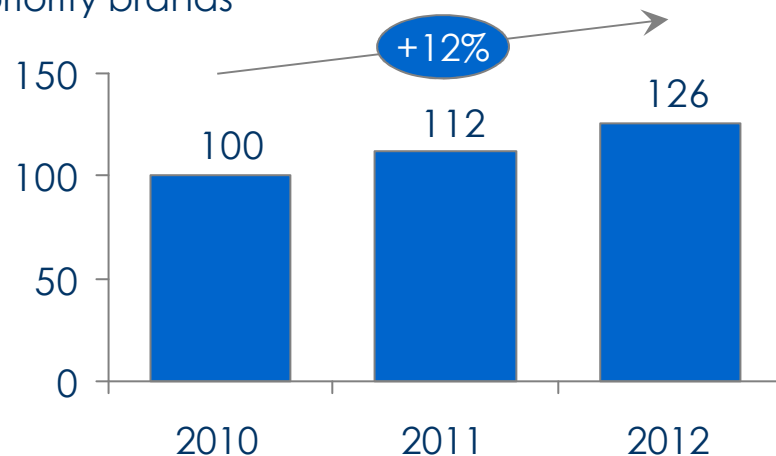


**Key metrics: ROCE >10% and cash conversion ~100%**

## In past two years, PR's wine business performed strongly

### Double-digit profit growth

Profit index  
priority brands



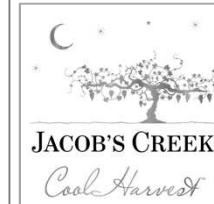
### Multiple sources of value creation

#### Strengthening equity



Australia's  
most  
recognised  
wine brand

#### Innovation



Ten new  
ranges

#### Premiumisation



JC price up  
£1 doubles  
profit/L<sup>1</sup>

#### Entering new origins



Created  
Californian  
red blend

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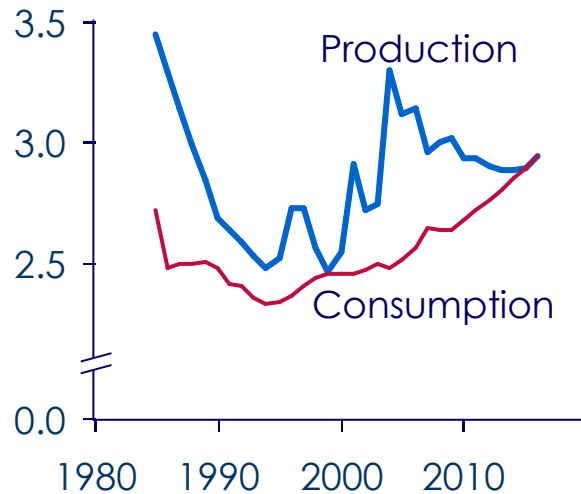


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## Improving conditions make the global wine category attractive

### Supply entering balance

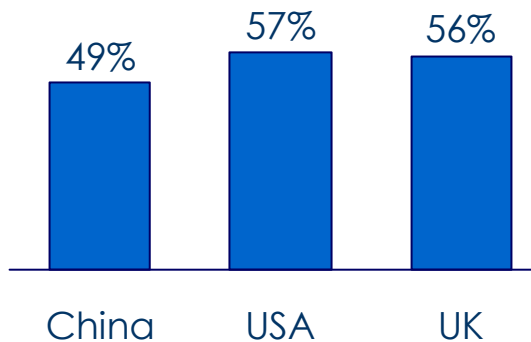
Billions of 9L cases<sup>1</sup>



### Expanding consumer base

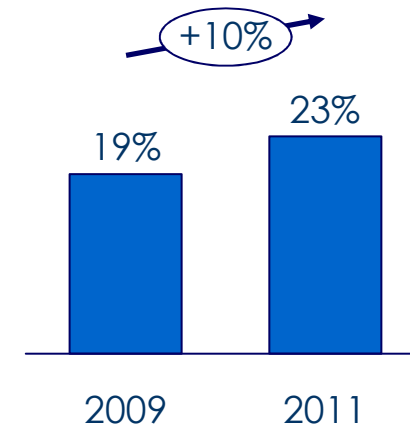
Female income rising by  
>US\$1 trillion per annum<sup>2</sup>

Female share of volume<sup>3</sup>



### Beyond the meal occasion

% of drinkers having wine in  
a bar without food<sup>4</sup>



1. OIV

2. World Bank

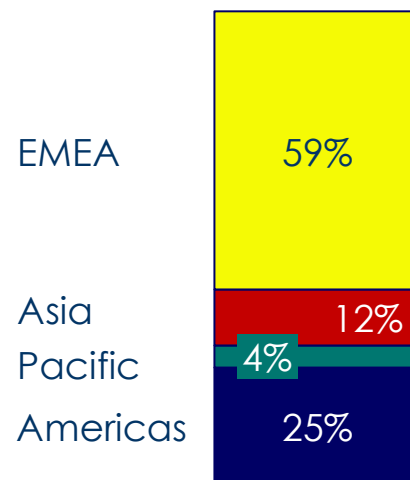
3. Simmons US, Alcovision UK, AC Nielsen China, PR wine consumer segmentation study

4. Datamonitor annual alcohol consumer tracking across 18 markets across Americas, Asia, Pacific and Europe

## Going forward, we see Asia as the biggest opportunity for wine

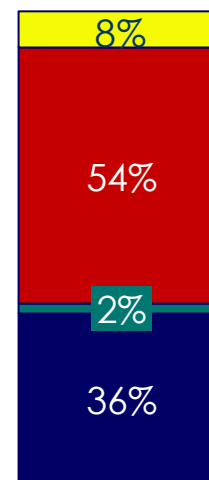
### Early stages of development

FY12 category retail sales by region<sup>1</sup>



### Category growing rapidly

Incr. retail sales  
FY12-16



CAGR 12-16

0%

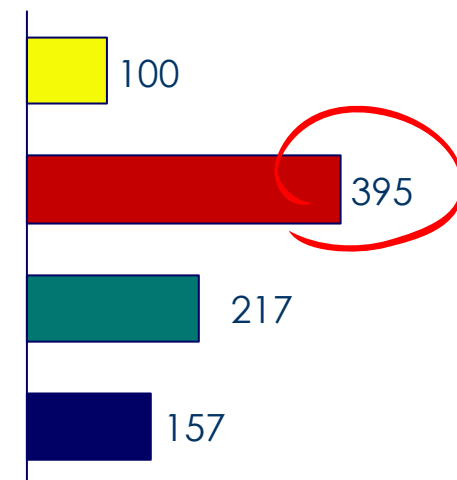
11%

2%

4%

### Highly profitable for PR

Index of PR wine profit<sup>2</sup> per litre



Source: IWSR and PR analysis, still & sparkling wine excluding Champagne

1. Category retail sales estimated using IWSR consumption data by price band and Nielsen (or equivalent) where available

2. Profit in the slide above defined as net sales less COGS less distribution

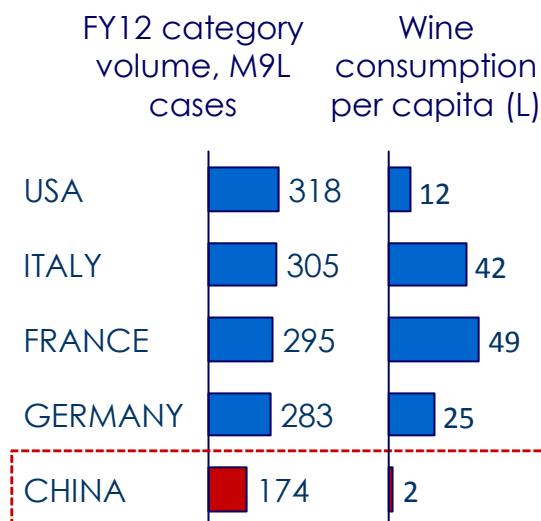


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## China is the largest Asian market, with fundamentals for growth

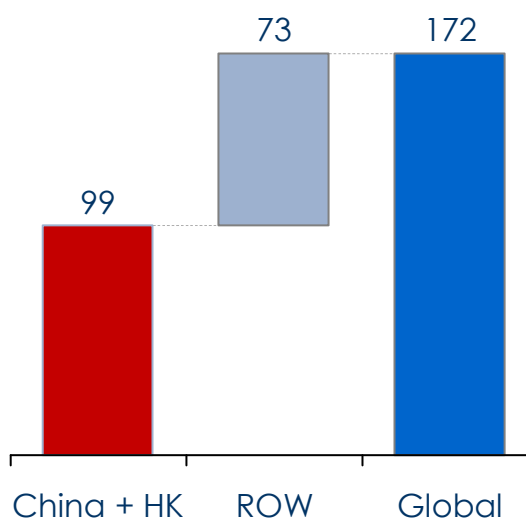


### World's #5 market



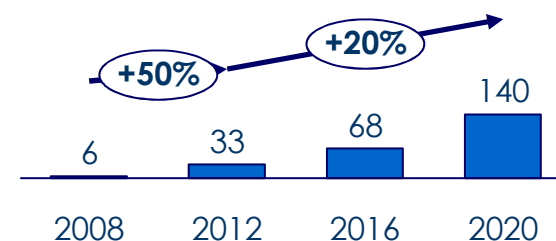
### Projected to fuel global growth

Incr. volume FY12-16, M9L cases

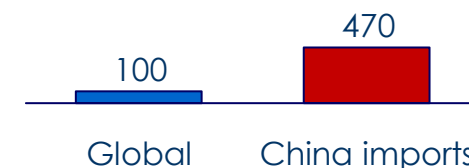


### Imports setting the pace

China wine imports, M9L cases



FY12 category profit index per litre



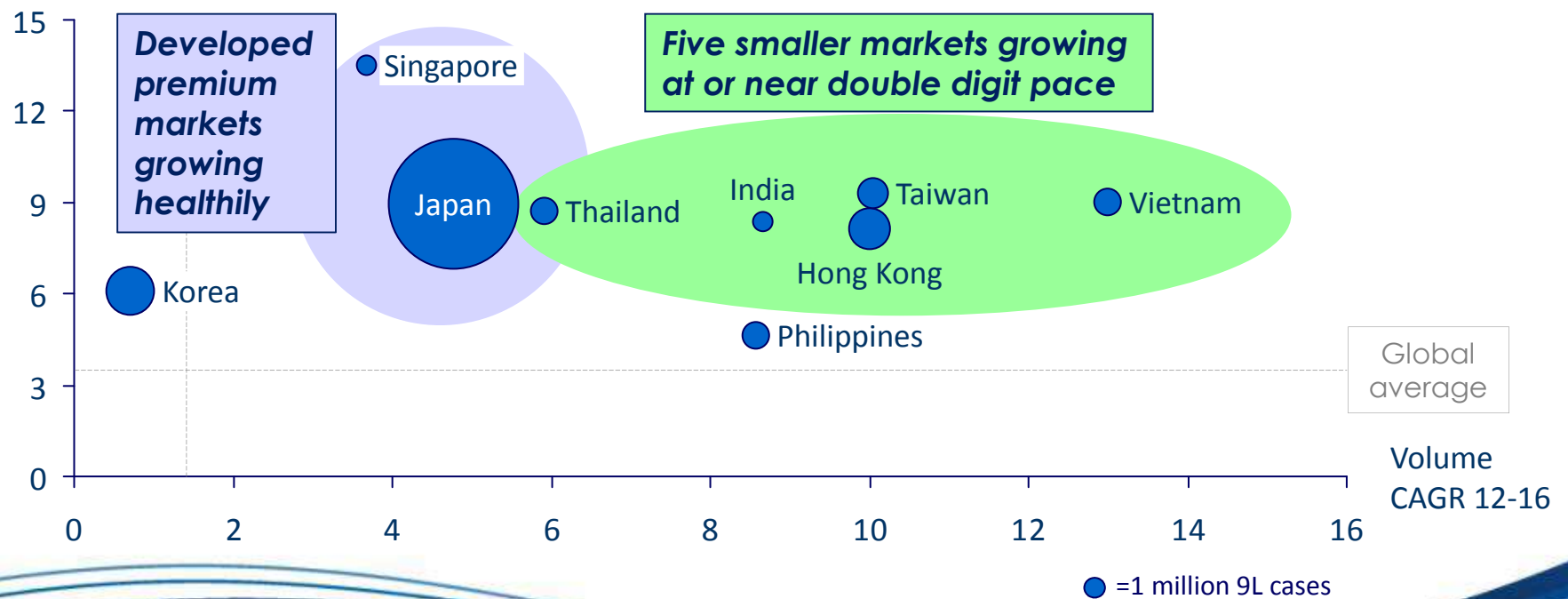
Source: IWSR, PR analysis, still & sparkling wine excluding Champagne



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## Rest of Asia beyond China shows attractive potential

Avg.Price/750ml (€)



Source: IWSR, PR analysis

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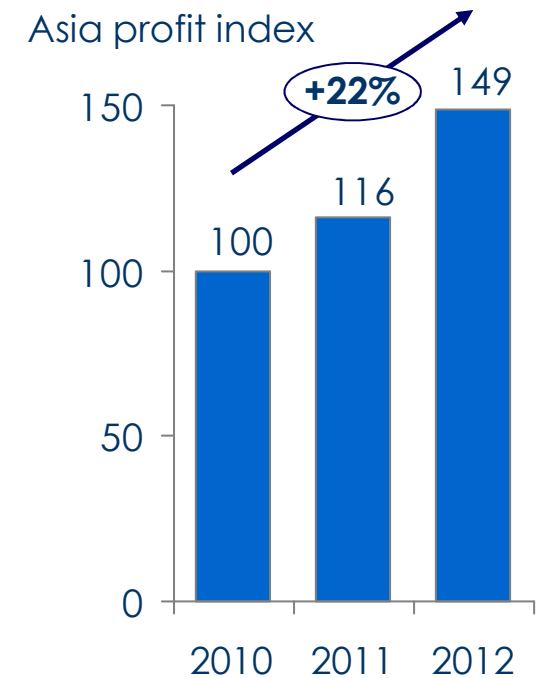
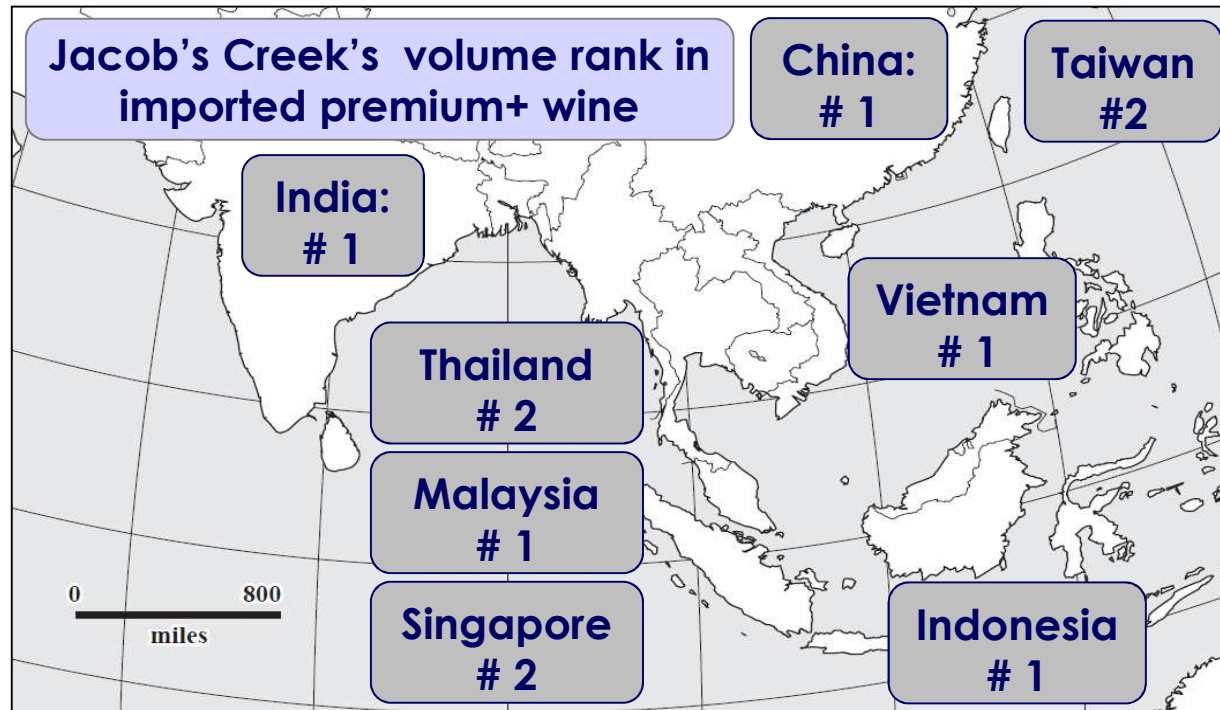
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## Building on Jacob's Creek's strong position throughout Asia



Source: IWSR, online price checks



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## Leveraging competitive advantage and adapting to market needs

### Leverage PR strengths

RTM advantages



Synergies with spirits



### Customize market approach to unlock growth

Emerging markets

- China, Thailand
- 1-5L per capita



Broad channel footprint and invest to build brand equity



Nascent markets

- India, Vietnam
- <1L per capita



Drive category demand and take leadership



Developed markets

- Japan, Singapore
- >5L / capita, low growth



Innovate in developed markets and cities





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## Pernod Ricard's route-to-market capability is important for wine

### Broad coverage

- Beyond national key accounts

### Own network

- Our brands through our people
- No need for third parties

### RTM synergy with spirits

- Joint wine and spirits sales teams
- Shared customers
- Minimal incremental cost
- Bundle portfolio solutions



## Wine is a strong complement to spirits portfolio & local brands

### Occasion synergy

- Wine meets female needs and occasions



- China: Wine enjoyed in meal occasions<sup>1</sup>
- Enables spirits to access meal occasions

### Brand building synergy

- Share common consumers, touchpoints and brand building principles



**Aspiring  
Hedonists**



**Ambitious  
Leaders**

### Imports partner local brands

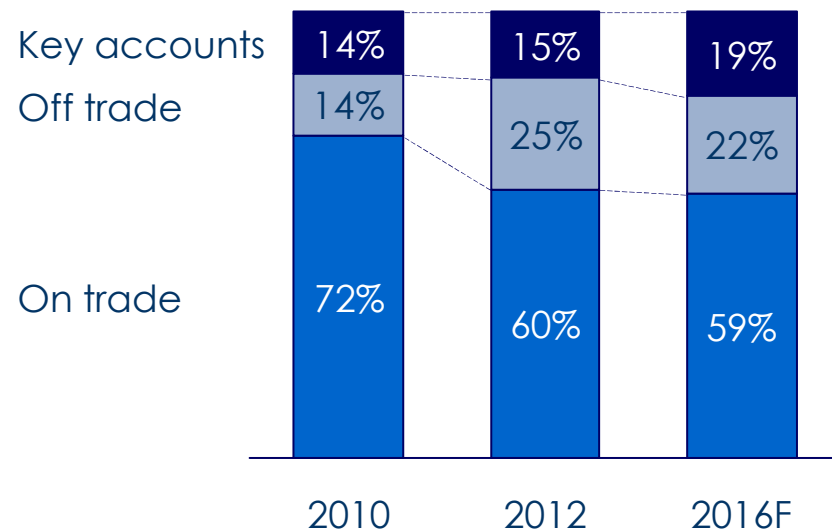


1. Pernod Ricard wine usage and attitude studies across Asia  
2. Drinks International, annual rating by a panel of 28 wine industry experts

## Pursuing broad channel footprint for high-margin model



>80% of volume outside key accounts



Thailand is multi-channel

Occasion <sup>1</sup>	Channel priority
Self enjoyment	Convenience
Gifting	Specialists
Casual drinks	Pubs
Business drinks	Restaurants
Celebrations	Karaoke
Holidays/tourism	Hotels, duty free

1. Acorn Research, Thailand



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## Localising consumer communication to build strong connections



### Above the line

- China specific TV commercials
- Investing with scale
- Expanding geographic footprint



### Below the line

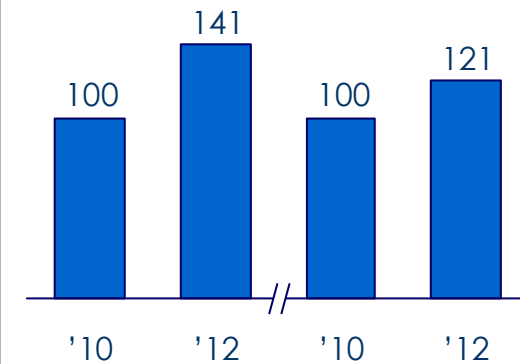


### Brand equity leadership

JC indexed awareness

Beijing<sup>1</sup>

Shanghai<sup>2</sup>



1. PR brand equity monitoring; based on sample of 280 imported wine consumers in Beijing per quarter
2. PR brand equity monitoring; based on sample of 560 imported wine consumers in Shanghai per quarter

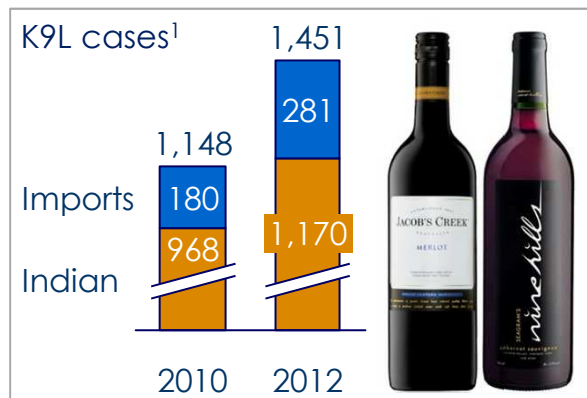
Jacob's Creek China TVC 2.0

# Taking leadership to drive category growth in nascent markets



## Category surging

- Middle class westernising
- Potential for tax cuts
- Strong RTM and portfolio



## We are driving demand

- Entering new occasions



- Recruiting females



- Investing with scale



## JC is the leading import

- Volume tripled since 2008
- Positioned for growth



1. IWSR and PR analysis, wine excluding Champagne

## Tailoring innovation to local needs, occasions and channels



### Jacob's Creek Wa



- Jacob's Creek わ
- Co-created by Michelin Star Japanese sushi chef
- Match sushi / sashimi



### Jacob's Creek 1837 The Solway



- Group purchase is 1/3 of import value<sup>1</sup>
- Channel exclusive
  - Gifting opportunity
  - Broaden footprint
  - Enhance margins

## In conclusion, wine in Asia is a true growth relay for PR

### Leveraging RTM advantage

- Complementarity with spirits
- Protecting margins through channel mix

### Brand building

- Localising
- Investing ahead of the curve
- Partnering local brands to drive categories

### Innovating

- Breaking through in developed markets
- Taking price as equity strengthens



**Transforming Jacob's Creek into a mega-brand**



**Taking leadership and driving category growth**



**Creating performance ruptures through innovation**



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