



# Pernod Ricard

*Créateurs de convivialité*



## North America Conference Call

DECEMBER 6, 2016

## PAUL DUFFY – CHAIRMAN AND CEO, PERNOD RICARD NORTH AMERICA



Paul assumed his current role in July, 2016, after serving for four years as CEO of The Absolut Company. Previously, Paul held a number of other senior management roles in Pernod Ricard, including Chairman and CEO of Pernod Ricard UK, Chairman and CEO of Irish Distillers Pernod Ricard. He also served from 2008-2012 as Chairman and CEO, Pernod Ricard USA.

Paul launched his career as an accountant with KPMG Dublin. After moving to the Paris office of KPMG in 1991, Paul returned to Dublin in 1994 to join Irish Distillers Pernod Ricard, where he began his career in a finance position and was promoted to Finance Director in 1997.

Paul earned a BBS degree from the University of Dublin, Trinity College in Ireland.



*“First came the BRICs. Then their successors, the “next 11”, the CIVETs and the MINTs. And if you are running a global spirits company, here is the latest emerging market acronym: USA”*

**– Lex, Financial Times**  
*February 2016*

# NORTH AMERICA IS A CRITICAL MARKET FOR PERNOD RICARD, ACCOUNTING FOR 21% OF GLOBAL SALES

## KEY NORTH AMERICA LOCATIONS



## KEY NORTH AMERICA FINANCIALS



% of  
Group  
Sales

19%

2%

FY16 Sales

\$1.8 B

\$0.2 B

Δ vs. FY15

+4%

+ 3%



# EXECUTIVE SUMMARY

## US MARKET: SOLID GROWTH DRIVEN BY SUSTAINED DYNAMICS

- 1 US spirits market **long term value growth trend of c.4%** supported by solid underlying drivers
- 2 Market growth **currently stabilizing** close to its long term trend after strong recovery in 2015
- 3 Categories dynamics still **mainly driven by Whiskey, Tequila and Cognac**
- 4 Continued **premiumization** trend
- 5 **Innovation** remaining a key driver of market dynamism

## CURRENT PERFORMANCE: IMPROVING, ON TRACK TO ACHIEVE MID-SINGLE DIGIT GROWTH TARGET

- 6 Pernod Ricard USA **reduced its performance gap versus the market**
- 7 Some strong successes with **Jameson leading our overall improvement**:
  - ✓ **Jameson** outstanding success **#1 driver** of our current growth
  - ✓ **Absolut** medium-term objective remains to **stabilize** the brand
  - ✓ **Malibu, Altos and Martell** all posting healthy growth levels
  - ✓ Significant **improvement in innovation performance** (ahead of fair share index in FY16)

## AMBITION: TRANSFORMING OUR BUSINESS TO SUSTAINABLY GROW VALUE SHARE

- 8 Pernod Ricard USA undergoing an **ambitious transformation** to i) **sustainably grow our core brands** and ii) enable the **emergence of future 'growth stars'**
- 9 **Commercial model** designed to win the activation battle at the **state and channel level**
- 10 **Core brands** marketing approach centered around **innovation and digital**
- 11 Creation of **New Brand Ventures** to **incubate** future **'growth stars'**



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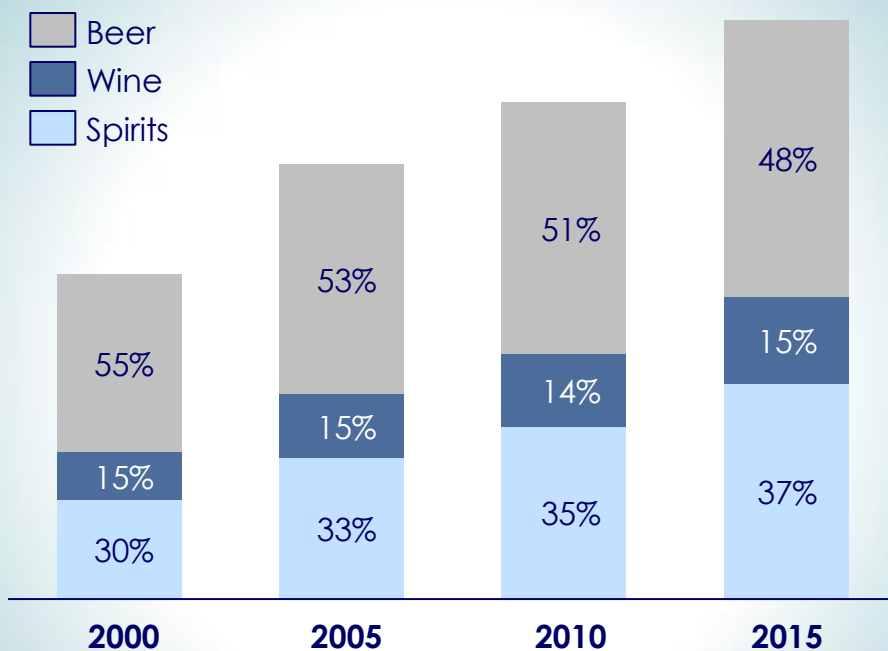
# US SPIRITS MARKET LONG TERM VALUE GROWTH TREND OF C.4%...



Spirits have been the fastest growing segment in US alcoholic beverages over the last 15 years...

...Gaining 2 pts of value share in 2010-2015, mostly from Beer

US ALCOHOLIC BEVERAGES MARKET SIZE (\$B RETAIL SALES)



'10-15 \$ CAGR    '10-15 \$ share

	'10-15 \$ CAGR	'10-15 \$ share $\Delta$
Total	+3.1%	
Beer	+1.8%	-3.2pts
Wine	+4.7%	+1.1pts
Spirits	+4.3%	+2.1pts
	'10-15 \$ CAGR	'10-15 \$ share $\Delta$

# 1 ... SHAPED BY 4 KEY CONSUMER TRENDS



## PREMIUMIZATION



## RAPID CHANGING CONSUMERS



## NEED FOR AUTHENTICITY



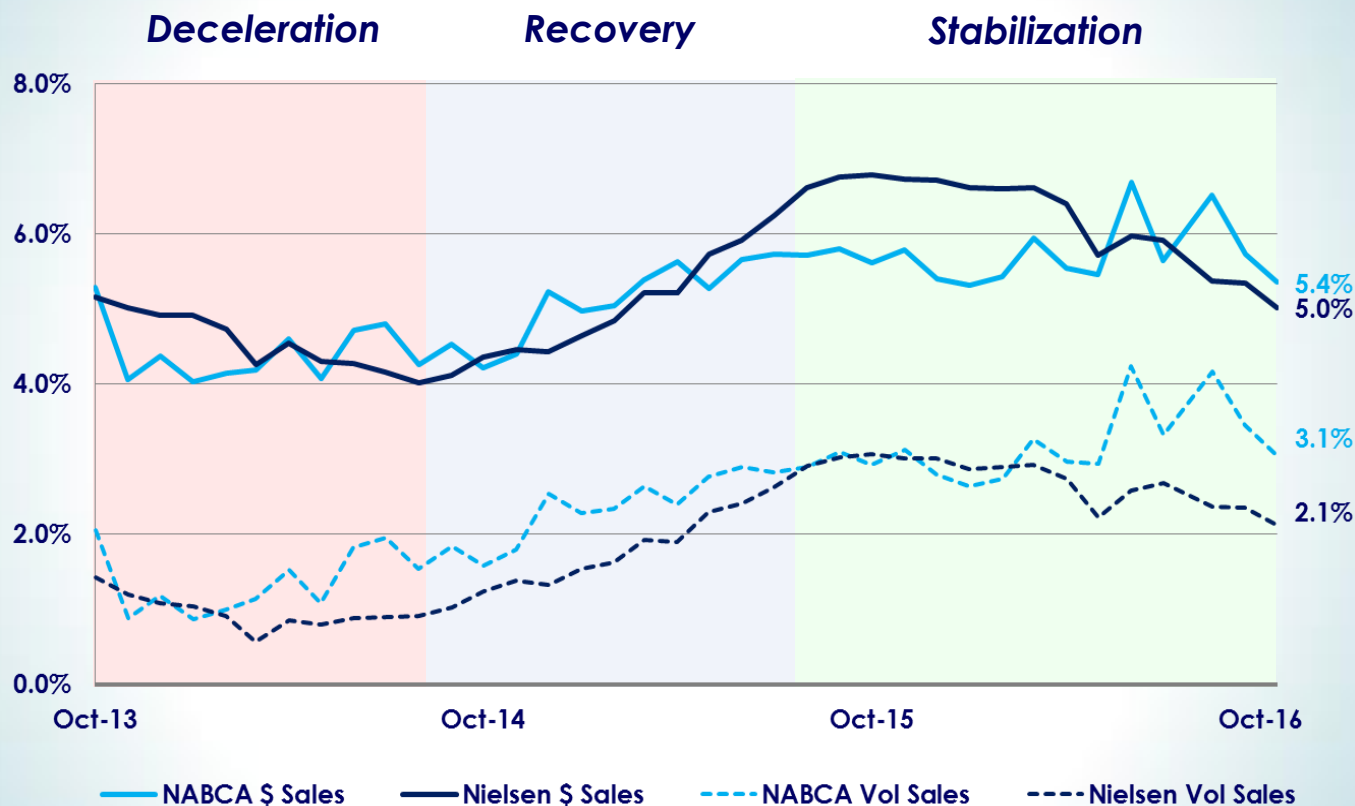
## APPETITE FOR NEWNESS



# MARKET CURRENTLY STABILIZING CLOSE TO ITS LONG TERM TREND AFTER STRONG RECOVERY IN 2015



## NIELSEN & NABCA, VOLUME & VALUE TRENDS MAT % CHANGE



### Sources:

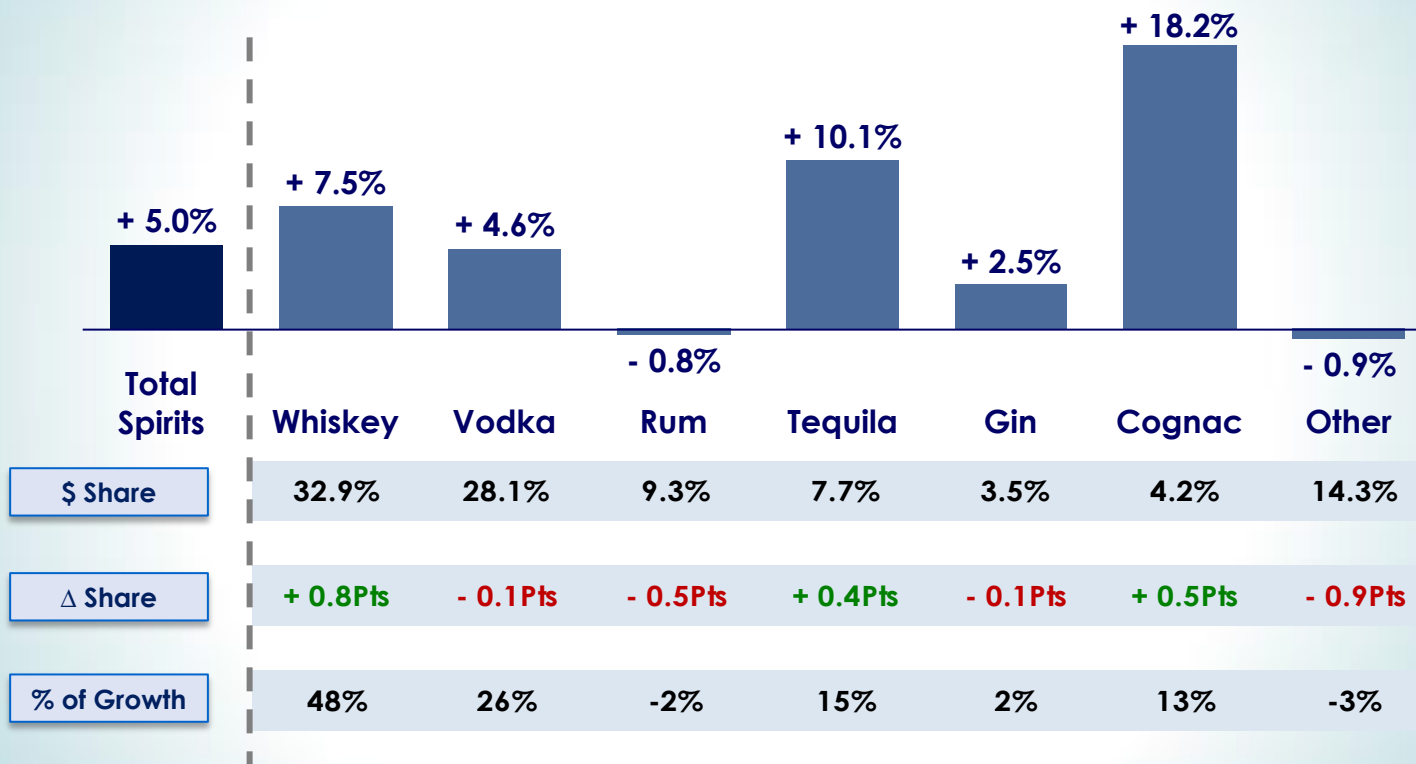
Nielsen: XAOC + Liquor Plus, Rolling 52 wks ending Nov 5 '16,  
Excludes Washington Food data September 2012 to April 2014  
NABCA: \$ sales & volume, Oct 2016, data timing adjusted to tie to Nielsen,  
NABCA excludes IA MS, WY, WV, UT



# WHISKEY, TEQUILA AND COGNAC REMAIN KEY CATEGORY GROWTH DRIVERS



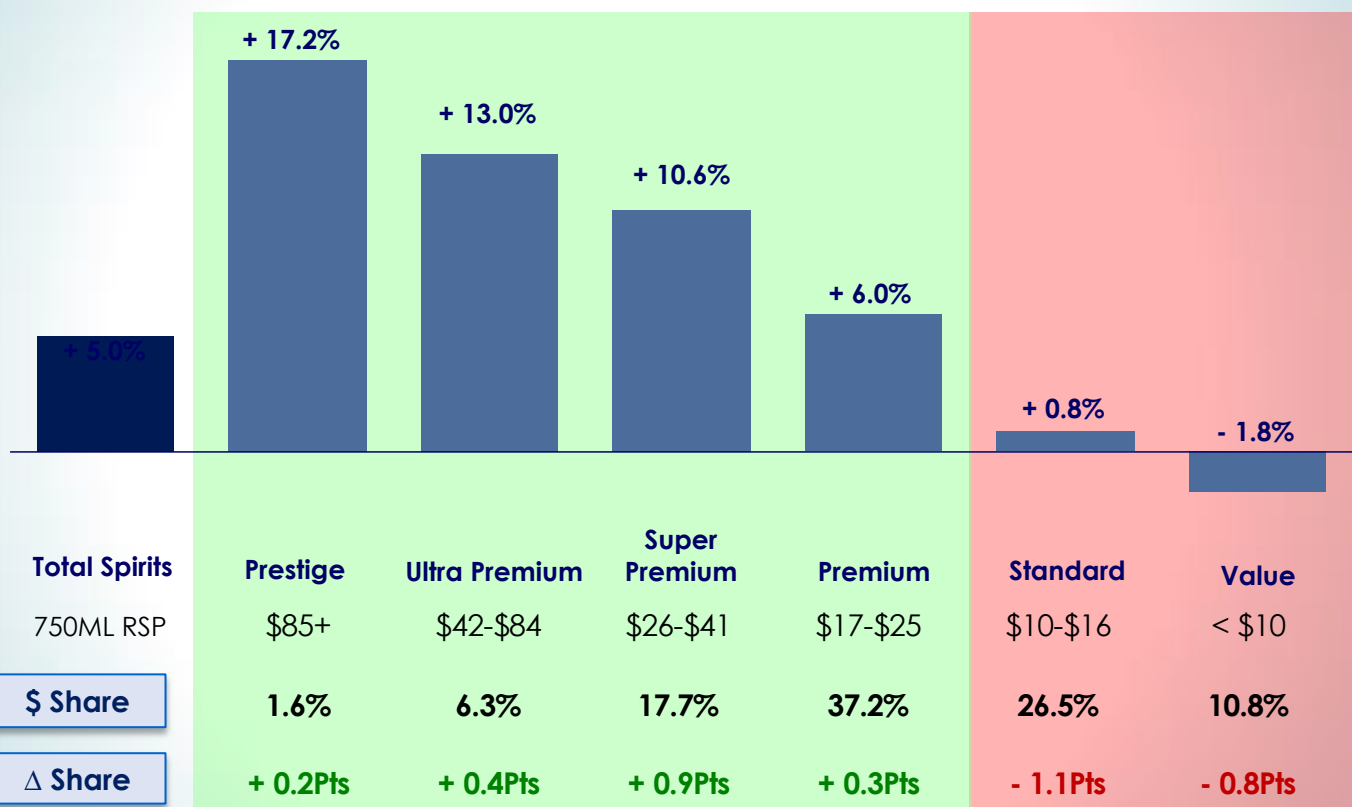
## NIELSEN, \$ VALUE TRENDS BY CATEGORY MAT % CHANGE



## 4 CONTINUED PREMIUMIZATION TREND

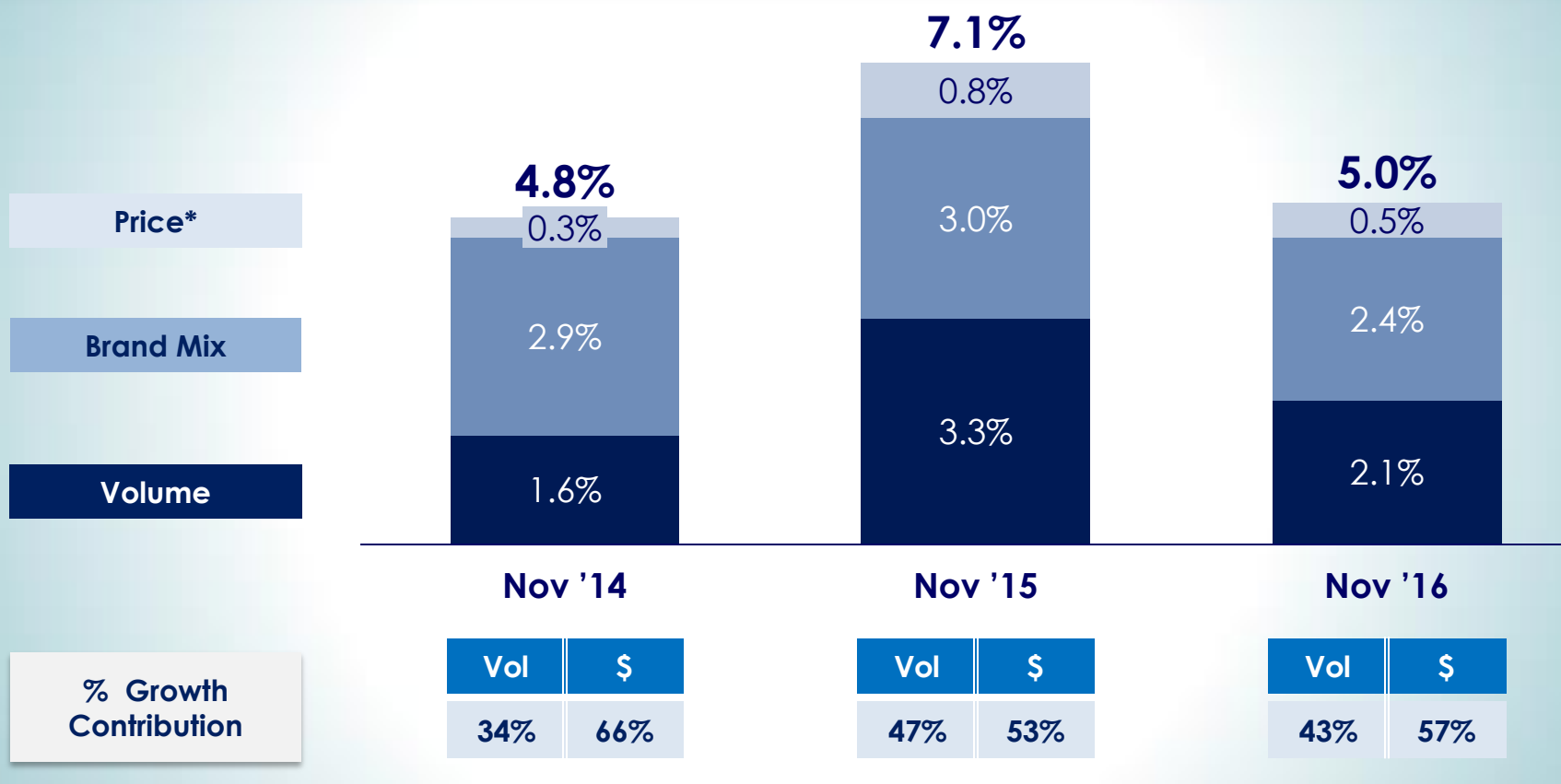


### NIELSEN, \$ TRENDS BY PRICE TIER MAT % CHANGE





NIELSEN, \$ GROWTH BY IMPACT TYPE (PRICE, MIX, VOLUME)  
MAT % CHANGE



\* Measured at brand family level (i.e. includes impact of size, channel and state mix shifts within brand family)

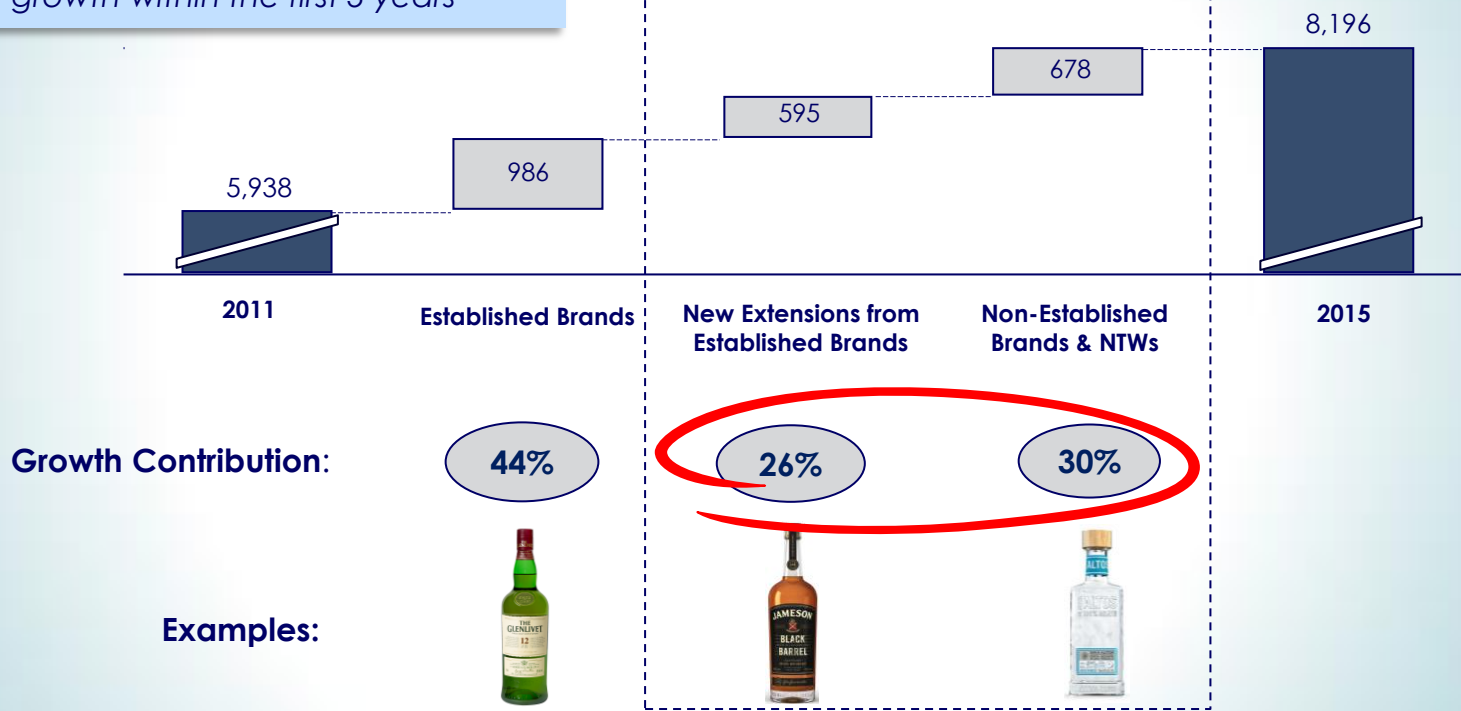
**Source:** Nielsen – TTL US XAOC + Liquor Plus, 52 Wks Ending 5<sup>th</sup> Nov '16 [Excl. Washington Food, Sept '12 – Apr '14]



## NIELSEN, US SPIRITS VALUE GROWTH, 2011-15 \$USD MILLIONS

<5% of launches achieve meaningful growth within the first 3 years

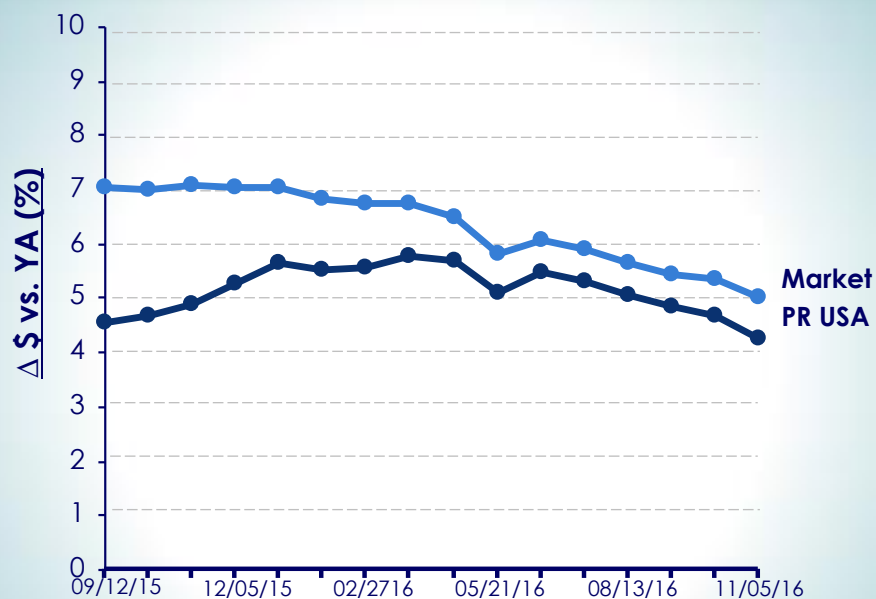
### Innovation



# PERNOD RICARD USA REDUCED ITS PERFORMANCE GAP VERSUS THE MARKET

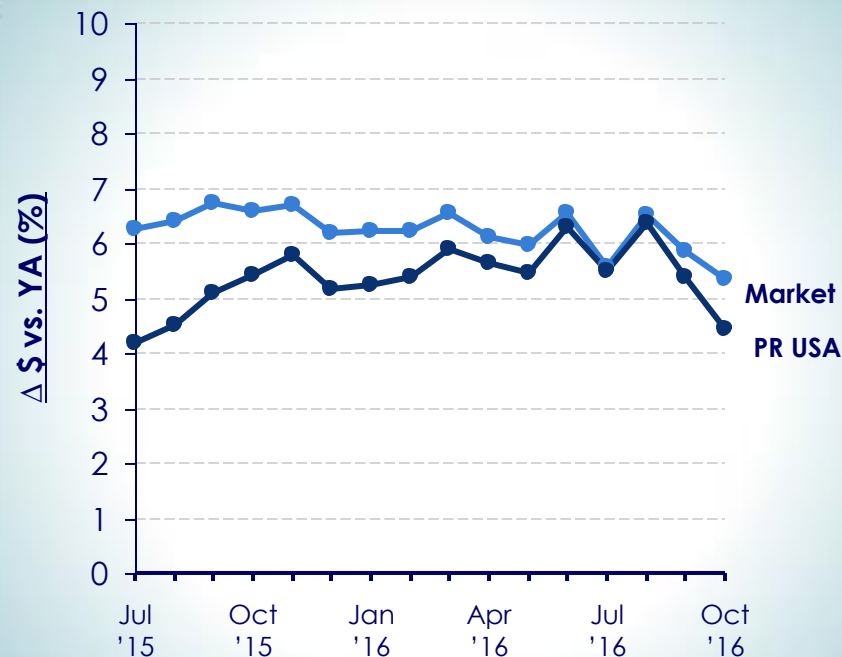


nielsen



MAT (through Nov 5, 2016)

NABCA



MAT (through Oct 31, 2016)



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# SOME STRONG SUCCESSES WITH JAMESON LEADING OUR OVERALL IMPROVEMENT

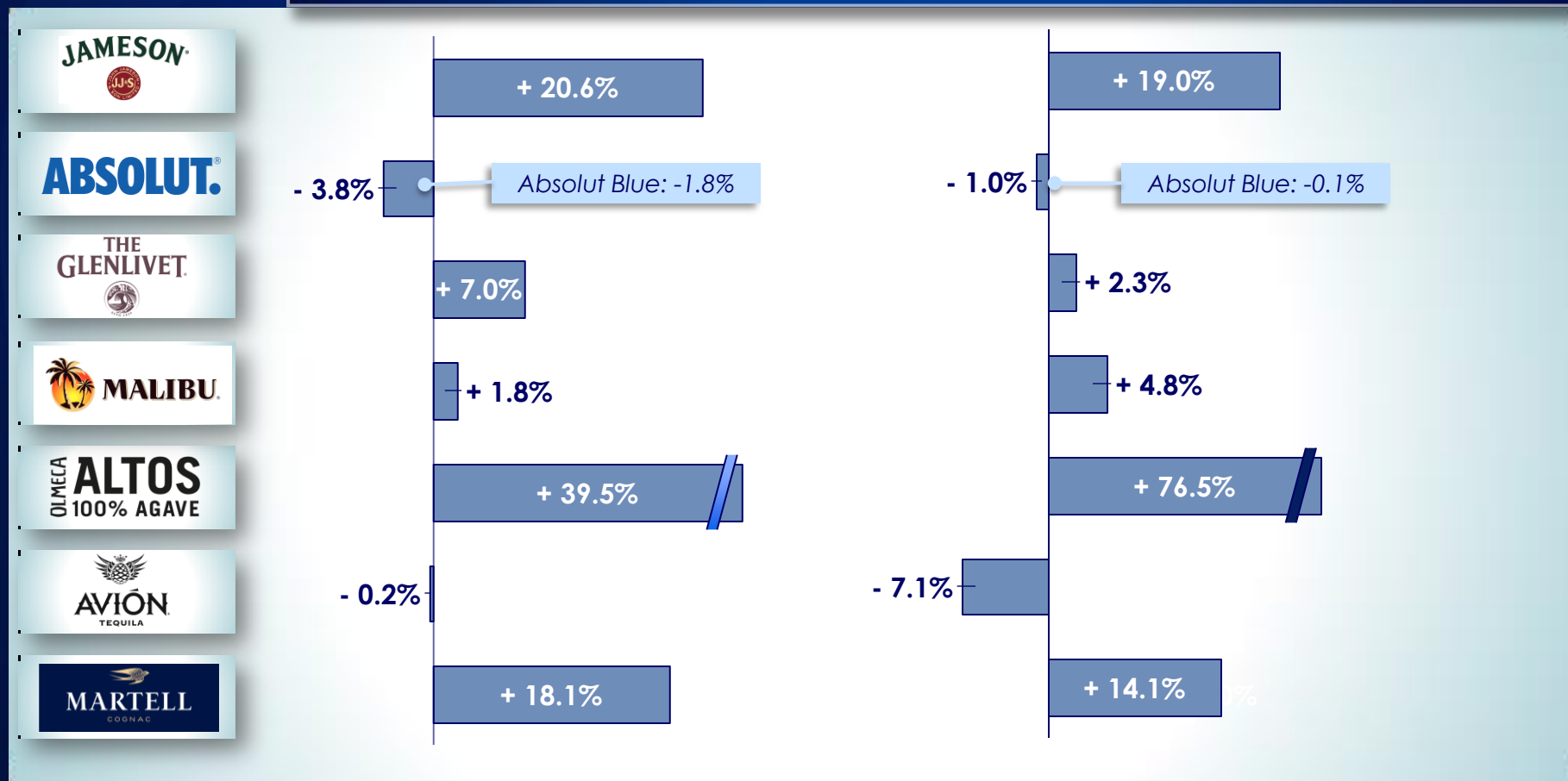


nielsen

NABCA

MAT Value Growth

MAT Value Growth



7

# JAMESON OUTSTANDING SUCCESS THE #1 DRIVER OF OUR CURRENT GROWTH



Continued steady  
double-digit growth

Strong On/Off-Premise  
split

Innovation = key growth  
and premiumization  
driver



RSP index



100



~120



~160



Active management at  
'Last 3 Feet'; Enhanced  
Media investments



- New packaging
- New 'Absolut Nights' campaign
- Price adjustment

Premiumize with Absolut  
Elyx



- Doubled Elyx franchise in past year

Successfully launch  
Absolut Lime



- Aiming to solidify leadership in Citrus
- Rationalizing flavor portfolio

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# MALIBU CONTINUES TO SHOW SOLID GAINS AIDED BY VIBRANT AND ENGAGING ACTIVATIONS



Growth in a struggling category; strong performance of coconut

Successful execution of the "Because Summer" platform

High energy activations engaging millennials

Total Rum

- 0.8%

Total Malibu

+ 1.8%

Malibu Coconut

+ 5.0%



ibotta







## NEW COMMERCIAL MODEL



### Jul '15: New route-to-market partnerships

### Jul '16: New Commercial Model

- Reduced layers
- Increased focus on the **4 footprint States**
- Expanded in-market resourcing by **50+ employees** (activation and pricing)
- Enhanced capabilities in **priority channels** (Chains, On-premise/ Prestige)

## BRAND BUILDING MODEL



### Since Jul '15:

- A&P/Net Sales levels **increased by ~200bps** in last two years
- **'Fewer, bigger, better'** innovations
- 360° digital transformation

### Since Jul '16: New Marketing Organization

- Alignment to consumer **'Moments of Conviviality'** (~50% of team deployed in new roles)

## NEW BRAND VENTURES



### Launched Jul '16:

- Dedicated incubation business unit with autonomous sales and marketing teams
- Clear model to scale brands throughout the incubation lifecycle
- Brands sourced in a variety of ways at different life-stages



# COMMERCIAL MODEL DESIGNED TO WIN THE ACTIVATION BATTLE AT THE STATE AND CHANNEL LEVEL



## WINNING THE BATTLE AT THE STATE LEVEL



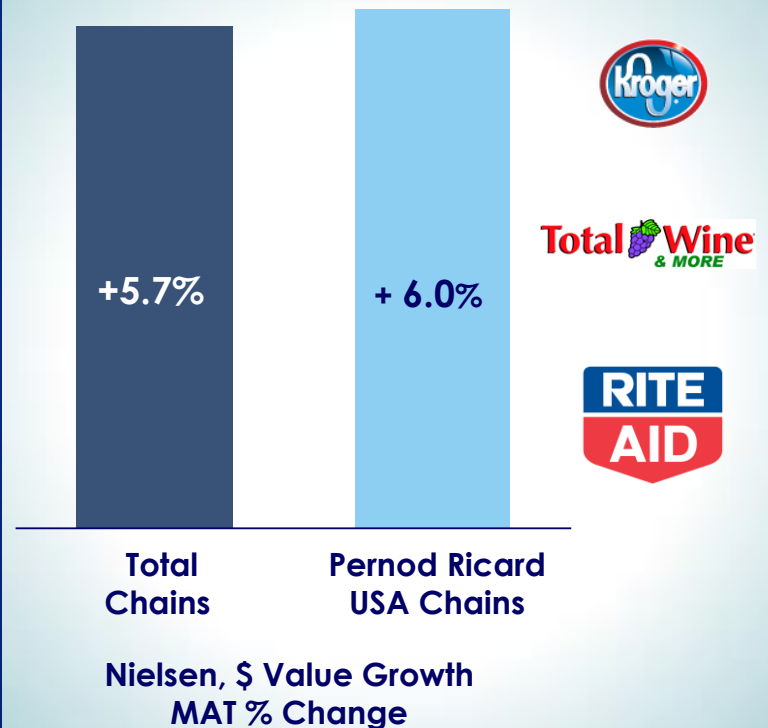
### Since July 1:

**4 Key States** now report directly to SVP of Sales

Expanded Pernod Ricard USA **in-market resourcing by 50+** employees focused on local market activation and pricing....

...further enhancing the impact of dedicated wholesaler resources (800+) deployed 2yrs ago

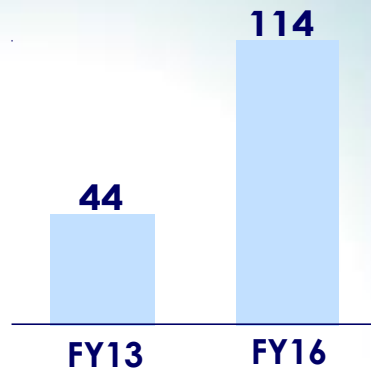
## KEEPING PACE WITH MARKET IN PRIORITY CHANNELS: E.G. CHAINS





### "FEWER, BIGGER, BETTER" APPROACH TO INNOVATION

Fair  
Share  
Sales  
Index



Number  
of  
launches



Top 3 Nielsen  
Innovation

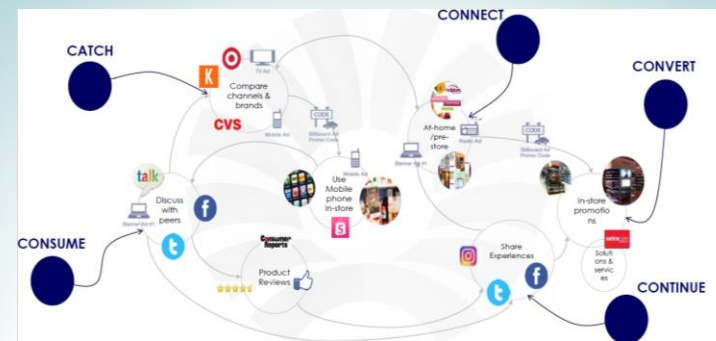


Top 15 Nielsen  
Innovation



H2 FY17  
Launch

### OUR DIGITAL TRANSFORMATION: CONSUMER AT HEART

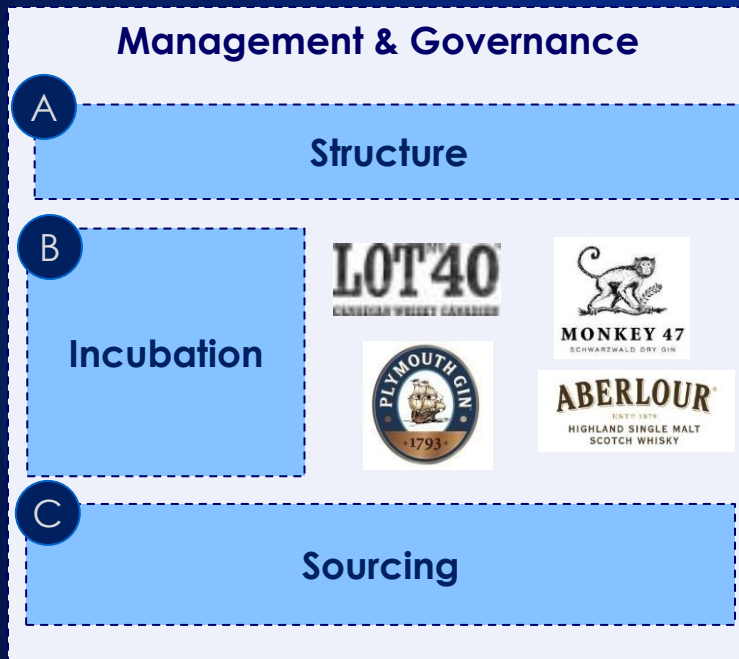


15% Media  
Efficiency

>50% of  
Media is  
Digital

Consumer  
Knowledge

# CREATION OF NEW BRAND VENTURES TO INCUBATE FUTURE 'GROWTH STARS'



- A** **Structure:** a stand-alone Incubation business unit with autonomous in-market sales & marketing



- B** **Incubation:** four distinct phases to scale the business plan throughout the brand's lifecycle



- C** **Sourcing:** brands sourced at different life-stages via different ownership structures

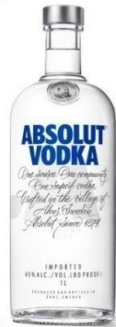
# CLEAR STRATEGIC AGENDA AND ACTION PLANS IN PLACE TO ACHIEVE FY17 MID-SINGLE DIGIT GROWTH AMBITION



## SUSTAINED DOUBLE-DIGIT GROWTH OF JAMESON



## STABILIZING ABSOLUT CORE



## SOLID CONTRIBUTIONS FROM OTHER GROWTH RELAYS



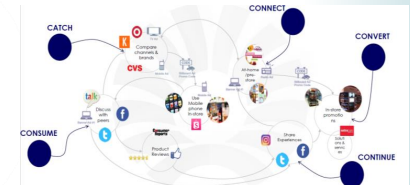
## INNOVATION MOMENTUM DRIVEN BY 'BIG-BET' APPROACH



## IMPROVED COMMERCIAL MODEL FOCUSING RESOURCES AT STATE AND CHANNEL LEVEL



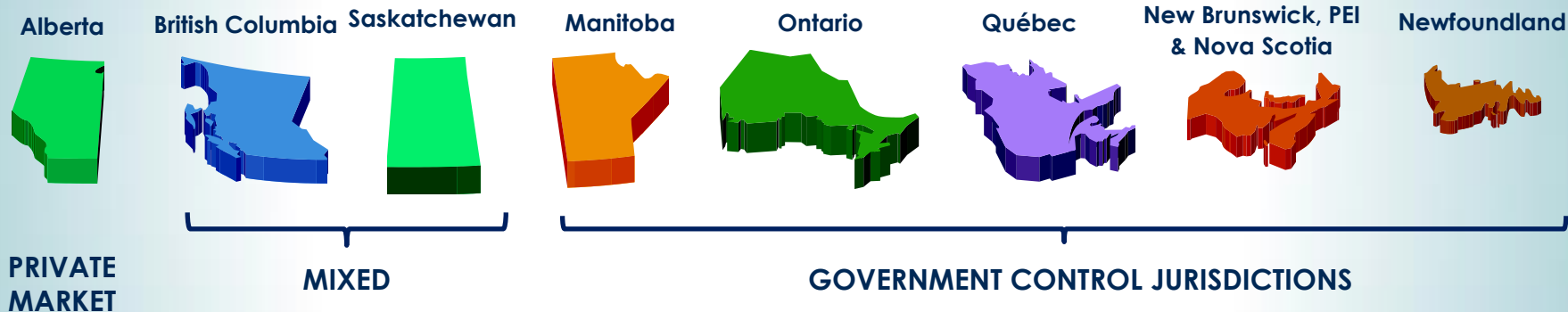
## CONSUMER CENTRIC BRAND BUILDING COMBINED WITH DIGITAL ACCELERATION



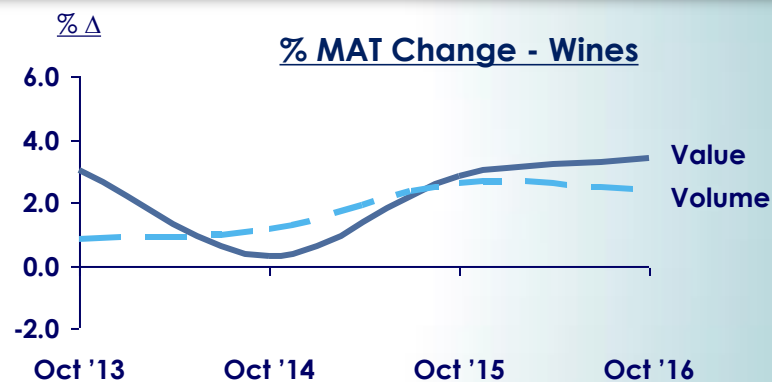
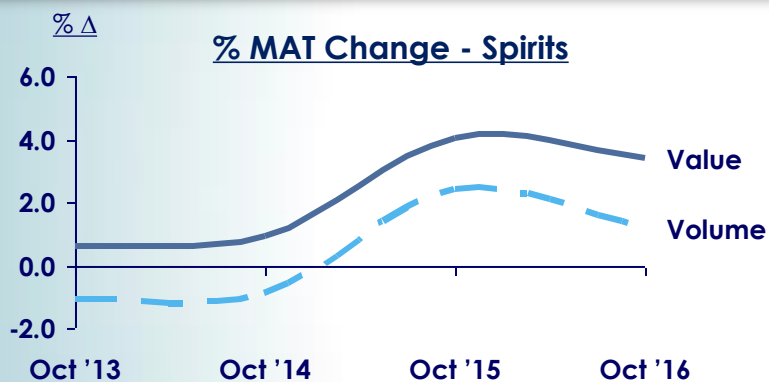
# CANADA'S WINE AND SPIRITS MARKET IS PREDOMINANTLY RUN BY GOVERNMENT MONOPOLIES AND DISPLAYS SOLID GROWTH



CANADA IS DOMINATED BY GOVERNMENT MONOPOLIES SHARING SIMILARITIES WITH U.S. CONTROL STATES...



...WINE AND SPIRITS EXPERIENCE SOLID GROWTH IN CANADA





# PERNOD RICARD CONTINUES TO PERFORM WELL IN CANADA



ABSOLUT AND JAMESON BEATING THEIR CATEGORIES ALONGSIDE STRONG SHOWINGS IN WINE



-0.8%



+15.4%



+6.3%



+7.5%



+13.2%



+17.6%

# PERNOD RICARD NORTH AMERICA OVERARCHING PRIORITIES IN LINE WITH THOSE OF THE GROUP

On track to achieve medium-term ambition of **gaining value share...**

...powered by our **people** and unique **culture** of *Openness, Simplicity and Collaboration*

