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# EDITED TRANSCRIPT

PERP.PA - Pernod Ricard SA Special call

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## PRESENTATION

**Edward Mayle** - *Pernod Ricard SA - Investor Relations Director of Pernod Ricard*

So welcome to today's Pernod Ricard North American webcast following the video released earlier today. We're joined now by Ann Mukherjee, Chairman and CEO of Pernod Ricard, North America. (Operator Instructions). We can begin the Q&A now, please.

## QUESTIONS AND ANSWERS

### Operator

Just give us a moment. Now we will take our first question, and the first question comes from the line of Simon Hales from Citi.

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

Three questions, if I can, for you, Ann. Firstly, you're clearly excited still about the RTD opportunity. I was wondering if you could just talk a little bit more about the scale of growth you've seen in your portfolio of RTD over the last sort of 12 months since you last updated us, what percentage of your business is it now? And where do you see scope for the RTD portfolio to expand further, perhaps using some of your other brands?

Secondly, I wonder if you could just talk a little bit more about Skrewball. I appreciate the acquisitions only just hot off the press, but a bit more detail on where that brand plays, a bit more on the occasions, the geographic penetration across the U.S.

And then just finally, thirdly, I mean, you mentioned in your presentation some of the phasing issues that you saw in H1 2023 with NSB running ahead of depletions. I wonder if you could just share a few more thoughts on how those trends are evolving through Q3 and the second half of the year and how we should think about the run rates between NSB and depletion rates over the coming months.

**Anindita Mukherjee** - Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America

Firstly, thank you for all 3 of your questions. Let me start with Shaun, if that's -- with Skrewball, if that's okay. I am very excited by this acquisition. Flavored whiskey has been a key category in the U.S., and it is doing unbelievably well.

And it's a category that I think really rounds out our American whiskey portfolio. Just a couple of facts about it. It is the #3 brand in value after both Tito's and Casa Azul in terms of the scale it's bringing. And it's -- what I love about the brand is it really commands a premium price point, which fits perfectly into our portfolio.

And it's a brand that I think has got tremendous potential that comes to us at scale, but there's even much more room to grow as we really accelerate our American whiskeys portfolio. And as you've seen from our success with Jameson Orange, which is a flavored whiskey that we launched under our big trademark of Jameson, we are seeing continued buoyancy in flavored whiskey.

So this is one that I think is very exciting. I think it strengthens our portfolio in our quest to beat the market. So -- and I have to tell you, the founders are just amazing. What an incredible story that they have built with this brand, and they're just lovely to be able to work with. So a lot of excitement on Skrewball.

On RTD, this is one that literally we've been doubling this business, and it's becoming a very important part of scaling our business in the United States. We see it to be very incremental to the portfolio. It's mainly sourcing from hard seltzers and wine and beer. And it's a great entry point for a lot of people on our brands.

So it's -- if you take Jameson, it's a wonderful RTD and refreshing RTD that many people are enjoying as a cocktail and then really brings them into our franchise. So our RTD scale is really, really something that's important to us. And as you know, this year, after 13 years of growing spirit share over beer, this year, we actually overtook the share position -- #1 share position from beer according to DISCUS.

So there's a lot of momentum in spirits, RTDs and one that we're going to continue to double-down on. And then finally, your question around our net sales versus depletion. So first, let me talk about our 5% net sales performance in first half. It is ahead of depletions and there's a reason for it.

We had some pricing that we took in January on Absolut. We also have St. Patrick's Day. And if you go back to a year ago, we had some challenges around some shipments and some supply chain disruptions. So this year's St. Patrick's Day was very strong, and we saw a lot of forward buying on that.

And then in terms of our 3% depletions, we think that's very much in line with the market and what we've seen the market grow as the market normalizes post COVID. So depletions is more towards the market trend levels.

And as we go into Q3, we are going to see some negative shipments on our business because this year, this time last year, we had a pretty massive pricing action that we took. And so there was a lot of forward buying for that pricing that we are going to overlap in Q3. But as we close out the full year in the second half, we are absolutely going to be aligning our shipments with our depletions to maintain our healthy stock level. So I feel very confident about that.

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**Operator**

Now we're going to take our next question. And the next question comes from the line of Chris Pitcher from Redburn.

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

A couple of questions on the investment you're putting behind the business, Ann, please. I mean, firstly, on route to market and selling headcount. Can you give us some idea of what you might have done in terms of reworking your commercial investment? How much is your sales headcount increased in the United States?

And then secondly, you talked about a 250 basis point increase in the A&P spend in the U.S. Can you give us a bit more color on how that's being funded? Has it come out of gross margin expansion? Have you found some cost savings or like some of your competitors, have you got a lower operating profit in the U.S. as a result of that higher investment?

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**Anindita Mukherjee** - Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America

Absolutely. Thank you for both the questions. Yes, we continue to, I will say, strengthen what we call media to shelf. So really aligning up our brand activity all the way to the last 3 feet.

And I will tell you, in our route to market, our investment or our approach has really been more in terms of how to wire it better, really align it with our distributors, really getting the key of converting our brands with the right playbook. And so I think we have continued to invest in route to market, but we've tried to invest in a way that builds capability.

And that's how we've approached it. It's been a major overhaul in the last couple of years, led by John Barrett, our Chief Commercial Officer. And I think as a result, that's the better execution that we are seeing because we really have lined up each brand with the right commercial playbook, much better integration with our distributors, our lead times in terms of planning to meet retailer time lines, we plan much earlier ahead.

And I'm just really proud of the wiring that we have that's getting to, I think, more effective execution that we're seeing in our depletions performance. From an A&P standpoint. Yes, we do invest ahead of the group average of 16% and so we maintain our margins and protect our margins at the group level, and we'll continue to invest in the U.S.

As Alex Ricard has said many times, the U.S. is the #1, #2 and #3 priority. And the company has made an incredible amount of investment in this affiliate and over \$1 billion as you look at all the acquisitions that we've made.

So we are putting our money where our mouth is, and we will make sure to put the right A&P investment to really capitalize and monetize on the acquisitions that we've received.

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**Operator**

Now we're going to take our next question. And the next question comes from the line of Celine Pannuti from JPMorgan.

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**Celine A.H. Pannuti** - JPMorgan Chase & Co, Research Division - Head of European Food, Home, Personal Care & Tobacco and Senior Analyst

Few questions for me. Maybe first on the growth of the market. You were seeing 3%, it's normalization post strong COVID years. I just want to understand if I think about high pricing component in that, what do you think is happening? Are we seeing a bit of down-trading? Are we seeing a bit of volume elasticity that led to only 3%? And what is the expectation for market growth for this calendar year?

And my second question is on the on-trade recovery. Could you tell us how Pernod is doing? And if you are -- how are you doing it as well in terms of market share? And yes, that will be it.

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**Anindita Mukherjee** - Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America

Thank you. Thank you for your questions. Yes. So in terms of the market, this is something that we've been talking about for a couple of years. We knew that post COVID, the market would normalize and that is exactly what we're seeing. And what's interesting is, and I think the thing that makes me excited is that the kind of 3-year CAGR through COVID of 8%, we're not giving that back. And it basically says that spirits continues to be a juggernaut industry and category, especially versus other parts of the category, beer versus wine.

So I think we should feel really good about that. I know there's other categories that have given some of that back, but we have not. And I think as we look through the remainder of this year, we'll see that normalization continue. And I think it's less about -- are there worries in the horizon, I think it's just a normalization, and we should be seeing our historical pre-COVID growth around 4% or 5% step.

Don't quote me on which date that's going to happen. I wish I had a crystal ball. But we feel very confident that this category will come back to pre-COVID levels. And you look at this recession, and there is even lower disposable income out there, and yet people still look at spirits as a very much an affordable luxury.

So I feel very good at the trends that we're seeing. We're seeing a little bit of slowdown in premiumization, but I think, again, that's a corrective action. We feel very strongly that premiumization will continue. And of course, we've been leading on pricing. And I've been really pleased with the accretive nature that pricing has brought in. We were probably the most aggressive in the industry, and it's great because our brands are worth buying, that's what we're seeing. Our elasticities are great.

And while you're going to see some volume drop off from that, overall, it's accretive in value, and that's what we were pushing for. So I'm feeling pretty good about where the market is and our performance versus the market. I think in terms of -- you asked the question about on-trade, and we are seeing the on-trade recovery, obviously.

Is it completely back to pre-COVID levels? Close, not completely there. But our performance at Pernod Ricard has always been a strength of ours, and we continue to beat the market on-trade. So we're feeling very good about our recovery.

And as we look forward, I think there's even more upside in on-trade as it fully comes back. And I have to tell you, the thing that gets me excited on trade is Jameson. Jameson is such a powerful brand on-trade. And it's really led the way and even better as we look to the future, Código is a fantastic brand on-trade. And so we're continuing to build more strength as we move forward.

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**Celine A.H. Pannuti** - *JPMorgan Chase & Co, Research Division - Head of European Food, Home, Personal Care & Tobacco and Senior Analyst*

Can I just ask as well on pricing, a follow-up?

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**Anindita Mukherjee** - *Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America*

Yes.

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**Celine A.H. Pannuti** - *JPMorgan Chase & Co, Research Division - Head of European Food, Home, Personal Care & Tobacco and Senior Analyst*

You said that you've been quite aggressive on that. How is the pricing now? Is there a space for further pricing? And how do you think that could be received by consumer or the trade?

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**Anindita Mukherjee** - *Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America*

Yes. Great question. Look, I will tell you this, I think the volatility of input costs is still out there. Hopefully, it's getting better. But we will do everything we can to protect our margins, full stop. And the great news is, we have brands that are worth paying more for it. That's what we're seeing in the market.

And that's why we continue to significantly invest in A&P because if you build brand equity, you can realize your pricing actions. So I will tell you, we've been aggressive this year on pricing. We took our pricing action last February.

We took another one this past October. And I think as you see us going into fiscal year '24, you will see more pricing actions. And I think from a consumer standpoint, employment at the lowest we've ever seen in the United States, I think people continue to engage in our category.

There is pricing -- spending power out there, and we are one of the categories that I think people are willing to spend their money on because it is a small luxury. People have to get through life, and spirits is a wonderful way to celebrate.

And that's why we talk about -- we're in the business of moments that we can unlock as people come together. So I think you're going to see us continue to be aggressive because we will protect margins, and we've got brands that will withstand it.

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### Operator

Now we're going to take our next question. And the next question comes from the line of Andrea Pistacchi from Bank of America.

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

Three, please, 3 questions. The first one, you're clearly narrowing the gap towards your objective of, you say, sustainably beating the market. Now the recent deals you've done, Código, Sovereign Brands, Skrewball are all very attractive and pretty sizable. Is this enough to close the gap, do you think versus the market when, obviously, at some point, they'll be contributing to your organics, should you expect an improvement there on the back of this?

And the second, in part connected to this, if you could just talk a bit about Luc Belaire and Bumbu Rum, the opportunities you see there. You didn't, I think, mentioned much of these brands in your prepared remarks.

And then the last question, please, is this -- that you've added a lot of critical mass and a lot of new brands to the U.S. business and as clearly some attractive brands. At the same time, you still got a few brands that may be a bit less core, not growing as much, underperforming the rest.

So does the fact that you've got a broader portfolio now mean you're in a better position to consider potential disposals. So how do you think of disposals in the context of the broader base and more brands you have in the U.S.?

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### Anindita Mukherjee - Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America

Thank you. Listen, let me take each one of the questions. First, let's just talk about the acquisitions we've made and the role they will play in terms of our continued quest of beating the market. Again, let me just take a step back and say, look, in the past 3 years, if you look at the CAGR of the category, it's about 8% growth, right? We've been growing at about 7%, and that's just 1 point lower than where the market is.

And as we all know, we did not necessarily have the scale in places where we saw the rest of the market grow. And that includes things like tequila, that includes things like RTD. We started our kind of play into American whiskeys.

So that's why I get confident that as we move forward, we're only 1 point behind. And as we look at these acquisitions, and they were done strategically because we wanted to strengthen our portfolio. So with American whiskey, with Skrewball, which is a scaled acquisition, that's going to be very, very important to us as we close that gap.

Obviously, Código is a huge play for us. And it's a brand that will close that agave gap that we had. We already have the #1 leading mezcal and so this is something that we feel really good about. Now in terms of disposal, I'll be honest, I don't even think about it that way. Maybe headquarters.

But I think about some of our smaller brands. And I have to say one thing about this category. What may be down now, 3 years from now may be up, right? And so we've got a lot of great brands that are not necessarily growing as fast, but we have a way to play them that is still accretive to the portfolio.

It may not be driving a lot of scaled growth, but they do drive scale for us. And so we know how to manage them as part of our portfolio approach. So I feel really, really good about it.

And as for Luc Belaire and Bumbu and Sovereign Brands, that is managed by the Sovereign Brands team, the management team. So that is one that they really focus on because it's still a growing entity, and so they run that. So that's one that's not necessarily in my perimeter, but we feel great about it for the company.

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

Are they -- can I ask on these brands, it's still managed by the team -- by the founders or to what degree can they leverage your strong platform in the U.S.? And is there a plan over time to fold it into your own business?

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**Anindita Mukherjee** - *Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America*

So right now, we keep it independent because these guys are really good at what they do. We'll always keep the door open to see if there's a time that we might be able to help or if there are synergies, but right now, that team is really looking to expand beyond the U.S. So there's a lot that they are managing directly, and we're taking the divide-and-conquer approach.

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**Operator**

(Operator Instructions) Now we're going to take our next question, and the question comes from the line of Edward Mundy from Jefferies.

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

I've got 3 questions, please. The first is, can you talk a little bit more about the shift from a brand-focused to portfolio-focused? It sounds like you're operating a very much, how does every brand win approach to know how does the portfolio win collectively. Can you perhaps provide a few examples of how leveraging the power of portfolio helps to unlock incremental growth? The first question.

The second question is around complexity. And I think one of the goals of the Conviviality Platform would activate more brands, but that brings in more complexity into your business. So could you help talk about how some of the digital tools are allowing you to both, on the one hand, activate more brands, but also navigate that complexity effectively?

And then the third question is around learnings that you're sharing with the broader business. I think you mentioned that you've got some of the best people from the spirits industry and also from CPG that's helped to transform the capabilities of the U.S. business. Could you talk to some of the best practices or learnings that you've been showing with Paris or the broader business at Pernod Ricard?

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**Anindita Mukherjee** - *Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America*

Thank you. All good questions, a lot of where I've been spending my time. So first, let's take the question you have around this brand shift to portfolio shift. It's been an extremely important one. And to your point, when it is a brand-led strategy and the problem there is every brand has a mouth to feed, and you never have enough resources to feed all the mouths.

And some may require more food than others. And so I think by us going to this portfolio approach, it was very much underpinned by understanding the broader category and what is predictive of demand. And when you approach it from that standpoint, we -- that's one of our KDPs called Maestria, this notion of really understanding first independent of your brands, where is the demand? What occasion matters? How big is each occasion? In that occasion, what are the attributes that really matter in terms of a brand having advantage? And then overlaying your brands to understand where they have a right to win. And why is that important?

Because if there are predictive indicators and your brand matches them, you can spend more efficiently because you don't have to spend money convincing people, it's the right brand for that occasion. They already start with the right to win. So that makes your spending far more efficient and far more effective, which leads to your second question, which is how is it that we can support more brands and do it in an effective manner. This is why the starting point.

And so now by understanding this portfolio play and making sure we understand which position each brand plays on the team, they play as one team and not as individual stars. And the reason we can make this less complex is because we have all this science, not only around how people are predictive of demand and consumption, we also have for each of those occasions what's the path to purchase.

So now for every single brand, we have created a complete playbook from how we do it from media, all the way to shelf. And in some cases, in that path, search may be more important for a brand or in another brand, the playbook may be that on-trade is more important in terms of awareness.

Every single brand now has that playbook. So every dollar we are spending is absolutely optimized for how to win in that occasion for the brand that has the right to win. And that is wired all the way from our brand codes to our marketing teams in the United States, to all the way to our shopper marketing teams, our retailer teams, our distributor teams and then, of course, in that last 3 feet. So that's where you get that precision. And again, that now leads to the third question that you had.

That is a lot of, what I'll call, taking the best of CPG and the best of this incredible category that we compete in, which is wines and spirits and putting the best of the 2 together. I really am very lucky that my leadership team is a combination of the best of Pernod Ricard and some of the best minds in CPG.

And when you put the 2 together, it really revamps the game that we are playing. And that's why we are very excited about where this business is going in North America. I hope that helps, Ed.

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

And just I mean in terms of any learnings you might be sharing with the broader Pernod business outside of North America? I mean any of that particularly stand out?

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**Anindita Mukherjee** - Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America

Can you repeat the question, I'm sorry?

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

Are there any learnings as you've rewired the U.S. business that you might be sharing with the broader Pernod Ricard business globally?

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**Anindita Mukherjee** - Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America

Yes, yes, absolutely. That was one of the briefs that Alex had given me when I first joined. I'll give you one really great example. Our approach to Maestria were understanding consumer demand, that has a different footprint, depending upon the market that you're in because while the underlying demand is all about human need, how people express or act against that need is dependent upon the competitiveness of that particular market, what is the disposable income position of the consumers in that market.

So what this has allowed us to do is apply this learning in all the markets around Pernod Ricard. And so it's allowed us to create a growth equation that really allows us to optimize how we spend, it allows us to understand the role of each brand in the global portfolio and how they go across different affiliates.



And so this approach has really been at the heart of the conviviality platform that you mentioned because now based on each country's understanding of their demand, they now know which part of the conviviality platform, they can really maximize to grow their business. So this has really been a group-wide effort and it's been fun being able to share this across the company.

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**Operator**

Now we're going to take our next question, and the next question comes from the line of Olivier Nicolai from Goldman Sachs.

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

Just 3 questions on my side. First, if we start with Código. Can you give us a bit of an update on the size of the brand since you have acquired it? And how much distribution gain should we expect? And also in terms of production, I assume it's still outsource, do you have any capacity if brand had the same success at Rabbit Hole, for instance, to supply the market? That's kind of the first question.

Second one, just a follow-up on the previous question. You have recently acquired Código, Skrewball, Sovereign Brands, other things as well. How much percentage of growth in terms of organic terms is going to add to Pernod Ricard U.S.A. next year?

And just lastly, on Skrewball, I was curious if you could share with us any bit of details or any bit of background on how you managed to convince Steve and Brittany to join the Pernod Ricard family?

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**Anindita Mukherjee** - *Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America*

Yes. So let me start with Código. This is a brand, I have to tell you, we have a great kind of playbook, I think, at Pernod Ricard in terms of really incubating amazing brands to their founders because really, founders are just amazing. And with Código, this is a brand that's been nurtured by some incredible founders that we work very closely with both with Ron Snyder and Frederico Vaughan.

And I think that what they've built with Código is just the start of what we're going to see in this brand. And I think this is a brand that we're looking to massively accelerate. It's got great distribution potential. We're already seeing very effective positioning of the brand and the advertising that we're testing has been really, really positive.

So I think this is a brand that you're going to see accelerate a lot through distribution and as well as a lot of velocity around the brand. The brand is one that we are now transitioning as we speak. And so we've got some integration work that we're doing over the next couple of months.

So I have a lot of excitement around where we can take it. And from a production standpoint, this is very well wired with the management team at Código. They do a fantastic job down in Mexico. And I -- we've kind of done the due diligence, and we feel very good where we are from a capacity perspective.

And here's what I will say about forward-looking statements, which is not much. But what I will tell you is, do I feel confident that we will have very good growth moving forward with the acquisitions of Código and Skrewball, et cetera? The answer is absolutely yes.

And in terms of how we convince the founders of Skrewball to come partner with us? I have to tell you, Steve is an amazing man. Someone as me who believes very strongly in diversity, and I as an immigrant to the United States, feel very close to people who come to America and are grateful to what America has given them.

And that is Steve. Steve's background is just unbelievable, it's hero's journey. And he's always been about giving back to America. And when he came over from Cambodia, one of the first things that they gave him when he got to the U.S. was peanut butter.

And I -- that's what was the genesis of Skrewball. And what I think is going to be really amazing with this brand is -- for me personally, is to take it to the next level with Steve. And I will tell you the secret sauce of this brand is also his wife, Brittany. She has been such an incredible partner to Steve and to see the 2 of them together and how they've built this together, it's very inspiring for us.

And I think we have shared values. And so I think that's one of the reasons Steve and Brittany were willing to come with us. And it's one that's very near and dear to my heart, sorry for getting a bit emotional on that one.

So yes, so you've got a very scaled business, almost 600,000 cases with Skrewball and you've got Código at about 200,000 cases or a little bit more than that. So these are big injections into our portfolio. Hope I answered that to what you were looking for.

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

Yes. Absolutely.

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**Operator**

Now we're going to take our next question. And the next question comes from the line of Chris Pitcher from Redburn.

(Operator Instructions) Now we're going to take our next question. Now we're going to take the question from Trevor Stirling from Bernstein.

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

Two questions on my side, please. The first one concerning your liquid supply strategy for North American whiskey. So you told us the -- give us the background for the new distillery in Lebanon. Is that going to be supplying Jefferson's only or will it supply Rabbit Hole as well? And the liquid requirements for Skrewball, are they included or is that something you're going to have to work through over time as well?

And the second question is, you laid out there's a lot of the great initiatives that are underway at Pernod Ricard, but you've also said you're still growing about a percentage point below the market. Which of the elements of the portfolio are drag on growth at the moment?

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**Anindita Mukherjee** - *Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America*

Thank you for your questions. So let me take the first one. So look, our -- the distilleries we're building in Kentucky, which is quite a sizable investment at \$250 million over 5 years and carbon-neutral, which I'm very proud about, that has been designed to not only understand how to supply the explosive growth we're seeing for Jefferson, but we do have capacity if we want to look at other whiskey brands.

Now Skrewball just came into our portfolio. So we're still integrating that business. But yes, as growth is seen in other parts of the American whiskey portfolio, we have that opportunity to leverage the distillery. But for now, Rabbit Hole has more than enough capacity in Louisville.

And I have to tell you, it's a beautiful distillery that the founder Kaveh Zamanian has created. So we feel good as we look at our liquid supply moving forward. And then finally, in terms of -- I wouldn't say it's a drag on our business. We've been a point behind in the CAGR. But as you look at our performance in the first half, we're pretty much in line with the market.

And it's not about being a drag on our portfolio, as opposed to strengthening our portfolio. And that's what we did with both Código and Skrewball. So I feel confident that as we move forward, we'll continue to accelerate our performance.

Yes. One other clarification that just kind of nudged me, which I'm talking so fast, I'm not even thinking. Código, right now, the size of the business is roughly 100,000 and so I think I said 200,000, I'm sorry, my bad, but it's about 100,000 and of course, Skrewball in that 600,000 range. Okay, next question.

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**Operator**

Now we're going to take our next question. And the next question comes from the line of Richard Withagen from Kepler Cheuvreux.

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**Richard Withagen** - *Kepler Cheuvreux, Research Division - Research Analyst*

I've got a 2-part question on Martell, please. First of all, how are you positioning Martell in the U.S.? Is the focus, especially on Blue Swift? And what are your thoughts on the price position of Martell versus your competitors?

And then the second part of the question is you mentioned the challenges of the cognac category in the U.S. in your presentation. So what are, in your opinion, the main factors behind slower growth for the cognac category?

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**Anindita Mukherjee** - *Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America*

Yes. No, great question. Cognac and Martell for us is a really big bet. So let me start with Blue Swift. Yes, it continues to be a huge focus for us. And while it's off a small base, we've seen double-digit growth over the last 2 years and continue to accelerate. And I think from a pricing position, you will probably see a little bit more pricing on Martell as we move forward.

And so far, we feel good with all the actions that we have taken. I also think you'll see more of an emphasis as well on the Cordon Bleu business and is a fantastic part of the Martell portfolio, bringing in multiple price points across the cognac category.

So I think that's also going to leverage our scale in Martell. In terms of the kind of the segment of cognac, look, there's been just a lot of, I think, really significant pricing that's been taken, multiple pricing actions through COVID. And these are really, really high price points.

And last year, there was a lot of stimulus checks that went out. We don't have those stimulus checks in the economy right now. And so I think there's a little bit of corrective action that's happening in the cognac category. And I think where we are, we have a lot of, I think, momentum both from a supply side, from a brand building perspective.

And I think in the long term, there's going to be a lot of, I think, momentum coming from Martell. Again, as I said, it's a low base, but we've been seeing almost 100% growth in the first half of fiscal year '22 and almost 53% growth in fiscal year '22. And so I continue to remain very excited about our portfolio play with Martell.

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**Richard Withagen** - *Kepler Cheuvreux, Research Division - Research Analyst*

Yes, clear. And maybe as a follow-up, do you see any cognac drinkers moving to U.S. whiskey or tequila? Do you see that happening?

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**Anindita Mukherjee** - *Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America*

Can you repeat the question? You cut off the first part of your question?

**Richard Withagen** - *Kepler Cheuvreux, Research Division - Research Analyst*

Yes. I mean let's say the typical cognac drinker, do you see him moving to tequila or U.S. whiskey or to other categories?

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**Anindita Mukherjee** - *Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America*

So look, I think if you look at anything in the category, it's called tequila, right? I mean this kind of growth by one segment is astronomical. So do I think there are people moving from cognac to tequila? Yes, it's just like could be moving from vodka from lots of segments.

And so I think that, that is part of it, but I also think there are some specific things that have happened in cognac that I think just needs a corrective time of period and the segment will bounce back. It's a really important segment in the U.S.

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**Operator**

(Operator Instructions) Now we're going to take our next question, and the question comes from the line of Edward Mundy from Jefferies.

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

I just wanted to dig in a little bit to this HALT/RIDE Act that you mentioned in your prerecording. Can you talk a little bit about the technology? Is it breathalyzers, is it cameras and sort of what is the path from here?

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**Anindita Mukherjee** - *Pernod Ricard SA - Chairwoman & CEO of Pernod Ricard North America*

Ed, thanks for the question, and great to hear from you again. Yes, this one for me is a little bit near and dear to my heart. So look, the technology actually exists. And that was the point of the act, the bill that got passed, which is requiring U.S. car manufacturers to start testing the technology and the best application of it.

Think of it -- this is probably just an illustrative way of thinking about it. But there is technology that when you get into a car, like the ignition won't turn unless you kind of go through this kind of breathalyzer thing. And so the idea is not to make this difficult for people who are fine and not drinking, but for people who are drinking, sometimes they might not know how much, and so it's a great safety mechanism.

And the question is when the technology exists, why shouldn't we use it? And as you and I talked about, this is near dear to my heart because my mother was killed by drunk driver. And if this technology existed, she might be alive today. So this is about us being responsible in the industry. It's about us standing up for making this a safe category for everyone. And that's why I'm excited about this act.

And I'm really excited that President Biden signed it and U.S. manufacturers have to work on that technology and start manufacturing coming in the near term. So thank you for asking. I think it's something we should do more of.

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**Operator**

Dear speakers, there are no further questions. I would like now to hand over to the management team for any closing remarks.

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**Edward Mayle** - *Pernod Ricard SA - Investor Relations Director of Pernod Ricard*

Thank you very much, everybody, for your time this afternoon. A very interesting range of questions. We appreciate that very much. Thank you, Ann, for joining us today. And with that, we'll close the call. Bye-bye.

**Operator**

That does conclude our conference for today. Thank you for participating. You may now all disconnect. Have a nice day.

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