Pernod Ricard F26 Sales and results call
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Joelle Ferran^ Good morning, everyone, and thank you for joining us to Pernod Ricard's fiscal year '26 full year results.

I'm joined today by Alexandre Ricard, Chairman and CEO, and Mauve Croizat, Group Deputy CFO. We are delighted to welcome Mauve to her first earnings call with us.

Alexandre, over to you.

Alexandre Ricard^ Thank you, Joelle, and good morning, ladies and gentlemen.

Maybe just before starting, I'd like to introduce Mauve Croizat, our Deputy CFO and soon to be CFO as of October 1. Maybe Mauve, can you say a few words about you?

Mauve Croizat^ Yes, thank you, Alex. Very happy to be with you today. So I usually say that I'm born and raised Pernod Ricard. I was very lucky to move in many different countries, US, Sweden for many years. Across multiple affiliates, so in a brand company, market company, headquarter and different functions, because I started with cash and then more FP&A and core finance with some years as general managers and lately within transformation. So very happy to be with you today, very honored to take on the role and very prepared.

Alexandre Ricard^ Well, thank you very much, Mauve and without further ado, let's start with our fiscal year '26 sales and results.

Overall, our fiscal year '26 was characterized by a contrasted environment with indeed continued softness in the US amplified by some inventory adjustments and weak demand in China. All of it being mitigated by improving trends and growth across the Rest of the World, though impacted by the Middle East conflict in our fourth quarter. We strongly defended our organic operating margin with the acceleration of our EUR1 billion operational efficiencies program, delivering half of the target in fiscal year '26 and with full delivery now expected by fiscal year '28 instead of fiscal year '29, i.e., one year ahead of anticipated.

Driving as well sustainable cash generation to preserve a strong balance sheet with materially improved cash conversion in fiscal year '26 at 91%. Optimizing as well our strategic investments for future growth, maintaining balance sheet discipline to support our deleveraging trajectory and sustainable shareholder returns, maintaining a stable dividend per share with the final dividend of EUR2.35 to be offered either in cash or in shares.

So we fully leveraged the breadth of our portfolio and the balanced geographical footprint of Pernod Ricard to capture growth opportunities at speed and scale across diverse and increasingly diverse, should I say, consumer dynamics and our operating model leverages its digital capabilities, accelerating to a fully digitally enabled organization.

I won't go back on the environment that I just described. What I would underline is our net sales are down roughly 4% organically and 14% reported related to currency and perimeter impacts. That being said, we have experienced improved momentum in the second-half of our fiscal year with organic growth improving from remember minus 5.9% in our first half to minus 1.3% in the second-half. And in fact, excluding the US and China, which we'll go through in detail later, growth was positive for our fiscal year in the Rest of the World, up at plus 0.5%.

From a PRO standpoint, down roughly 5% organically and roughly 18% reported for the same reasons as the net sales. We have done quite an amount of work to defend the organic operating margin in a contrasted environment. We have accelerated the operational efficiencies program I mentioned, enhancing as well marketing effectiveness and partially mitigating tariffs and COGS inflation. As you'll see in more detail, our structure costs are down 8%. They were already down 4% in the previous year with the implementation of our Fit for Future operating model and disciplined cost management.

As for cash, at EUR1.2 billion of free cash flow, a progression of 6%, we have strengthened our cash generation and strongly improved our cash conversion, as I mentioned, at 91% through disciplined investments and working capital management. We continue the active portfolio management. Notably, this fiscal year was a year where we disposed of Imperial Blue. I will not spend time on this slide as Mauve will go through all of these numbers in detail other than stress the EPS at EUR5.85.

I mentioned the contrasted environment and our top-line was notably impacted by market-specific weakness. In the US, you see the Sales down 14%. I'll talk about this in a couple of minutes. In China, down 19%. And finally, the Middle East skewed towards our fourth quarter, which was down 29%. These three specific areas impacted our top-line and weigh roughly one-fourth of our top-line.

When I mentioned mitigation, that mitigation came from broadly the Rest of the World. With improving trends in many markets, we have now roughly 40% of our sales that are in growth. As I mentioned, excluding US and China, the Rest of the World would be growing. By the way, the remaining top 16 markets sell-out value grew at double the market rate at plus 2%. That's a mix of Nielsen, NABCA and IWSR data. So we estimate that for the top 16 markets., the market grew 1%, we grew double that rate. You have here a number of examples, both of emerging markets and mature markets. And by the way, you see that slight acceleration for Pernod Ricard excluding China and the US; H1 was flat, H2 was up 2%.

Of course, we've done a lot of work to adapt and continue to do so at pace to evolving consumer trends and to growth opportunities, leveraging our data and technology capabilities and as well our new simplified organization following Tomorrow One and Tomorrow Two. And the name of the game in a way is really speed and agility. Consumers have always changed over time. I would say the major difference here is the speed at which they change. So we have done a lot of work around convenience and affordability which is on the convenience side, a trend that we had already identified before COVID as emerging and which has significantly accelerated ever since, more recently post strong inflation affordability with a lot of work done on small and fun size formats on what we call affordable premiumization, working on our RTD portfolio extension. On the route to market adaptation to our RTD portfolio as well and as well on a number of initiatives and increased capabilities on revenue growth management and promotions optimizations, as I said, leveraging our digital capabilities.

We are, on the other hand of the spectrum, leveraging the depth of our portfolio, including prestige with the development of unique brand experiences through very high-end partnerships. We have a global approach to build our prestige and brand desirability and direct high net worth individuals consumer approach. We have accelerated and I'll talk about it in a couple of minutes, our consumer-centric innovation with the inflection point being innovation at scale or should I say purposeful innovation at scale with a number of big successes around Malibu, around Absolut, and as well into new promising segments such as no/low alc segments. And finally, we are continuing to invest in elevating cultural relevance, consumer experiences and brand associations and partnerships.

Now moving into our sales by must-win markets, so starting with the US market, which was down 14% as I said. So we have sustained improvement in our sellout gap to market, albeit we still haven't reached the market level yet with accelerating responses to what I was mentioning earlier, changing consumer needs. The spirits market slowed down with economic moderation and subdued consumer confidence. We have now narrowed the gap to market through accelerated responses. Just to mention, our sellout is roughly down 7% versus the minus 14% sell-in. This is where our sales have been impacted, as we mentioned, by some inventory adjustments. Good performance around Jameson & Kahlua, which outperformed their competitive sets. Skrewball and Malibu sellout are improving, helped by strong success of smaller formats and innovation, particularly Malibu Pink, which is turning out to be a big success of this summer.

Rapid adaptation to evolving market conditions, focusing on consumer recruitment, consumer activation. RGM, as I mentioned, innovation, ready-to-drink, small fun formats, on-premise activation and cultural partnerships. We'll talk about this later. And finally, the route to market reorganization, which has finally, after a lot of work, been implemented over the full fiscal year '26 and with adaptation to subsequent, I would say, significant industry changes in the middle tier with some degree of residual impacts on trade inventory. So that's for the US.

Well, for India, it's a radically different story. India is, as you all know, now our second largest market in terms of sales, very strong momentum reflecting underlying consumer demand and premiumization trends and a market where we are gaining share. So we see an accelerated performance, which is underpinned by very dynamic consumer demand, market share gains, further benefiting from the Imperial Blue disposal, which was at a segment which is less dynamic than the more premium segments. Good growth on our local brands, notably Royal Stag, which you may have seen in the news is now the world's number one whiskey with roughly 32 million cases sold and Blenders Pride as well, which is quite successful and the recent launch of Xclamat!on. Double-digit growth on our strategic international brands led by Jameson's exceptional performance, which is now the number one imported premium spirit brand in India and good growth as well on the rest of the portfolio, particularly on Ballantine's and Chivas, if I had to name a couple.

As I mentioned, we disposed the Imperial Blue business, which is now immediately accretive to margins and growth. We had mentioned the excise policy changes in Maharashtra just exactly a year ago, which we're finally now lapping since this summer and more recently, in fact, as of July 15, last month,we now have the India-UK trade agreement, which is in full effect.

Moving to China, which now represents 7% of our total sales, down 19%, basically characterized by challenging macroeconomic conditions, continued weak consumer sentiment, and regulatory measures impacting demand. We have experienced a sharp decline within our prestige categories, which are under pressure and basically that's Martell. Our premium brands continue to grow quite nicely, supported by the rise of casual dining occasions and increasing penetration of premium spirits among the growing middle class. So we experienced market share declines in Cognac, basically impacted by Martell's channel exposure.

That being said, and it's the first time in a while where we can be in a position to say this. We are getting feedback of cautious optimism from the trade sentiment ahead of Mid-Autumn Festival. So let's see what happens in the next couple of months on that front.

Finally, in terms of must-win markets, global travel retail down 3%. Basically, the resolution of the Cognac suspension in China, which occurred exactly more or less a year and a month ago, strong brand activations across Asia and the dynamic traveller numbers in Europe and Americas are what basically characterized global travel retail for fiscal year 2026. International passenger traffic continues to grow. It is now 10% ahead of pre-COVID levels. We have experienced a strong recovery of sales in China duty-free, with strong Martell sell-out growth during Chinese New Year, but the Asian region was also negatively impacted by weakness, particularly in South Korea. Europe benefited from US tourism and America has benefited from quite dynamic growth, particularly in cruises.

Strong innovation execution was quite successful, particularly around travel retail exclusive ranges, notably on The Glenlivet and our other single malt Aberlour. We also gained market shares in that channel. And as you all know, our fourth quarter was impacted by the Middle East conflict, which is also expected to weigh in our first quarter of this new year. More broadly speaking, when it comes down to the regions, by Europe, we see sales declining in France while maintaining market leadership and gaining share, with PJ and Bumbu in very strong growth.

Spain and Germany unfortunately are both in decline. Amidst continued, I would say, soft market conditions. UK is in modest decline with growth on Jameson, Absolut and the Champagne, although we see some degree of improving market trends there. And finally, Eastern Europe is in continued growth, notably on Jameson, Ballantine's, and Absolut. Poland was in modest decline following a strong excise tax increase, though we're gaining share there. In Americas, beyond the US, we see solid continued growth in Canada, driven by Jameson, Absolut, and our RTD portfolio in what we could qualify a soft market and therefore translating into market share gains. Brazil was in modest growth, recovering by the way in the second-half from the methanol crisis, which is just ahead of Christmas in Brazil with good performance on Beefeater and Absolut notably, though we're experiencing a slight share loss there. Mexico is and was in sharp decline over fiscal year '26 with share loss in what I would qualify quite difficult market conditions there.

Finally, for Asia, Rest of the World, Japan continues on its great strong growth trajectory with a strong market share gains, very strong performance of PJ. South Korea returned to growth after what we can qualify as a significant reset, which has hit us in the past as you may recall. Taiwan market sales continued to decline with continued softness in that market. Very strong growth in Türkiye and notably with Chivas and Ballantine's and also Absolut and I would say as well the rest of the portfolio.

South Africa is in good growth. We're gaining share there, driven by the exceptional performance on Martell, not just by the way in South Africa but across sub-Saharan Africa. Australia is in modest growth with contrasted brand performance, growing on Jameson, growing on RTD's portfolio. And Champagne, again a market where we are gaining share.

This is a brief outlook after the regional description which makes us quite, I would say, unique in terms of geographical mix and exposure. The other uniqueness, I believe, of Pernod Ricard is our broad portfolio of brands, our diversified and broad portfolio of brands with very solid brand performance in a number of markets and with our strategic brands which would have been in growth putting US and China aside. And you have here a number of illustrations.

By the way, the first four are not taken as a coincidence. There are four largest brands: Jameson being our largest brand, Martell, Absolut, Ballantine's, and Chivas are -- the five largest brand of Pernod Ricard. I mentioned PJ's amazing performance up 20% throughout the fiscal year. And just to note trip for Martell, TD means triple digit growth in South Africa. Just below that you have Nigeria where Martell is now leading in that market.

Now moving on to the financial update. Mauve, up to you.

Mauve Croizat^ So indeed, let's go on the financial performance. So I'll be quick because you have all the numbers on the slide. But our profit from recurring operation declined by 5.2% organically and minus 17.9% on a reported basis. So we told you that we were going to protect the margin and we delivered, limiting the impact to a minus 35 bps. If we zoom into the impact, it's mostly driven by the gross margin impact where we experience a negative price mix in a soft pricing environment as you know and experiencing some adverse market mix.

We had also the impact of the tariffs, though a little bit less than what we feared at the beginning of the year in both US and China. And as we anticipated on the COGS, we had inflation, lower volume absorption and as anticipated as well increase on our wet goods impacted by past inflation. But we also very much benefited from the acceleration of our operation efficiencies, managing to limit the impact and offset the normative inflation. If we go on A&P, so here we maintain significant investment behind our brand and we slightly benefited from decreased non-working A&P, highlighting as well the improvement of our effectiveness.

On structure costs, as Alex mentioned, the reorganization is in place as from January 1st, so allowing us to showcase a decline on our structure costs as it was combined with a very strict disciplined cost control, so leading to a minus, favorable impact of 77 bps on this line.

Overall, you can see on this slide as well that our reporting operating margin was significantly impacted by FX that was only partly offset by the perimeter impact where we had the benefits of our brand accretive disposals. So all in all, what I note on this slide is that despite and would we not have such significant FX impact, our margin would have even expanded.

So on the earnings per share, we are lending at EUR5.85, down 19%, which is mainly the result of the soft profit from recurring operation. And we can see here on the financial expense a slight decrease as well, though we had a slight increase in our cost of debt from 3.2% to 3.4% as a result of a higher interest rate and we had also a lower income tax in line with the decrease in our PRO. On the group share of net profit, here we declined at a slightly higher rate at minus 26%, which is mainly driven by a slight increase in our non-recurring operation and charges, which is mainly driven by our restructuring cost.

On free cash flow, I think you all know that this has been a strong focus from the organization this year, so I'm very pleased to see that we are delivering a free cash flow increasing by 6%. This is driven by a strong and material improvement of our cash conversion, overpassing our target of 80% and landing at 91%. This is due to a strong and strict monitoring and discipline on our operating working capital and the optimization of our strategic investment on both strategic inventories and capital expenditure, while landing at a level that we believe is the relevant level to protect our assets and our future growth prospects because it was really following a year of peak in FY25.

So on the net debt, needless to say that as a newly appointed CFO, that would be one of my key points of attention. This year, our net debt remained broadly flat over the past 12 months, benefiting from the strong free cash flow delivery, as I mentioned, but also the proceeds of our disposals. And because of the softer EBITDA, we are experiencing an increased net debt/EBITDA ratio up to 3.7%, but our intention is definitely to decrease this level below three times by FY29.

Back to you.

Alexandre Ricard^ Thank you, Mauve. As we have now gotten a little bit accustomed to do over the last 18 months or so, I think it's worthwhile sharing with you a strategic update on Pernod Ricard.

In today's case, in this presentation, it's split into three sections. The first one on our purpose and transformation journey. The second one is what I would call a consumer-centric growth strategy, turning consumer insights into action. And the third one is our capital allocation strategy and financial policy.

When it comes down to our purpose and transformation journey, first of all, I strongly believe, and we at Pernod Ricard all collectively strongly believe that our purpose is absolutely anchored in timeless human needs. We're not even talking here about consumer insight. We're talking about deep human needs. And that purpose of Créateurs de convivialité is probably more relevant than ever in a world seeking absolutely authentic human connections. And it is true and I think all of our industry peers have identified this recent evolution. Consumers drink more intentionally. They need a purpose, they need a reason, they need an occasion to do so. So we create more reasons to come together and more meaningful experiences around our brands. I fundamentally believe growth will come from enriching existing occasions and creating new ones. Expanding the shared experiences that at the end of the day bring people together around our brands.

Our long-term drivers, and I won't dwell too much on that because it's a slide we've been showing and sharing with you for some time now, the long-term drivers do remain attractive despite the short-term headwinds and tailwinds. So you know the attractive long-term fundamentals around demographics, middle-class, and by way specifically for international spirits. You know also the near-term cyclical pressures we are facing in some specific markets related to consumer confidence and pressure on discretionary spend and finally the evolving at pace as I mentioned, the evolving consumer needs around premiumization, around experiences, around convenience and finally around lifestyles and occasions and frequency.

Again, I do believe that our operating model has -- bears here a serious competitive advantage and so far as our broad and balanced geographic footprint. Very well balanced both across all the different regions and key I would say continents but also in terms of that ideal balance between mature markets and emerging markets. Here you have all the details. I think that is what makes this quite unique from that point of view and is a competitive advantage and so is as well our diversified portfolio of premium international spirits, which I believe is well exposed to the growing segments.

By the way, we are present in every category that matters. You see this on the pie chart. We are also present on every single, I would say a price point segment from standard, which represents roughly 15% of our portfolio, all the way through to prestige and as well as you see on the extreme right there, the RTDs as well.

When I mentioned that we are ideally exposed as well, if you look at total beverage alcohol, there are a number of segments that are still in good growth or growth. If you look at international spirits for the last calendar year '25, which is the latest number we have, that segment has grown by 1%. If you look at Indian whiskies overall they grew 7% versus an underlying trend for us of 9% by the way, but anyways. Champagne is up 5% versus 20% for PJ but anyways and spirit-based RTDs which is the segment on which we operate today and want to operate even further tomorrow, up 13%. These are industry numbers, so all of the segments in which we operate from that point of view are growing. And then if you look at international spirits, which is the majority of our positioning, there on the right you have the different rates of growth or decline in some cases by categories.

Of course, and we have been on a journey over the last four to five years of significant transformation. And I'd like to hand this story over to Mauve because before being Deputy CFO and soon to be CFO of Pernod Ricard, Mauve has served as our Global Senior Vice President for transformation. So in a way, you kind of drove what we see on this slide.

Mauve Croizat^ Some of it, not all of it, the rest was really managed by the organization and the teams. But indeed, for us, this has been a continuous journey, I would say, and the initiative that you see on this slide is a result of action over multiple years and across multiple dimensions. So if we start with the organization, so as you know over the time, we've been really focusing on simplifying our organization for further agility. We have been also intensifying our efficiency program in order to deliver further efficiency. And we have been doing so without jeopardizing on our ability to invest behind our digital transformation that we believe is also going to fuel further and the future opportunities. Lastly, we have also been constantly looking at sharpening our portfolio.

So on the organization, as mentioned, we have been taking a two-step approach. Which we call Tomorrow and became Tomorrow One, Tomorrow Two. The first step was really focusing on delayering with the removal of our regions and really bringing market together under 10 management entities. And the second step was more on the way we're managing the portfolio, so really simplifying our global functions and also bringing our eight market (sic) brand companies into two brand units in order also to reflect the differentiated business models that we have within our portfolio. So this allowed us to really constantly deliver tight and controlled structure costs with a decrease and reaching this year minus 8% and a second consecutive year of decrease.

This has been also helped by a strong delivery on our operation efficiency. So we communicated that we were going to deliver a very ambitious program of EUR1 billion over FY26 till FY29. And here we are able through the acceleration to already deliver half of it as from FY26, which makes me very confident also to inform you that we are able and we will be delivering the full program of this EUR1 billion no later and at least by FY 28, at least one year earlier than anticipated.

And as I said, this was done in order to improve our efficiency, but also to allow us to really invest behind our digital transformation. So we started by proving all the benefits that it could give us with the successful execution and implementation of our key digital program. And now the focus of the organization is really to make sure that we can scale these benefits to its full extent at pace and with agility. So we are really focusing now on building the relevant -- building the relevant foundations, creating also common processes, building tighter and creating tighter governance. And ensuring that we have higher quality data because we know that this is where relies all the power of this digital transformation in order for us to become a fully digitally-enabled organization that will really allow us to operate, reshape the way we operate, and ensure that we will be delivering at speed, at scale with this ability to adapt constantly to a faster evolving consumer need.

One proof point of that is also what we have been able to deliver on our A&P spend because here by optimizing our touch points and leveraging the digital media, we have ourselves to significantly improve our effectiveness. We also manage through that to decrease our non-working to really increase what's going to be impactful toward our consumer and showcasing significant improvements of the impact of our spend towards the consumer.

In parallel, as I said, we've been constantly looking at our portfolio, sharpening it by disposing of non-strategic dilutive brands as we saw last year with notably the sale of Imperial Blue that allows us to be more in the tighter margin and better margin and with a better growth profile in a key strategic market. We are definitely counting on continuing this effort as illustrated by the sales of Lambs last month.

Alexandre Ricard^ Thanks, Mauve.

So, the second chapter of our strategic update from insights to action, from consumer insights into execution on the ground, what I call our consumer-centric growth strategy. As I mentioned, there is a rapidly evolving consumer landscape where the speed has significantly accelerated, which really requires insight-led decisions and faster, much faster execution. We have identified, along with our consumer insight teams around the world, a number of consumer insights, broad number of nine very specific consumer insights, which all are translating into tangible, on the ground, execution and activation.

The first one is spirits exploration and by the way, I think you probably saw in more recent research and studies, Gen Z continues to engage in spirits. Repertoires, however, are growing to include many, many categories and it's a very dynamic, I would say need segment which represents an opportunity.

Second, and that's not new. Affordability, which is somewhat of a headwind with low confidence, as I mentioned earlier, pressured discretionary spend, fear of inflation.

Number three, novelty/innovation. So a real desire and openness of our consumers for innovation, for flavors, for formats, when I talk about formats for fun and attractive formats.

Convenience, as I said, an emerging trend before COVID, which has accelerated quite significantly ever since. So in what we call a cluttered and time pressured environment for people, they want quick and easy options, should I say.

Mindful moderation, no need to mention this too much, you all know about it, with rising health consciousness, with clean spirits moderation, widespread of course.

And finally, craving connection, where as I mentioned as introductory notes for our purpose, Convivialité is really evolving from purely spontaneous connections to planned, meaningful, and intentional events and we have a big role to play there.

More specific I would say to emerging market trends which is half of our business, I won't go through this much more in detail because you're all too familiar with this, the demographics, the emerging middle class and status-driven premiumization not only in India but in many, many emerging markets.

Very briefly one by one, starting with Spirit's exploration. We are leveraging our capabilities, which you are now familiar with, including our simplified organization that Mauve described to really leverage and really create these occasions and also evolve our media targeting and shifting towards the most active and the most efficient media channels.

Affordability I mentioned addressed through revenue growth management capabilities, through our portfolio price ladders, through formats as well. The reality is small and fun formats really satisfy consumer desire for premium products despite economic constraints. So when we give the opportunity for consumers that are under, I would say, purchasing power pressure, they do go for the premium proposition if it's at the right price point.

Here you have an illustration, US example, I think it's New York. If you see all of our different price points that we cover with a brand franchise in that very specific case, Jameson, starting at $3.99, $4.99, $9.99, basically all of the different price points with one brand, different formats, different expressions. We have this for all our relevant brands across all the states if I take the US example. But I would say a lot of work is going on three things to address this opportunity.

The first one is the offering, so making obviously these propositions a reality which involves obviously ideation, innovation, and let's not forget supply chain. By the time we have the idea and it comes to shelf, there is a minimum number of time.

Number two, which I would say is equally an operational challenge is the implementation, execution, and deployment, i.e., having these propositions at the right price on the right shelf facing the right consumer because from a route to market standpoint, it's a big job to be done and which is as well under way. And third is pace, the speed at which we go to market with these offerings. So these are the three things we're working on, the offering, the market presence in terms of points of distribution with the right offerings, and finally the speed at which we do that.

Novelty is another one and here you have three examples. Now innovation has moved to purposeful innovation at scale, in a way fewer but bigger and better and here you have our key innovation pipeline. It's broader than that but here you have the key ones, the ones we launched in fiscal year '26 which are going to continue to be deployed across our markets throughout this new fiscal year plus the new innovations to come down the road during this fiscal year.

The fourth insight is indeed convenience. I mentioned it earlier, but spirits-based RTDs are the fastest-growing RTD segment, and this is somewhere we can play quite seriously in. We also know that Gen Z over-indexes amongst RTD drinkers, which in a way represents a great recruitment opportunity into our brand franchises if we engage in the right way through the right channels with our consumers, leveraging our brands. And you see here a few examples of our enhanced portfolio with different format solutions. There's the RTDs, but it doesn't stop there. We also have, and it's been launched now over the last couple of months, 100ml, what we call fun-sized formats that are very dynamic. We have multi-packs, mini formats and smaller formats as well and many other initiatives around that consumer insight of convenience.

Mindful moderation which we address through a number of initiatives around premiumization on one side, amongst the expansion of lower, no/low ABV offerings and let's be clear, there is a drink less but better trend, which works well if we engage with the right propositions with our consumers. The abstinence rate has remained stable over the last five or six years. We are seeing, as I mentioned, that trend of less but better and you see here a few examples of what we're doing in terms of premiumization through a brand franchise and innovation, through addressing lighter consumption occasions with the Aperitif trend and some of the non-alc propositions we have innovated over the last 18 months.

Number six, craving connections. I do, going back to our purpose of intentional consumption through experiences, this is where I really believe we have a role to play through the right associations through the right partnerships. We have a specialized team of experts that how to basically work on partnerships. You have here a number of partnerships and these are increasing and behind every one of these partnerships we have a very specific and clear execution strategy. What I would say is I would just take one example. People in key Asian markets for instance really want to see their friends 25% more than they currently are. And it is our role, in a way, as Créateurs de convivialité to create these meaningful occasions, to bring them together with our portfolio, which I believe is very well positioned to do so.

And then finally, the last three trends all in one, would I say, which are skewed towards emerging markets, which are demographics, I won't go through the numbers you know them. Which is the emerging middle class, I won't go through the numbers you know them and finally which is status-driven premiumization which we still see basically everywhere in emerging markets.

And finally to the last section of our strategic update on capital allocation and financial policy.

Mauve Croizat^ I think this one is for me. So indeed with this slide we really wanted to reiterate our strong intent to bring our leverage ratio down below 3 times by FY '29 and really illustrate the thing that we have already been doing this year and confirm that this is our intent to maintain it overtime.

So first on our strategic investments on both capital expenditure and strategic inventories, where we are decreasing our level and capping it to EUR700 million. And also maintaining and combining it with a strong effort on our operating working capital and really also increasing our target from 80% to circa 90% in the coming years as we have been already delivering this year. So that's our intent and the below.

Alexandre Ricard^ Yes, and subject of course to shareholder approval. We propose to maintain our dividend at EUR4.70 per share. As part of our commitment to our deleveraging trajectory, we will offer our shareholders the choice of receiving their final dividend of EUR2.35 either in cash or in shares. And I think it's worthwhile noting the support of our reference shareholder for this proposition and the fact that they will opt for the shares.

Mauve Croizat^ On our financial policies, I think it reflects a balanced approach to capital allocations. So while maintaining our investment-grade rating and as mentioned our deleveraging focus, we are really reiterating very clear priorities; first, to invest behind our future growth; two, to really continue actively working in sharpening our portfolio; three, maintaining a progressive dividend policy; and last, the share buyback when all above priorities will be fulfilled.

Alexandre Ricard^ So in terms of outlook, let's start with fiscal year '27.

So for this fiscal year, we expect to generate net sales to be broadly stable in a contrasted and uncertain environment. Basically, with two messages here, first of all, declines in the US and China impacted by inventory adjustments as of the first quarter and with underlying trends that are expected to improve in China. And second, continued positive momentum in the Rest of the World with ongoing strong growth, notably in India, but not just in India.

Continued investment behind our brands with our A&P to net sales ratio to be maintained at circa 16%. We will strongly defend our organic operating margin supported by strict cost control on one side and the acceleration of the implementation of our operational efficiency initiatives whilst investing in our digital transformation. We expect strategic investments to be at circa EUR700 million versus EUR800 million, previously guided. We also expect strong operating working capital management with cash conversion now expected to continue at circa 90% versus 80% previously.

When it comes down to our medium-term framework, not guideline but framework. While noting the current softness I would say in the US market, we are projecting organic net sales growth aiming to be on average, close to the lower end of our plus 3% to plus 6% range over fiscal year '27 through to fiscal year '29, i.e., close to 3%. We expect organic operating margin expansion supported by the acceleration of our operational efficiencies of EUR1 billion, which we mentioned earlier, which will be done one year ahead of plans while maintaining as well consistent investments behind our brands, as I mentioned, at roughly 16% A&P to net sales ratio.

We expect to strengthen cash generation aiming now for 90% versus 80% cash conversion to fund our financial policy priorities with strategic investments normalizing to no more than EUR700 million. We are targeting a net debt to EBITDA ratio below 3 times by fiscal year '29. We continue to adapt our strategy and to capture growth opportunities and our operating model to meet those changing circumstances, including through our ongoing digital transformation that will unlock further efficiencies. And I would conclude by stating that we are confident in the continued engagement of our teams and that we remain focused to deliver sustainable value growth over time.

On that note, I thank you very much.

Joelle Ferran^ (Event Instructions)

+++ q-and-a

Operator^ (Operator Instructions)

Gen Cross, BNP Paribas.

Gen Cross^ The first question is just on the US. I think in your outlook commentary, you comment on expectation of an improvement in underlying trends in China. But I just wondered if you could comment on whether you expect your underlying trend to also improve in the US in FY27.

And the second question is on India. We saw a nice acceleration in growth in Q4. The question is specifically on the potential for an India IPO. I think it's something that is regularly discussed at the Board level. Does that continue to be the case now?

Alexandre Ricard^ Sure. Listen, I'll take these questions.

Listen, the key reason for I would say skewing towards the lower end of that midterm framework of plus 3% to 6% top-line over fiscal year '27 through to fiscal year '29, i.e., close to 3%, comes from the acknowledgement that the US market will remain soft over that period. It's as simple as that. It is difficult to say more than that, but that is what our current algorithm takes into assumption and that drove that revised, I would say, framework towards the lower end.

On India, yes, the Board continues to discuss the India IPO opportunity. Again, it is a question of the strategic opportunity it may represent in terms of shareholder value creation and they are weighing the strategic rationale, the pros and cons in terms of these kind of situations. It is not an obvious yes or no. It is a clear process of analysis and discussion. And so I can confirm the discussion is still ongoing and that in the meantime we are taking some legal preparatory steps in order to maintain the flexibility around the India IPO and keep our options open. But at this stage, we're still at discussion level at Board.

Operator^ Mitch Collett, Deutsche Bank.

Mitch Collett^ Two questions, please. So for your full year '27 guidance of flat organic growth, you say it's predicated on improving trends in China. Can you give us some color on what drives that confidence about improving trends in China?

And then my second question is, is also on the '27 guidance. So you said you're going to strongly defend organic operating profit margin. In fiscal '26, a similar statement equated to a 40 basis point decline, but clearly you had the support of lower A&P. So can you give us the sort of rough moving parts for fiscal '27 and would a similar level of organic operating profit margin decline be a correct interpretation of your guidance today?

Alexandre Ricard^ Sure, thank you.

On your first question, maybe predicated is a little bit of a strong word. We have and again I'm very cautious on that front and by the way our assumptions remain quite cautious for China for this fiscal year when it comes down to sharing with you our fiscal year '27 guidance.

What I have mentioned is we are seeing some degree of underlying trends improvement, number one. Number two, we are getting some cautiously optimistic trade sentiment feedback ahead of mid-autumn festival. And number three, our assumption anyways is based on some degree of stock overhead that we need to destock, which is probably going to impact more the Q1 than the rest of the year. So our guidance is not predicated on China, which represents, remember, 7% of our total business.

Mauve Croizat^ So on our defense, on our operating margins, so indeed we know that we will be facing similar but different headwinds, I would say, because we can also already anticipate similar impact on our wet goods. As I mentioned, it's really because of the past inflation in our aged spirits. We know as well that we will be impacted by the Middle East conflict that has been not that much impacting us this year, but impacting today our logistic costs and our commodity prices as you can imagine.

On the other side, we also see some positives. So as you see with our guidance, we expect some easing top-line trends that mechanically will also create better fixed cost absorption and we are also expecting less of an impact on tariffs because the US and China situation will be offset by the India FTA. So all in all, we will be continuing our strong discipline, grabbing any opportunities, accelerating our operation efficiencies, and maintaining our A&P while continuing our strong effort on structure cost.

I hope it answers your question.

Operator^ Sarah Simon, Morgan Stanley.

Sarah Simon^ Two from me. One was, can you give us a bit more color on where the savings, the EUR500 million that were achieved in fiscal '26 actually fell in terms of maybe a split between COGS, A&P, and structure costs?

And the second point was on your midterm guidance, Alex, you talk about an average towards the low end of the range around three, but if we do, if we say around three, across a three-year period, and the first year is zero, that would imply 4.5% or so in years two and three. Is that what you imply? And if so, how do you think you're going to get there? Thanks.

Alexandre Ricard^ I'll address your second question immediately before a move gives you some color.

First of all, it's not a medium-term guidance. I'm sorry to have to reiterate. It's called medium-term framework. It's not around three, but I don't know what the terminology difference may mean, but it's close to three, i.e., around maybe.

Yes, fiscal year '26 was a little bit softer than what we expected it to be. Bear in mind a number of factors that impacted fiscal year '26.

Number one, destocking in the US which we don't expect to be that severe in the coming year and obviously years for sure. Number two, some degree of destocking in China for the year to come which we don't expect as well to carry on forever. Number three, going back to an earlier question on underlying trends, bear in mind we are also lapping in China a number of decisions that were taken exactly a year ago, which we are now lapping I would say positively. Number four, the Middle East conflict at some point, I am not a geopolitical expert. But I am just saying it has impacted our Q4. We expect it to continue to impact us over the coming few months to some degree. We are already seeing things starting to normalize to some extent.

So basically at the end of the day when you look at during the presentation our geographical mix and you see where we are present and if you see those markets where we are growing quite significantly, those markets where growth in fact is accelerating, those markets that used to be in strong decline that are stabilizing even maybe growing, I took the example of Korea but there are a number of other ones, but at the end of the day it works.

Mauve Croizat^ So I take the first question.

So thank you Sarah for this question because indeed I went relatively quickly to leave time for Q&A. So I'm able to deep dive a little bit more on this EUR500 million that has been the result of a strong effort from all the organizations. So I just would like to remind that it's a mix of cash and P&L impact even if a vast majority is on P&L and as you can imagine it's indeed split across COGS, A&P and structure cost. On structure cost, I'm not going to deep dive. I think it's a fairly easy math in terms of the decline that we are able to generate. On the COGS, to deep dive a little bit here, it's really a combination of what we call procure, so it's really all the improvements that we are managing with our suppliers also managing that in a much more effective way, which impact the COGS and the E&P with the proof point as well on our decrease non-working by 33% as an example. And also on the make, where here we are also looking at optimizing our manufacturing footprint and really also optimizing our assets, which allows us to generate significant saving on this line as well.

Operator^ Simon Hales, Citi.

Simon Hales^ My first question is can you just go back to India and I wonder if you could talk a little bit more about the free trade agreements and what impact that is starting to have on your business already, your plans for fiscal 2027 and beyond. With that in mind, what are you starting to do, particularly in the Scottish business that you have on the ground (technical difficulty) there to build your brand with your premium market even further there?

And then my second question is just around your ambitions in the ready-to-drink category (technical difficulty) Alexandre (technical difficulty) 2.5% of net sales. Do you expect a sharp acceleration in the contribution of that category as we move through fiscal (technical difficulty) ['27] as innovation has come online (technical difficulty)?

Alexandre Ricard^ Sure, maybe on the FTA agreement with the UK which is now into full effect and has been so for exactly six weeks. It came into effect on July 15. I've always qualified this potential happening because it's been years we've been talking about it together by the way and with many others as the cherry on the cake. But now the cherry on the cake is there. It's difficult to share with you some very specific insights as to how we're leveraging this FTA to accelerate our performance in India just because it's I would say competitive and sensitive information. That being said, you should not be surprised if we were to introduce new propositions coming from the UK into India around the Scotch of course. You should not be surprised to see some degree of acceleration around innovation, you should not be surprised to see some basically and that's part of the FTA agreement price adaptation to make our brands more relevant and more affordable to consumers, that was the whole principle of the free trade agreement.

And at the end of the day, when you look at our strategy in India, focused first of all, by the way, on these local brands with the great success of Royal Stag, with great success of Blenders Pride. By the way, we're premiumizing these two brands with innovation as well. With the recent launch back in October, November coincidentally with the disposal of Imperial Blue and launch of Xclamat!on, which is a full range of propositions of liquid and then of course the other leg to our growth strategy which is our imports.

So right now this is going to be a nice booster for exports from the UK, particularly from Scotland and of course the second cherry sometimes you have two cherries that come along could be -- again, we never like to bet on these topics because we are not in control but could be an EU-India FTA which is currently being discussed and which when it comes down to us would look a little bit like the UK-India FTA and this would be a great boost for the number one imported spirit brand in India which as you all know is Jameson and for a number of other brands we have but that would be a second cherry on the cake and we will see.

All this just to say that all the lights are green from a business point of view in India. It is a buoyant market. It is growing not just for us, the market itself, the country itself. And the degree of optimism is somewhat refreshing, particularly when you come from France for instance.

On RTDs, our intention is indeed to increase our investments behind RTDs, to increase our innovation behind RTDs. And more specifically, which I think this is the key to increase the pace at which we come to market with our RTD propositions, which by the way goes hand in hand with our route to market optimization for RTDs, which somewhat varies quite significantly from the traditional, I would say, bottled spirits route to market and I would also say the same for the marketing playbook where we're seeing a different marketing play for RTD proposition. So we're working on it.

I'm not going to share with you what our expectations are for RTDs, but to the question, the broader question of are RTDs a priority for us, yes, as well. They're a great complement to our portfolio and we intend to invest behind this -- behind them and accelerate the RTD performance for our business, as we have over the last few years, as you've seen the increasing weight in our portfolio.

Operator^ Olivier Nicolai, Goldman Sachs.

Jean-Olivier Nicolai^ The first question is on Europe. If we could go back to the performance, which was a bit softer in H2, you flagged weak performance in various countries. Just wondering how should we think about the region in full year '27.

And then for Mauve, could you give us a bit more details on gross margins into next year? Would you expect it to be more the pressure as input costs increase and do you factor any potential tariff refund in your guidance?

Alexandre Ricard^ On your first question, the beauty on one side and the gloom on the other side of Europe is its lack of volatility to some extent. So you'll never see Europe as a region up double-digit or down double-digit. What you will see is within Europe you'll see some ups and downs and the ups that offset the downs and so on and so forth. But at least one can view Europe as a stable, I would say, homegrown territory which doesn't have excessive volatility one way or another, at least in a very volatile world, we know we have a broadly stable base in Europe. Sometimes growing quite nicely, sometimes in some degree of decline as we have experienced over the last few months that weakness basically comes from Spain and France and to some extent as well, Germany.

So in France, we are gaining share, but in what I would qualify a sluggish market, but we are gaining share and experiencing some degree of slow growth through share gains only. But in Spain and in Germany, it's fair to acknowledge that the market is soft and by the way that we're losing share in both of these markets. Otherwise, and I did mention, the UK is coming back to positive trends. Ireland is in positive trends and the more we go central and east, the more dynamic the growth.

Mauve Croizat^ And I'll thank you for the second questions.

Even if I have to say that I believe I answered as the first question, so I warn you, Olivier, I may probably say the same thing but a bit differently, but don't expect me to trap me in telling much more. We know that indeed for next year our margin will be pressured by, as I mentioned, wet goods increase and Middle East conflict that will weigh on our ability to deliver further margin expansion. On the other side, we know as well that we will have an ease on the trajectory helping the fixed cost absorption. We will continue our effort on the structure costs and indeed on the tariffs. We will and we have already been receiving some returns, so it's a net impact for the US. And we hope and we believe it will be partially mitigated by the FTA impact in India this year.

I hope this time it's clear.

Operator^ Edward Mundy, Jefferies.

Edward Mundy^ Two questions please. The first is for Mauve.

I think on slide 25, you talked through where we are on the cost savings agenda and cost savings have been delivered one year early. As you step into the CFO seat, could you perhaps talk about potential further opportunities beyond fiscal '28, given that that slide 25 has a beyond element to it?

And then the second question perhaps for Alex. In your final remark of your presentation, you talked about the engagement of your teams outside of US and China, you're seeing a decent outperformance versus the whole market. Could you provide an update on how you're managing through that dynamic, continue to keep people engaged yet with the pressures of US and China holding you back.

Alexandre Ricard^ Let me start with your second question because I think it's obviously a critical question, a key question, particularly in an environment where a big chunk of the growth in a subdued environment will come from market share gains, which is not just a game of creativity, of ideation, creativity, innovation, route to market and so on. It's also related to on the grounds people commitment, the fact that the people wake up in the morning with that Créateurs de convivialité mindset which means bringing people together around our brands, giving meaning to why our brands are there and by the way there is a romantic aspect to that for sure and there is of course a very business related and technical aspect to that, i.e., the romanticism of a brand, consumers are extremely sensitive to what a brand represents but at the same time they are sensitive to the price of the brand, they are sensitive to the packaging of the brand, they are sensitive to where the brand is positioned on shelf, they are sensitive to how we bring that brand to life, they are sensitive to the channel we use to interact and engage with consumers on that front.

So commitment is absolutely critical in our industry and particularly it's something that we very fundamentally cherish at Pernod Ricard. So we follow that in many ways.

We used to do what we called the i-SAY report which was initially every two years then turned out to be every year but leveraging tech and digital capabilities we can now do pulse surveys and one of the key things I follow through these pulse surveys because then management is empowered to leverage these pulse surveys here and there, is to monitor that degree of commitment by function, by affiliate globally, and so on and so forth. That's the first way we monitor this and on that front, you'll be surprised how responsible people are because they understand the situation and they know and the way we deal with our efficiencies. We do it in the most transparent and the most responsible way. But at the end of the day, people understand that business is business, that imperatives are imperatives, and they are ready for that. The second way and it is not just me, it is the leading team, we travel. We travel extensively. We have a travel policy by the way, there is some cost discipline around travel, but not for me.

I spend my time in airplanes, traveling, meeting the teams, having these town halls, having these dialogues and then I have these brought by the way later today, I think it's at 2 PM If I'm not mistaken, I have our ELF, Executive Leadership Forum meeting close to 300 leaders across the group and we'll have an honest, transparent 45-minute discussion on what's happening. Next week I'm in Mexico, but so be it because it was planned and so on, but I'll have a live 16,000 wide exchange with the whole troops to explain.

When people understand, they buy into it. And so communication is absolutely key. Right now this morning is focused on external communication for external stakeholders who are absolutely key for us but this afternoon is going to be internally focused because they need to understand our results, they need to understand where we want to go, why we want to go there, and they need to understand it with enthusiasm and the winning mindset.

Mauve Croizat^ So as it relates to our operational efficiency, so apparently I have still seen any opportunities to grab, no kidding aside, thank you for noticing that indeed we have been on purpose putting beyond and on purpose I introduced the slide as well to say that it's a continuous journey. So I'm definitely not going to sit down on my seat and leave on Helene’s legacy, but really actively working in finding new opportunities. I'm technically four days in the job, so for now I will probably more rely on what I know best, which is our transformation. And here I'm also fairly confident that it will open up new opportunities for the organization, for the teams and mostly also to grab new opportunities towards the consumers, so we are currently filling the pipe as we speak.

Operator^ Chris Pitcher, Rothschild & Co Redburn.

Christopher Pitcher^ A couple of questions. Firstly, Alex, on the must-win market strategy that you introduced us to back in 2015. But when you introduced that, those four key markets had grown phenomenally over the previous decade. But if I've got my math right today, they're actually a slightly smaller share of the total group today than they were back then. Part of that obviously is the other parts of the US, the sale of assets in India. But is that must-win focus still the right one? Are you having to redeploy resources across other markets? Can you give us a sense of how much resource take sort of absorbed during that period and is there scope to spread that?

And then secondly, on the dividend, you said that the reference shareholder has committed to take shares in the final dividend. Is that an ongoing commitment? Should we model share option until you get to three times net debt to EBITDA and have you had any other assurances from other shareholders that you can give us an idea on in terms of share uptake?

Thank you.

Alexandre Ricard^ Okay, so let me start with the second and then the first, so I don't forget your second question.

Basically, if I translate your question, is this, first of all, a one-off scrip that we are offering? First of all, again, let's be clear. Our focus is to continue actively our deleveraging strategy. A scrip remains an option but frankly speaking no decision has been made at this stage. Yes, our reference shareholder again has supported that proposition for this year and will opt for shares and so has GBL to be quite clear on that front.

When it comes down to your first question, well the four Must-Wins are still the four greatest markets in terms of size and in some cases medium-term potential, in other cases maybe long-term potential, but the US is still our number one market. We are less exposed than most of our peers to the US market for sure, but the potential remains there we believe, not in the next three years as I mentioned earlier and thus our revised I would say framework. But the potential is still there. It's a highly profitable market. It's a highly, I would say, dynamic market, not from a growth point of view, but from an opportunity point of view if we're great at creating, at innovating, at executing, et cetera, and at pace, which is something we're stepping up as we speak.

So we are investing above group ratios in terms of marketing in the US market. India has now become our second largest market, is a clear growth driver for last year, for this year, for next year, for the foreseeable future, for the medium-, long-term. I mean, what's happening in India is quite phenomenal.

Travel retail, I mentioned earlier on, travellers are 10% above pre-COVID crisis. Back in the day, people thought travel retail would be subdued forever. As a matter of fact from that point of view traveller expectations are still going to be growing. We've been hit as you know by that Middle East crisis but we do expect that channel to continue to be a growth driver in the future. Some issues with Middle East right now of course and it's a great brand building channel for domestic markets. Back in 2015, we turned travel retail into a global organization which is now working in synchronicity with domestic markets when it comes down to activation because there are strong brand related synergies from an A&P point of view as well and China.

Well, let's not forget China has been very cyclical in the distant and more recent past. Right now there is continued softness. We'll see what happens, but the reality is the underlying fundamentals in China and we currently see them on our premium brands portfolio remain strong. So I wouldn't underestimate China potential. It doesn't mean we've taken this assumption in our medium-term framework for sure. We prefer to be cautiously, let's say, prudent. We have revised, which is normal, our marketing investments in China. It doesn't mean we no longer invest. We invest still quite strongly.

Maybe one last point to conclude on investments. Circa 16%, it can be 15, 17]. What really matters is are we getting -- are we sweating our assets the right way? Are we getting the right return on spend which Mauve shared with you a few metrics on that front. Consumer facing A&P, basically what consumers see on our brands has increased. What has fundamentally decreased is what we call in our internal jargon non-working A&P by leveraging expertise and capabilities including content production with tech and many other things. At the end of the day, we're committed to investing behind our brands to make them relevant and to engage with the right consumers through the right channels.

Operator^ Sanjeet Aujla, UBS.

Sanjeet Aujla^ I just had a couple of follow-ups. Most of mine have been answered, but just coming back to China. And you highlighted there a bit more optimistic feedback from the trade. Is that just lapping stricter enforcement of prior year government regulation? Are you seeing actual any genuine signs of stabilization in the nightlife and banqueting channels?

And secondly, just coming back to US destocking, can you just clarify, are you expecting the quantum of destocking to be less in fiscal '27 versus fiscal '26 or about the same?

Alexandre Ricard^ Sure. So for China, I will let you talk about the destocking.

So for China, both or all of the above, the reality and you are right to mention it, we have now started lapping a decision which was taken back in May of 2025, which we basically call an alcohol ban, which was -- and the entire industry including local players and BaiJu and et cetera felt it for the full our full fiscal year '26 and of course, I strongly believe and it's purely in that case technical as the weeks come by and I would say by the end of September, October frankly we'll be lapping a new base from that point of view so for sure this helps. But at the same time, it is true that trade sentiment ahead of Mid-Autumn Festival for the first time in a number of years is cautiously optimistic and we have seen as well some degree of improving underlying trends. I'm not going to call it we're back to growth in China, definitely not, but there's something happening and something new in a number of years for China.

Mauve Croizat^ So on the US destocking, so indeed, as we mentioned, we are expecting some inventory adjustment both in the US and in China starting Q1. And indeed, we know that this year we have been significantly impacted by inventory adjustment as well. That being said, I think we will be benefiting from two impacts. So one, indeed, we are still at too high of a stock at trade level, but we are now starting from a healthier basis because we know that back in FY25, we had some increase due to the pre-tariff uncertainty. So because of that, we will have less of an impact and also leveraging a healthier base, I would say.

Joelle Ferran^ Thank you very much. Thank you all for joining us today. We wish you a good rest of the day.