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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the EMEA LATAM conference call. (Operator Instructions) I must also advise you the conference is being recorded today, Thursday, the 28th of November 2019.

I would now like to hand over to your first speaker today, Julia Massies. Please go ahead.

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

Good afternoon and good morning, depending on where you are, ladies and gentlemen. Delighted today to introduce our regional conference call for EMEA LATAM. We're hosted by Gilles Bogaert, our Chairman and CEO. So as said, we'll go through a quick presentation and then on to your questions.

Gilles, over to you.

Gilles Bogaert - *Pernod Ricard EMEA & LATAM - Chairman and CEO*

Thank you, Julia. Good afternoon. Good morning for some of you. I'm very happy to share with you the updates of the Pernod Ricard EMEA LATAM performance and key priorities and initiatives.

On the first slide here, you have an overview of EMEA LATAM. So just to clarify the scope. France is not part of EMEA LATAM within Pernod Ricard, and Travel Retail is not part either. It's part of Global Travel Retail. We have 11 management entities, that is to say a cluster of countries in some geographical areas where we typically have one lead market and a few small markets. We have 56 affiliates, most of them big distribution affiliates, 19 production sites.

Pernod Ricard EMEA LATAM represents 28% of the group net sales. 64% of EMEA LATAM sales are from Strategic International Brands. And the engagement rate as measured in the iSay 2019 is very high, with a level of engagement with our employees of 90%.

So Slide 3, speaking about employees and people. You have here an overview of the main changes of people in the management teams since January '19. As you can see, I think it's a sign of dynamism of the region with many, many changes both in the regional executive committee and also in the country CEOs.

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In that scope of people, which represent more or less 70 people, we have 19% female. It was 15% 1 year before, so some improvement in gender diversity. Same positive evolution in terms of nationalities, 29 different nationalities and 63% being non-French. And 1/4 of the positions have been renewed in the last 1.5 years.

Page 4. So strong start of the year in the wake of dynamic top line growth in fiscal year '19, demonstrating business acceleration. And you have the sequence of growth between first half of last fiscal year, fiscal year '19 and the Q1 of fiscal '20. It was 3% in the first half of last year. It was 5% in fiscal year '19, so dynamic growth.

And I would like to highlight also the strong contribution of the Tier 2 markets, by the way, to that growth, not only the big ones. And we did some acceleration in LATAM and Sub-Saharan Africa in H2.

And Q1 of the current fiscal year was good in EMEA LATAM, with a growth of 6%, in particular with the return to a good growth level in Western Europe.

Operating profit. Strengthened operating profit organic growth with a solid price and mix. Last year, it was 4%; and a good resource monitoring allowing to deliver a strong operating leverage in the region, which was ahead of the group midterm ambition, which, as a reminder, is between 50 and 60 basis points of improvement every year.

Page 5, you have a quick strategic update on where we are. Obviously, EMEA LATAM is part of the group Transform & Accelerate plan. So we have clear brand/market strategic road map, which continues to deliver solid and diversified growth. So in LATAM and Africa/Middle East, the objective is to gain share, leveraging in particular the whiskey portfolio, Absolut, and also the mainstream whiskey expansion, the Seagram range, in particular, into Sub-Saharan Africa. In Central and Eastern Europe, the strategic objective is to consolidate our leadership, leveraging in particular whiskeys. And in Western Europe, it's about growing Jameson and Absolut and leverage also the aperitif

opportunity.

All over the world and all over the region, we want to keep fast-tracking the buoyant Gin and tequila categories. EMEA LATAM is the brand company for Gin based in U.K., together with Pernod Ricard U.K.; and tequila based in Mexico, together with Pernod Ricard North LATAM. Another key driver -- transformation driver in the region is to drive strong top line growth through innovation; to leverage Prestige with the objective to premiumize and with a positive impact on margins; and as for the group to actively manage our portfolio of brands with new additions like Malfy, also Gin Inverroche in South Africa, also wine and spirits in European marketplaces, Bodeboca and Uvinum and also with some disposals like the local one brand in Argentina.

We also support that strategic agenda with the execution of clear transversal initiatives. Some of them are around efficient brand-building. So we have different processes and tools which are deployed across the region and -- in line with the group ambition like brand equity, monitoring and social listening. It's called PRIME; portfolio management by touch point and geographical focus with a view to better guiding resource allocation; and different tools also to be more efficient and more effective in the way we invest A&P. We monitor also permanently our route to markets in the different affiliates with a customized channel strategy by geography; specific route to markets and ways of working, in particular for Prestige; and also a regional management of the e-commerce opportunity through the E-retail and the marketplace.

Last but not least, many initiatives in the operational excellence area: first, within the revenue growth management topic, pricing, trade terms, promotional effectiveness; second, in everything which is related to cooperation and supply chain with the revamping of the S&OP process, an improvement of our direct and indirect procurement practices and also some value-engineering initiatives; and last but not least, some evolutions of our organizations, like for instance, the investigation of synergies across the management entities between the lead markets and the smaller markets, some mutualization in particular of back office but also of marketing, some office digitalization and sometimes outsourcing. We created also some -- and we are creating some IT hubs by subregion. And we put in place with the group a global consumer insights organization.

On Page 7, you have an overview of our S&R strategy. You know the strong focus of the group on sustainability and responsibility with the 4 commitments under the 2030 ambition. And this has been turned into regional and local priorities and road map. With health and safety and

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responsible procurement being the priorities for the valuing people pillar; circular design and packaging, a priority for circular making; extension of responsible party as a pillar of the responsible hosting -- as a key element of the responsible hosting pillar; and last but not least, biodiversity as a key initiative in the nurturing terroir pillar.

So let's first have a quick overview of the fiscal year '19 performance. Strong growth, 5%, driven by Strategic International Brands and very dynamic Specialty Brands. As you can see, Strategic International Brands were up 6%, so growing at a higher pace than the overall region. I'd like to highlight the strong growth of our global brands, which are strong in the region: Chivas, plus 10%; Absolut, plus 3%; Ballantine's, plus 10%; Jameson, plus 9%; and Beefeater, plus 9%.

Specialty Brands were also very dynamic, up 17%. Our Strategic Local Brands have been also quite solid. And as you know, they are very important to sustain our local commercial organizations, plus 5%. And Strategic Wines were down last year 5% between a better second half and as a consequence of the high-value strategy we -- with the negative hits in particular on Jacob's Creek in the U.K. But in Q1 of fiscal year '20, we are back to growth on strategic wines.

On Page 9, a quick review of our innovation initiatives. It's important for the group. It's important for EMEA LATAM. It's delivered a 2% incremental top line growth in fiscal year '19. In particular, in Gin, many innovations around Beefeater with the launch -- global launch of Beefeater Pink and the launch of Beefeater Blood Orange and also some other, I would say, innovation initiatives on some of our key brands, like the launch of Chivas XV, of Martell Blue Swift and Jameson Caskmates with strong results.

Page 10. Prestige is also another key driver of growth. We grew at a higher pace than the whole region, 1.5x the growth of the net sales of the region. A few examples of some initiatives. In Turkey, for instance, where Chivas is very, very strong, it's the #2 market for Chivas 12 worldwide, and here, you have an initiative on Chivas 18 in House of Brothers in Istanbul. Another example of an initiative on Absolut Elyx in beach club Ammo in Florianopolis. Some initiatives in the Caribbean with Martell Blue Swift, which was launched there, and also some Perrier-Jouët initiative in Nikki Beach of Saint Barth. And our local brands can also play a role there with, for instance, the launch of the limited edition of Aznavour limited edition of ArArAt, in particular, in Russia.

So let's now focus on Q1 of fiscal year '20, a strong start of the year with 6% top line growth, so at a higher pace than the 5% we delivered in fiscal year '19. Our global brands play a key role in that performance. In particular, whiskey brands overall grew by 6% in the first quarter. Ballantine's first with the Stay True campaign, with double-digit growth in many markets. It's becoming a mega brand in Poland, and it's a key brand for us in our emerging markets growth strategy.

Jameson, double-digit growth also in many markets, Africa, Eastern Europe, U.K., Germany. The brand is quite strong in Western Europe and also in Eastern Europe and Sub-Saharan Africa and still room for growth from a small basis in LATAM. Chivas, which is probably one of our most global brands for the region, also had a good start in many markets, Mexico, Brazil, Africa and Central and Eastern Europe. And Absolut vodka had a good start in Western Europe. And you can see some initiatives like Absolut Rainbow's Create an Open World campaign in Italy.

Page 13, a quick word on Gin. That's, let me say, a buoyant category, and Pernod Ricard is expanding and leveraging our diversified Gin portfolio to seize the category boom, obviously, with Beefeater, which is growing double-digit in a large number of markets all over the region and all over the world. We have a new campaign, Spirit of London. We have also a strong innovation pipeline.

We are also complementing that portfolio with some new additions like Inverroche, which is a super premium gin in South Africa, crafted gin; and Malfy, which is a super premium flavored gin coming from Italy that we bought and integrated in the recent months with, we believe, a very good growth potential in particular in Western countries; and obviously, our super premium gin, Monkey 47, which keeps its international, I would say, developments with strong growth in many, many markets and recently, with very good, I would say, start in the U.S.

Page 14. Let's have a quick look at Lillet, which is a great aperitif brand, so seizing that very attractive moment of consumption and its stronghold at the beginning of the development in France, with obviously Germany and Austria where the brand is already very, very strong and keeps growing strong double digits. And now -- it's now time for geographical expansion, in particular in Western Europe. And you can see the very strong growth in countries like Germany, Belgium, Netherlands or Switzerland. So very promising regional developments of Lillet at a premium price positioning.



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Let's now have a look at the Q1 performance by subareas, starting with Western Europe. Growth of 5% in Q1, so clearly some improvements as compared to last year when the start of the year was more difficult, leveraging in particular the market impact of Germany. In Spain, our market share is stable, but we are gaining share on Gin. This performance takes place in a market who's -- which is now in decline by more or less 1.5% at value terms. A lot of activities in the Gin portfolio with new brand campaigns on Beefeater and on Seagram gin, and the 2 brands are growing there and, again, gaining share. Also some operational excellence initiative in the Spanish market, in particular in terms of effective touch point planning for our A&P.

In Germany, we had a very good start. Our market share was stable in the last 12 months, but we gained share in the last 3 months. So we are on the right track, with a lot of activations in festivals in particular with Absolut. And that's also a country where we deploy many operational excellence initiatives in particular in terms of pricing and promotional efficiency.

In the U.K., we continue to gain share in spirits with Jameson, with Absolut and also thanks to innovation. We spoke about the Beefeater innovation. The last launch has been the launch of Beefeater Blackberry. And we also entered into a partnership on nonalcoholic gin, CEDER's. We started in the U.K., and the brand is now exported to 6 or 7 markets.

Page 16. Q1 in Eastern and Central Europe, a very good start also, plus 13%, thanks to dynamic Strategic International Brand and also some solid growth of our local brands. As you can see, in Russia, growth of 13%, driven in particular by the whiskey portfolio, Chivas, Jameson, Ballantine's and also The Glenlivet. And the Prestige opportunity is quite strong there. We also leverage our local brands in Eastern Europe, in particular our Armenian brandy, ArArAt.

In Poland, we had a good growth of 11% largely driven by Ballantine's, which as I said earlier is becoming a mega brand in Poland. We also grow also the whiskey portfolio, Chivas, The Glenlivet. And vodka, the vodka portfolio is back to growth also in Poland in particular with quite good performance on Wyborowa with the new campaign.

Page 17. Q1 in Africa/Middle East, a solid start also, plus 7% with 2 very strong performances of Sub-Saharan Africa, on the one hand; and Turkey on the other hand. It has a lot to see also with our whiskey portfolio. Jameson is very strong in Sub-Saharan Africa, but we also grew Ballantine's and Chivas. I would like also to highlight the strong development of Martell in Nigeria and the strong development of our mainstream Seagram whiskeys in that region. We are merging our Sub-Saharan layer, which was based in Joburg, together with our South African country market company. So we're replicating the management entity model that we have in the other management entities of the region.

In Turkey, a very strong performance despite a tough macroeconomic environment. We are leveraging quite well our portfolio, in particular our whiskey portfolio. As I said before, Chivas is another -- Chivas 12 is #2 -- Turkey the #2 market for Chivas 12. We also grew at a strong pace Ballantine's, Aberlour, Jameson, Royal Salute and Glenlivet, and we are gaining share there.

Last subregion, Page 18, LATAM. What it does take there is to grow aggressively, gain share and to pursue our transformation of our business in LATAM countries. Start of the year is a bit more subdued there.

In Mexico, our sales are down. That is primarily driven by destocking of some clients and also some phasing between quarters. What is encouraging is that in imported premium plus spirits, we've been able to gain share in particular in premium plus whiskey. And what it does take there is to pursue the deep transformation that we started to pursue in Mexico, which is now focused on premium imported brands.

Good performance in Colombia, where we have put in place a new organization and so new route to markets. Brazil had a good start, plus 16% across the -- in particular the imported portfolio. I would like to highlight best practice of brand factory whose principle is to incubate, I would say, new brands before they joined the larger sales organization. That's the way we grew Beefeater in Brazil a few years ago, and now Brazil is one of the largest markets for Beefeater. And the intent is to be able to boost new growth relays in that brand factory, growth relays that will be joining the main sales organization after a few years.

We are also going through some restructuring programs in some of the countries, in particular in Argentina, because of the very tough context. In Argentina, we have reduced the head count, and we have also reduced the asset basis through the disposal of some noncore wines.



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So as a conclusion, we had a solid fiscal '19 performance, and it is confirmed by an acceleration in Q1. This acceleration is mainly driven by Western Europe, in particular the rebound of Germany. We continue to have a strong growth in Russia and in most emerging markets, and we keep improving our margins through a strong price and mix and a tight resource management.

This ongoing good performance is delivered consistently with a clear strategic road map. Innovation, Prestige, aperitif everywhere, Gin and tequila are also priorities all over the region and in the group. We have an active portfolio management to be able to add new brands to the portfolio that would improve the growth profile and seize the occasion of consumption and potentially also improve margins and, at the same time, selling some noncore brands whose growth profile is not attractive and that are not core to our strategy.

We spent a lot of time and efforts on operational excellence, reviewing our ways of working, reviewing the way we are organized, pursuing the digitalization of back office, stimulating the marketing efficiency and also the efficiency of our operations and our supply chain. And last but not least, we keep having an active talent management, as you saw at the beginning of the presentation, with, in particular, the objective to inject more diversity.

So in a nutshell, I would say that we are well positioned to keep delivering a good top line growth and some margin improvements. Thank you.

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

Thank you very much, Gilles. We move to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Sanjeet Aujla from Crédit Suisse.

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

A couple of questions, please. Firstly, on LATAM and Africa/Middle East. It feels like there's a lot of moving parts, a bit of volatility, shipment phasing in the numbers in Q1. Can you just give us a sense of what you think the underlying run rate of growth -- of your growth is in those markets?

And then also, the business delivered operating leverage ahead of the group targets last year. Is that something that you anticipate to continue going forward? Is there more operating leverage expected from these business units? And then in terms of active portfolio management, can you just give us a sense of how significant the noncore brands are across the region?

Gilles Bogaert - Pernod Ricard EMEA & LATAM - Chairman and CEO

Well, thank you for your questions. In terms of underlying trends in LATAM and Africa/Middle East, it's difficult to give one unique answer to all of those geographies. It's true that there are some tougher underlying trends in some of the markets because of the current tough macroeconomic or sometimes geopolitical context. That's typically the case in Middle East and North Africa, where business is a bit more under pressure currently and it tends to be down as compared to last year. Part of that is phasing, but part of it is also because of the tough environment that we have in those geographies.

And in LATAM, obviously, in the recent weeks, the situation in Chile or Bolivia or Ecuador has had an impact on the business performance. Let's say that in Brazil, I think that the underlying trends are probably somewhere between high single-digit top line growth and low double digits. In Mexico, that's where we'd like to be going forward. But today, we -- our run rate underlying is not down. It's positive -- modestly positive, partly also because



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of the dynamic of the market. the market growth in Mexico has been less strong recently and has been more driven by tequila. And tequila -- the tequila category in Mexico is a category where we need to grow and accelerate from a small basis. We launched Altos quite recently.

In Sub-Saharan Africa, I think we have a good performance in, let's say, the second-tier markets and particularly in Nigeria, which is growing at very strong double-digit rates. Good performance in Western Africa, same in Eastern Africa and particularly in Kenya. It's more challenging in South Africa because of, again, the tough macroeconomic environment and the country is close to recession. And our transformation of the organization there is not only to be more efficient within the whole Sub-Saharan Africa but also to be able to put more resources, in particular on the on-trade, on the trend shifts, which are definitely attractive channels.

And last but not least, in Turkey, we are posting a strong performance which is in line with our underlying trends. We have a far better performance than the whole Turkish spirit market. We are targeting, I would say, the higher-end consumers, which represent more or less 4 million people in Turkey, and we are probably more resilient than others. And premiumization there and our whiskey portfolio are still doing very well there.

Your second question was on operating leverage. I think that definitely our ambition is to keep delivering operational leverage improvements year-on-year. When we say that we are above the group average, I think it's -- the intent is that EMEA LATAM should contribute more than the average group, and that was definitely the case last year. We accelerated our operational leverage delivery, and that's also the intent in fiscal year '20, to keep delivering a strong operational leverage through operational excellence initiatives through a good price and mix and through, I would say, improved efficiency of our organizations, in particular leveraging the management entity opportunity.

And your last question was on noncore brands. I think that's a continuous process. We've done it in, let's say, in North LATAM, particularly in Mexico. We started also to sell some noncore assets in South LATAM, in particular in Argentina. I think that I won't be specific on that, but we'll keep permanently looking at the brand that should be sold to third parties. There are some local brands that are critical to us because they are getting some critical mass, because they have a good growth profile, because they have good margins. Typically, brands like ArArAt in Russia, for instance, is a good example. A brand like Passport, which is an entry price point for scotch, is very useful in our whiskey portfolio strategy in LATAM or SSA.

So some local brands are very important to strengthen the route to market and strengthen our growth profile. Some of them are less critical. And we'll permanently, I would say, review that portfolio of local brands and sell some of them when needed, obviously, at the right price.

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

All right. Just a quick follow-up. Would you classify wine as core or noncore across your regions?

Gilles Bogaert - *Pernod Ricard EMEA & LATAM - Chairman and CEO*

I would say wine is 5% or 6% of the net sales of the region. So it's not the largest part of the business. The core strategic part of the business is linked to spirits. That said, in Northern Europe and in the U.K., wine has a higher share, and we are confident that we can extract good growth and good value creation from our wine portfolio in both geographies. We are focusing on the higher-end part of the portfolio.

Campo Viejo in particular is doing quite well, Brancott also. There is a revamping on the Jacob's Creek range. I think innovation is critical. So it's very important to innovate on a -- with a strong pace. In particular also, with the lower alcoholic strengths -- trends that we can see in some of those geographies, I think wine can play a good role to bring new types of products in line with those new consumer trends. So I wouldn't say it's the top strategic priority of the region, but it's a nice complement in particular in some specific countries.

Operator

Our 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, please. Firstly, could you give us a feel for the rough weighting of Mexico and Brazil in Latin America, particularly now that you've obviously sold off your Mexican brands? And can you say whether the Mexican business perhaps now suffers from a lack of scale because you have been through several sort of transformations of the business model really since 2012? And then secondly, could you give us an update on how the relationship with JUMIA is developing in Africa?

Gilles Bogaert - *Pernod Ricard EMEA & LATAM - Chairman and CEO*

Well, let's say, I will give you the weight of 2 countries as part of the group sales. Brazil is probably close to 2% of the group net sales, and Mexico is close to 1% of the group net sales. So they are not, I would say, today our biggest markets, but they are priorities for us in terms of growth prospects for the future.

In LATAM, we also have fast-growing smaller markets. Colombia is very attractive with 40 million, 45 million people and stable from a political standpoint with a very nice growth. We have also some Central America countries which are growing fast. Chile had been performing very well until the recent past. So Latin America is not just about Mexico and Brazil.

I would say that, yes, Mexico is now focused on our global brands plus Passport, which is very important in the whiskey portfolio. We have the critical mass. What happened is that we are going through a big transformation. Selling the local brands allow us to change the mindset, change the way we're working, focus more on the value rather than volumes, on sell-in -- sellouts rather than sell-in. And there is a deep transformation agenda that started 2 years ago, which starts to deliver in terms of market share gains in the critical categories. So there is volatility there. Some clients tend to have higher inventories than some other markets, so you can have some shipment volatility there. But I think we are moving in the right direction. And in particular, on the very important whiskey category, in the premium whiskey, we've been gaining share in the last 12 months.

Brazil, I think we're probably a bit more advanced than our situation in Mexico. We've been gaining share in the last few years on our critical brands, on our whiskey brands, Ballantine's, Chivas, on Absolut also. And our performance there is in line, I would say, with our long-term ambition.

JUMIA. I think that, as you know, Pernod Ricard invested in JUMIA a bit less than 1 year ago. We have a good partnership. It started with Jumia-Party, whose objective is to be able to organize -- to allow our consumers to organize parties at home with our brands. And since the partnership, since we invested in JUMIA, we extended that partnership through the overall marketplace and also leveraging the JForce, which is a sales force of JUMIA, allowing us to increase our access to end consumers and increase our distribution.

So these are still early days. This is obviously a long journey in Africa, but we are confident that this partnership will allow to gain scale, will allow to do some personalized marketing and also to increase our e-commerce exposure in those attractive markets where the level of equipment of the people with iPhone -- with pay solutions by iPhone is growing very fast. And in some countries, we can see that the direct sell to consumer through e-commerce is, in a way, happening even before the physical retail start to be strong.

So that's a promising partnership. Still obviously early days. That's a long journey, but I would say the beginning is promising.

Operator

We will now take our next question from the line of Edward Mundy from Jefferies.

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

Three questions, please. The first is, when I compare the slide deck today relative to the one you did back in March, I look at Slide 6, in particular, on the ongoing organization improvements, I'm just trying to work out -- is there anything sort of new going on from an organization improvement



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perspective? Are there any sort of new initiatives? And is it fair to assume that the organization improvements will continue beyond fiscal '21, which is the end of the Transform & Accelerate program?

The second -- sorry, you were about to answer that question, Gilles?

Gilles Bogaert - Pernod Ricard EMEA & LATAM - Chairman and CEO

Yes. So let's start with that question. These are -- there are many initiatives there. And these are, I would say, initiatives that are not just focused on 1 year, and this is really continuous improvements. And this is something that, yes, we decided to focus upon in the last Transform & Accelerate plan, but it is obviously our intention to keep delivering and improving on those different topics even beyond 2021.

So for instance, in terms of efficient brand-building, PRIME is being implemented. And now bonuses of managers included some brand equity targets for the first year in fiscal year '20, and the qualitative part of the bonus will be partly based on the improvement of the equity on our brands. So this is something totally new. It took 18 months to be able to put that in place. And we start to have some historical data that will allow us, I would say, to do some better work on the brand equity going forward. In terms of tools on portfolio management by touch points like Maestria, like Centaur or Troi, this is something which is being deployed country by country. So I would say that, today, probably half of the countries are equipped, and we need now to deploy to the other countries. So this is a 3-, 4-year road map of deployment.

When you speak about route to market, this is something permanent. We try to review our route to market of the different countries, every 4 to 5 years or when needed, if there is a change in the environment. And whenever we go through this type of project, which can last 3 to 4 months, with some experts coming from the regions, there are some strong recommendations in terms of adjustment of our commercial organization, adjustment in terms of the way we work with our distributors, focus by channel and change of skill sets. So obviously, this is definitely something that is also driving the change of the organization.

And on the right-hand bucket, operational excellence, revenue growth management, which is definitely something on which we have speeded up in the last 2 years. We are deploying a tool of promotional effectiveness across all the regions. It's called VISTA. And I would say we are at the middle of the road map today, so we still have other countries to join. And when a country starts to use that as a tool, you need also a few months for, I would say, VISTA to be totally embedded into the commercial planning. And then we improve it by adding some predictive analytics, leveraging some client data to be able to be even better in the way we manage our promotions. So we started that 2 years ago, but definitely, we expect that to keep delivering some improvements in the next few years.

When we speak about S&OP. We are -- we also have an initiative to be able to deploy some Anaplan tools all over the group, all over the affiliates with the midterm intent that, I would say, our financial forecast and our supply chain forecast would be totally consistent and would be part of a collaborative business planning exercise. So this is something which started, I would say, last year, and we'll keep implementing that in probably the next 2 to 3 years.

And then in terms of organization, I think we've been very active on that and we'll keep being very active. As you know, we are organized in the region by management entity. We believe that we can -- we are -- we can go now to the next level, which is to try to put some expertise -- some shared expertise between the different markets, the lead market and the smaller markets. We can also try to delayer a bit more the organization, to digitalize the back office, sometimes to have some common organizations for different markets, for instance. So that's something we recently implemented in Benelux. We have one organization, one marketing director, one CEO, one CFO, one on-trade director for the whole Benelux countries, whereas, before, we have 2 different organizations. So this is something that we could potentially replicate in other geographies.

In terms of IT, we are putting in place a new organization with, on the one hand, some center of excellence for the whole region, one on front office, one on back office; and on the other hand, some IT hubs -- 4 IT hubs, which will be the business partners to the market companies. So it is being deployed. So Western Europe was done last summer. On the 1st of Jan, we will do it for LatAm/SSA, on the one hand; and for Northern Europe, on the other hand. And Eastern Europe, which gathers Poland, Russia and so on, will be implemented in July of fiscal year -- July '20.



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So this is something which is being deployed in a 2-year road map. And obviously then, after it has been deployed, we ramp up gradually. And I think it's a key enabler for the deployment of all our transversal initiatives of supply chain, commercial efficiency or pricing efficiency. So a lot is happening. We started, it's ongoing, and it will keep delivering some results in the years to come.

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

Great. And Gilles, you have a very sort of ambitious change program in your regions, and interesting on Slide 3 to show that 25% of positions have been renewed since January '19. Does that help to accelerate this quite ambitious change agenda?

Gilles Bogaert - *Pernod Ricard EMEA & LATAM - Chairman and CEO*

I think so. It's a sign of dynamism also to have new people joining new positions, making sure that we have the best talents in the right jobs and injecting also new profiles with diversity, with different backgrounds. And I truly believe that it's a good way, I would say, to promote transformation and change in the organization. Pernod Ricard is changing as part of the Transform & Accelerate plan. And we need to have in the key positions -- not only CEOs but also people who are in the marketing team, people who are leading the financial teams or operations and also HR, we need to have people ready to embrace that transformation agenda, to be proactive, to be collaborative. And that's what we do.

So yes, obviously, as part of transformation, you need to have a clear road map, in line with the group's strategic priorities, and you need to have the right people and the right collaboration processes to be able to run it in an efficient way. So that's what we're trying to do.

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

Great. And I got one final question, if that's okay. When you look at the contribution to growth on a brand-market combination basis across the group the last few years, so the biggest drag on the group has been Absolut U.S. but other than that, Ramazzotti in Germany has been quite a big drag on the overall group. I appreciate it's a big scalable, profitable brand, but are there any opportunities to look differently at Ramazzotti over the medium term to take away that drag on the group from its declines?

Gilles Bogaert - *Pernod Ricard EMEA & LATAM - Chairman and CEO*

Well, the weight of Ramazzotti for the group has nothing to see with the weight of Absolut. Ramazzotti is mainly a German brand. It remains one of the largest spirit brand in Germany, and it's a very useful brand in terms of critical mass it gives to our route to market, our commercial organization. It's a must-have brand for the trade. It's a brand on which we can do some innovation, and we launched Aperitivo Rosato, which plays an attractive role in the aperitif occasion of consumption. And when you see the very strong performance that we had in Germany in the last few years on brands like Lillet or Absolut, a lot has to see with the critical mass that Ramazzotti has allowed to have in that country.

So yes, sometimes you have brands whose growth profile is less attractive than in the past or less attractive than other brands. I think that if they still play -- if those brands still play a role in helping us to bring the critical mass to be able to have a strong commercial organization and a strong portfolio strategy, if that brand plays a positive role for the other brand with a better growth profile, I think this brand remains useful for the group. And I think this is today the case of Ramazzotti in Germany. And the brand had been done in some years and was up in other years. I would say that the performance has not been so bad if you have a look at the last 5 years.

Operator

Our next question comes from the line of Andrea Pistacchi from Deutsche Bank.



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Andrea Pistacchi - *Deutsche Bank AG, Research Division - Research Analyst*

Yes. A couple of questions, please. The first one on tequila, which you say is a strategic priority, of course, for the region. And the category is really starting to gain some traction even in Western Europe at the high end. In particular, do you feel you have enough in your portfolio of tequila with Avion and Altos? This is probably a more broader question, not just Europe.

And then could you talk a bit about Poland as it's been delivering very good growth in the past 3 years? Before, that had a number of difficult years. So what has changed there? Is it that your whiskeys now have greater scale? And obviously, the macro, probably a bit better than a few years ago. What is different there?

Gilles Bogaert - *Pernod Ricard EMEA & LATAM - Chairman and CEO*

Yes. Thank you, Andrea, for your questions. Tequila, it's definitely a key category for the group. We happen to be the brand company of tequila because it's Mexico-based business. It's safe to say that the largest market is the U.S. and the second largest market for the category is Mexico. And those 2 countries represent the largest part of the business today for the category and also the largest part of the growth.

I think our, let's say, Tequila, Mezcal portfolio is good, and I think we added some brands in the last few years. We have Avion, a super premium tequila. And within Avion, we have Reserva 44, which is priced at a very high price point, few volumes but with the objective to play a big role in the Prestige strategy. Then we have Altos, which is our premium tequila, which is growing at a strong pace in the U.S. and which had been a greenfield creation by the group in the last few years. We have Olmeca, which is a standard plus tequila, which is more focused on the rest of the world, in particular on Europe; being strong in the night channel, in particular in Russia and in Turkey. And last but not least, we have our Del Maguey mezcal, which is a leading mezcal brand, which is growing at a very strong pace in the U.S. and with a strong terroir, authenticity and crafted attributes.

So we are, let's say, happy with the performance. I think we have a good diversified portfolio. One of the weaknesses today is that this portfolio is not strong in Mexico. So that's something that we are working hard, I would say, to improve our tequila performance in Mexico. We don't discount, I would say, to add new brands to the portfolio going forward because like for Gin, there are different trends, there are different brands. And I think we are monitoring the tequila market on a permanent basis to try and see if our portfolio strategy would be potentially reinforced. But the growth we are showing on our tequila business is quite good. We would like to reinforce the weight of the tequila business within the Pernod Ricard portfolio.

Poland, I think you rightly said that the performance has been accelerated in the last few years. I think we are doing the right things there. The whiskey category is showing some very strong growth there. It's quite attractive. And we've been investing significantly and consistently behind our whiskey portfolio in Poland in the last few years, and it's paying off. I think Ballantine's -- it's a very big market for Ballantine's. I think it's the #2 or #3 market for Ballantine's Finest worldwide, so in the top markets together with Spain and France, with a stronger growth.

We have also a good potential for Chivas, for Jameson, for the single malt also portfolio. And whiskey today represents the largest part of our business in Poland, whereas, before, it was more skewed towards vodka. So the good performance that we have in Poland has to see with the investment we've done behind whiskey, which now represent a larger part of the business and growing at a strong pace and also the good work we've done, I would say, to improve the performance of the vodka portfolio, focusing on more of the higher end, working on better platforms. And the fact that the vodka portfolio is back to growth in particular with Wyborowa is also contributing to that good overall performance. Poland is -- it's an attractive market. There is a switch from local declining categories and brands towards more premium imported categories. And that's definitely the bets we did a few years ago, and it is paying off.

Operator

There are no further questions at this time. I'd now like to hand the call back to Julia Massies.



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

Thank you very much, ladies and gentlemen. Thank you, Gilles, and have a good either afternoon or day if you're calling from the Americas.

Gilles Bogaert - *Pernod Ricard EMEA & LATAM - Chairman and CEO*

Thank you.

Operator

Thank you. That does conclude our conference for today. Thank you for participating. You may now disconnect.

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