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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 advise you that this call is being recorded today on Tuesday, the 1st of December 2020.

And I would now like to hand the call over to your host today, Julia Massies, Vice President, Financial Communications and Investor Relations. Please go ahead.

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

Good afternoon or good morning, ladies and gentlemen, depending on when you're calling from, and thank you very much for joining us for today's presentation on our EMEA LATAM business. We're hosted this afternoon by Gilles Bogaert, our Chairman and CEO for the region. Gilles will take you through a brief presentation and then leave some time for your questions.

Gilles, over to you.

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

Thank you, Julia. Good afternoon, everybody. I'm very happy to be with you remotely for our annual update on EMEA and LATAM performance and key initiatives.

Let's start with a few key figures for EMEA and LATAM, a 5,513 people, 57 market co-affiliates regrouped in 11 management entities, 22 production sites. The region represents 28% of the group's sales. 63% of the net sales of the region come from the Strategic International Brands. And we had, in the last employee satisfaction survey, iSay 2019, a high engagement rate of 90%.

As you can see, it's a large region. Western Europe, it's 5 management entities. Central and Eastern Europe, 2 management entities. Together, they represent Europe. As compared to financial -- group financial communication, the difference is that you don't have France here and you don't have Ireland and Travel Retail. LATAM, 2 management entities. In the group's financial communication, it's included in the Americas. And Africa, Middle East, 2 management entities. In the group communication, it's included in Asia-Rest of the world.

A summary of our strategic battleground. As you know, we continue to drive our Transform & Accelerate road map and our long-term battlegrounds of our last strategic plan remain totally valid even post-COVID-19. We want to gain share in LATAM and Africa, Middle East, leveraging our whiskey portfolio, Absolut; and also in SSA, our mainstream whiskeys.

In Central and Eastern Europe, we want to consolidate our leadership, in particular, through the whiskey portfolio. And in Western Europe, we want to grow Jameson and Absolut and leverage the gin and aperitif opportunity. Obviously, everywhere, almost, we want to fast track the buoyant of gin and tequila categories. You can see the fantastic gin portfolio we now have. We want to drive innovation as a key top line driver to leverage our Prestige portfolio. And also, we want to keep activating -- managing actively, sorry, our portfolio. And 3 brands recently joined the portfolio for the region: Italicus; KI NO BI, the gin -- Japanese gin; and the Spanish vermouth's Petroni.

To do that, we have key enablers that allowed to deliver that ambition. Marketing transformation. We want to be more consumer-centric.

We have refocused our market companies on best-in-class marketing execution. We are creating a regional innovation hub and also a regional digital center of excellence. We want to keep accelerating in digital in all areas, in the commercial area first with a development of a data-driven approach for our sales force.

Accelerates our development in the fast-growing channel, e-commerce; keep enhancing our capabilities in revenue growth and promotional effectiveness; and last but not least, we want to keep digitalizing our back office and our S&OP.

And in terms of organization, we want to have a fit-for-purpose organization, many initiatives on that front. UnITy within the IT area, we now have this operational with 4 IT business solution hubs and 2 IT centers of excellence: 1 for front office, 1 for back office. Our organizations all over the world have been evolving also to adapt to the new business environment and to the evolution of our priorities. And we kept also transforming our management entities, leveraging more expertise, efficiencies between the lead markets and the smaller markets and also developing mutualization. And obviously, we have also started to implement our 2030 sustainability and responsibility road map in the region.

So a lot of transformation, that's the case also in the way we manage our talents. We actively manage our talent pool to deliver our ambition. And here, you have the illustration of what happened in the management teams since March '20 with the new CEOs for Northern Europe, Southern Europe and Sub-Saharan Africa and also close to 10 new MDs in our market cos.

In terms of results, fiscal year '20 has really showed -- had shown until COVID-19 a business acceleration and since then, a strong resilience. And in fiscal '21 and Q1, we have an encouraging start of the year even if the context remained challenging and heterogenous. So you can see here the sequence of key figures. Organic sales in fiscal year '20, we were down 5% due to the last quarter strongly hit by COVID. In the first half, we were at 5%. And in Q1 fiscal '21, we are down 2%. So that's an encouraging start. As we know that in summer, the sanitary conditions were easing and we benefited also from the staycation phenomenon in Europe.

From an operating profit standpoint for fiscal year '20, we posted within EMEA and LATAM a modest growth despite the 5% decline on the sales, thanks to a strong and reactive resources management after the COVID-19 started, in particular, on A&P and structure costs. And this led in fiscal '20 to a very strong operating leverage that reflects the significant adjustments we've done on resources.

So good figures and also good performance in terms of market share. We gained market share in most of our key markets. We were doing so before COVID-19 started. We kept doing it after COVID-19 happened. You have here the main trends for MAT. And as you can see, many categories and countries are in the green area. We gained share in Spain in the on-trade channel and in the off-trade channel despite very tough market conditions.

In Germany, we gained 90 basis points of market share, so very strong performance there. In Italy, we lost in whiskey but we gained in vodka. Very strong performance also as for Germany in the U.K. and in Sweden.

In Central and Eastern Europe, we were flat in Russia in the last 12 months, but we're gaining in Q1 this year. And we gained share in our key strategic battleground in Poland, the whiskey category.

In Africa, Middle East, we lost share in South Africa. We were stable in whiskey but down in vodka. We consolidated our strong leadership in imported spirits in Turkey.

And in the LATAM area, we gained share in Mexico on premium-plus imported spirits. And in Brazil, we lost share in whiskey but we gained share in whiskey spirits, vodka and premium-plus gin. So good financial performance and also a good market share evolution on most categories and most markets.

So let's have a look at our strategic priorities, starting with our sustainability and responsibility strategy. You know well, you know our group strategy and the commitments and the ambition for 2030. Obviously, the region is totally aligned with what we've done at the group level with many initiatives in nurturing terroir, in valuing people, in circular making and responsible hosting. And with obviously the COVID context even reinforcing, I would say, our initiatives. So you have here a few examples of what we do.

On the following slide, a zoom on some initiatives since COVID-19 started, in particular, to support our bartenders partners and bartender community. And also in responsible hosting, a zoom on our key group initiative, responsible party that was done virtually this year, Good Vibes in Tough Times.

So let's have a look at the category-by-category, I would say, performance and initiatives starting with our #1 battleground in the region, the whiskey battle. And the portfolio was very resilient across all geographies. We were down 4% last fiscal year. And the whiskey portfolio was up 2% in Q1. You have here the performance on our key brands, Ballantine's, Jameson, Chivas and the Glenlivet.

As you can see on Ballantine's, we've had a very good performance in most of our key markets, Russia, Brazil, Turkey and Poland. Poland, which is not far from reaching the threshold of 1 million cases. We had a strong rebound on the brand also in Mexico. The brand had been suffering more in South Africa, as you see, with alcoholic bans, the 2 bans that we had to face. And also in Spain because of the strong exposure of the market to the on-trade. That said, we believe that we have a strong new platform, a good innovation pipeline and we expect, I would say, to improve that going forward in Spain.

Jameson, that's the strongest growth engine in the region. As you can see, many markets doing very well with a double-digit growth in countries like Germany, the U.K., Northern Europe, for instance, in Nigeria. In Russia, it was very resilient last year. Q1 is -- start slower, but it's -- we are confident that things should improve going forward. And in South Africa, the performance of the brand was negatively impacted by the alcohol ban.

Chivas, also we can see a good momentum in Germany, in Poland, in Turkey, that Turkey is the second largest market worldwide for Chivas 12; and an acceleration in LATAM, in Mexico and Brazil.

And last but least, the Glenlivet. It's doing very well and Q1 shows a double-digit growth. And the whole malt portfolio, by the way, is doing well, the Glenlivet, but other brands like Aberlour also, our specialty malts. And in many markets, that's the case, in particular, in Europe.

Let's have a look now at the gin portfolio. As you know, we've been expanding and leveraging our diversified gin portfolio to seize the category boom. Last year, excluding Spain, our net sales in gin in the EMEA and LATAM were up 2%. And in Q1, still excluding Spain, it was up double digits. We have a lot of initiatives and innovations, new brands joining the portfolio, new campaigns like the Spirit of London, Beefeater campaign. Obviously, we're very happy to have the partnership on our Japanese gin, KI NO BI. We keep developing Monkey 47. Inverroche is doing very well in South Africa and have the potential to grow, in particular, in SSA. And the last -- and one of the last big brands that joined the portfolio, Malfy, has a very, very strong start, and it's 1 of the top 3 growth drivers in Q1 for the region.

Aperitif is another very attractive category for us, and we reinforced our ambition in that segment, which is very important for us with -- so a growth of 41% last year and 40% in Q1. Obviously, we have 1 brand driving that performance, which is Lillet, which is very, very strong in Germany, in particular, and starting to grow in many other countries, in particular, in Europe. We also have Italicus, our Rosolio di Bergamotto from the aperitivos in the portfolio. And the last brand that joined the EMEA LATAM portfolio, the Spanish vermouth from Galicia, Petroni, that we are very happy to have in the portfolio. That's close to 20,000 cases. It's a premium brand, and it has been growing even post-COVID-19.

Innovation is another key growth driver for us in the region. It's playing a key role. And it allowed us to be quite resilient at the top line level, both in FY '20 and in the first quarter. It delivered last fiscal year an incremental top line growth of 1% on the top of the overall regional top line growth; and in Q1, 2%. You have here an illustration of the different initiatives, different innovations on Beefeater with different flavors: pink, blood orange and blackberry; and also on some of the brands like the launch of Havana Club Verde in Germany; the launch of Ballantine's, the 7 years old bourbon finish, in particular, in Poland; or the Chivas 13 tequila finish that we launched in Mexico. And more to come in H2.

Let's have a look now at the performance of the key markets starting with the Western Europe area. We keep having a strong dynamism in Germany and U.K. when Spain remains tough. As you know, Spain is a lot exposed to on-trade. It's more than half of the domestic market. So we suffered obviously because of limited on-trade opening in the last months, but we gained share both in off- and on-trade in that tough environment.

In terms of highlights, obviously, the acquisition of Petroni, and I think it's important to add new growth drivers to the portfolio. We also integrated in our portfolio the wines that were distributed before by a different Pernod Ricard wine and gin. And so the 2 commercial organization were merged last year. And we're also now having the portfolio of 100 Pipers that used to be distributed by a third-party player, and it will allow us to strengthen our whiskey portfolio strategy there.

Germany and the U.K. have been very strong in the last 12 months. Strong momentum before COVID-19, strong momentum after COVID-19 started both from a top line standpoint and also from a market share gains. On-trade in both markets is -- only represents close to 10% of net sales. So it's strong off-trade exposure. And the on-trade has been quite resilient and home consumption have been quite resilient. And on the top of it, we have a strong momentum, thanks to our portfolio strategy and our different brand initiatives. You have here a few examples.

The new campaign on Absolut, It's in our Spirit, that was launched a few weeks ago in both the U.K. and Germany, very promising, a campaign to celebrate the importance of meaningful connections. So that's something we do with 4 stars of the virtual reality. Malfy, that has been launched in both markets and which is growing very fast. Lillet, obviously, which is a key growth driver for Germany, it's the #1 contributor to growth. And also Ramazzotti has had a very good start in fiscal '21, helped by the launch of an innovation, Ramazzotti Crema, which allow us to seize new occasions of consumption. You also have the launch of the Glenlivet Caribbean Reserve in the U.K. And the U.K. had also a very good performance of Jameson and of the 1 portfolio that has been growing double digit in the U.K.

Eastern and Central Europe, very resilient activity there mainly driven by the whiskeys. We were up last year 2% in both geographies and in Q1, down 2%. So in Russia, our market share was flat last year after some drop in Q4. And in Q1, we are back to market share gains, thanks to some increased investment behind, in particular, our whiskey portfolio, Jameson, Ballantine's and Chivas. And we start to leverage other growth drivers, in particular, the gin category with Beefeater.

In Poland, we had a very good performance last year, and that's also the case in Q1, thanks to the whole whiskey portfolio. Obviously, Ballantine's is our #1 brand there; but also Chivas and the Glenlivet and also Jameson, which is growing very, very fast. And as for Russia, we also activate new growth relays like the Beefeater.

Africa/Middle East, we continue to have a very strong growth in Turkey. It was the case last fiscal year despite COVID-19, despite the economic crisis there. It's still the case in Q1. We reinforced our leadership there, which is driven by our whiskey portfolio, in particular, Chivas; and also a growing role of Ballantine's in the portfolio strategy. And we delivered that despite the collapse of international tourism and despite the economic crisis, showing the resilience and the loyalty also of our consumer bases.

And in SSA, the context was very tough after COVID-19 started. We had to face 2 successive alcohol bans not only in on-trade, but also in off-trade. The last one was 1 month from mid-July to mid-August. Since then, things are starting to get better, the sanitary environment is improving and the whole region will start to have some recovery. Many initiatives there on Jameson and Martell, Martell in Nigeria and also some marketplace and e-commerce initiatives through our partnership with Jumia.

LATAM last year was tough there because of COVID-19. Q1 is showing some rebound in our 2 key markets, Mexico and Brazil, whereas the smaller markets are still negatively impacted in Q1, in particular, because of the indirect route-to-market that leads to some destocking that is still going on. In Mexico, we've had an improved momentum as compared to the market trend. We spent a lot of time in Mexico in the last 8 months, and we gained share, in particular, on the whiskey portfolio. You have here a few examples of different initiatives. We've been also very active on digital and on seizing the e-commerce opportunities there.

In Brazil, we have a rebound in Q1. It's mainly driven by local brands that benefit from some measures to help local consumption. And Brazil has been very smart in seizing also new post-COVID opportunities, in particular, leveraging the virtual conviviality with the Cloud Bar and also being a partner to the local MasterChef of drinks, which is called Bar Aperto.

So as a conclusion. In fiscal year '20, we had this resilient performance, and it's confirmed by an encouraging Q1. As you saw, we have the solid market share gains in most markets and most key categories. We benefited in Q1 with sanitary conditions easing during summer and also the staycation phenomenon. In Europe, we had a good off-trade resilience, but on-trade is still down in Q1. The current context is still difficult and very heterogeneous both from a market standpoint and also from a brand standpoint. We expect Q2 to be negatively impacted in Europe by the new on-trade restrictions due to COVID-19 second wave sanitary measures, most of them starting in November.

We had a clear strategic road map. Our Transform & Accelerate road map is still valid, even if we added a few infections. And in terms of the channel strategy or to adapt to new expectations from consumers, we plan to continue to win the whiskey battle. Innovation, gin and aperitif remain our main growth relays. We want to keep to have an active portfolio management. To continue to adapt our organization to the new environment. And last but not least, to keep having an active talent management with diversity and inclusion at the heart of it. And we believe we, at Pernod Ricard EMEA LATAM, are well positioned to see the growth opportunity going forward in key markets while we'll still manage resources in an agile way.

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

Thank you very much, Gilles. We'll now take your questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from the line of Edward Mundy at Jefferies.

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

Three from me. The first is looking through the crisis, what do you think is a reasonable growth algorithm for Europe? Are you thinking low single-digit revenue growth is a reasonable place to be for this division?

The second is...

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

Edward, sorry to jump in. The line wasn't clear. Did you say what is the reasonable growth algorithm? Is that what you were saying?

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

Yes. What is a reasonable growth algorithm for Europe once we're through the pandemic on a medium-term view?

The second question is, despite the volatility from COVID, you've gained market share in most of your key markets. What do you think are the 2 or 3 most impactful things that you're doing today that you weren't doing a few years ago that's helped your share performance?

And then the third question is on the fit-for-purpose organization. I think the Transform & Accelerate program was explicitly around margin expansion between fiscal '19 and '21. Can you talk about the longevity of this program? Is it going to run much beyond '21? And what are your aspirations from a margin standpoint?

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

Yes. Thank you for your question. I think your first question was on the growth algorithm. I think that in the presentation, we highlighted the growth that we had last year. For the full year, we were down 5%. In the first half, we were up 5%. So let's say, the last underlying trend -- top line trend that we had pre-COVID was mid-single-digit top line growth. Obviously, the COVID had a strong negative impact in Q4 and in H2. It will still have that impact obviously this year, in particular, in H1. But let's say that probably the performance we had in H1 fiscal '20 is a good proxy of the underlying trend we had pre-COVID, then it's hard to assess underlying trend during COVID, knowing that we have some markets which are growing at a good pace, some others which are still down. So it's very heterogeneous. And that's, I would say, the best summary I can do at the current situation.

In terms of market share, here's the thing we can share in many markets. I think it didn't come by chance. It's a consequence of everything we've done in the last few years on all topics on portfolio strategy. And I think that we have rightly activated growth -- new growth relays at the right time, which are now delivering. The case of what we do in innovation, we have clearly speeded up our pace of innovation. We have also seized ahead of time the new consumer trends in U.K. -- in fast-growing categories as the case in gin, and M&A has been part of it and to seize that opportunity. That's the case of Lillet, the aperitif wine that is having a very strong performance today. But this is something that we started to do in Germany 6 or 7 years ago. So that portfolio strategy, the fact that we are locating the resources at the right time behind the right opportunities is clearly paying off today.

I think also that the very good work that we've done on our key brands in terms of brand platforms. And in terms of execution, our Last 3 Feet execution has also paid off, for instance, on the brands like Jameson. In most markets, the brand is having a very good momentum not only in its strong historical markets like SSA or Russia, but also it's growing very fast in Western Europe, U.K., Germany and also in Poland.

I would like also to highlight the role of Ballantine's in the whiskey battleground. Ballantine's is growing very fast in our emerging markets, in LATAM, in Poland, in Eastern Europe, in Turkey. And it's also something that we started to accelerate 7 -- 6 or 7 years ago. So these are few examples of what we've done. I would also like to enhance our execution capabilities, the evolution of the organizations. I think the right strategy with stronger expertise, strong teams, strong ways of working and execution, I think allow us to deliver that good market share performance.

And in terms of Transform & Accelerate. So this plan was shaped 3 years ago. And when you launch a new approach, a new strategy, it delivers results over the following year. So we start obviously to get results from that. I think that many battlegrounds of that plan are still valid today, in particular, the digital acceleration. We started obviously to accelerate there, but there is still a lot to do to become a true data-driven company in the commercial area, in marketing parts to help us to make the right resource allocation, to help our salespeople to do -- to improve further their execution. And here, I expect that the benefit of that digital transformation will still be seen in the years to come.

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

Okay. And just on the fit-for-purpose organization piece, can you talk a little bit more broadly about where you are in that journey and whether that sort of comes to an end in fiscal '21 and what will that run sort of be on that period as well?

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

An agile organization that needs to reinvent itself permanently. That said, I think that a lot has been done in the last 2 years. We now have an IT organization, which is far more globalized, and it's now effective. We have leveraged our management entity all over the world to have a stronger sharing of expertise, common themes for things like consumer insights or digital studios, some finance -- some synergies in back office for finance, for supply chain between those markets. And I think that a large part of what we plan to do has been done last year and is being done now. So most of the transformation of our -- and evolution of our organizations have been done in the last 2 years.

Operator

And your next question comes from the line of Trevor Stirling at Bernstein.

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

Gilles and Julia, three questions from my side as well, please. First one, Gilles, it seems you -- as part of Transform & Accelerate, becoming more consumer-centric is part of the program. In what way was the organization not consumer-centric before? How do you think the organization is actually changing? A little bit more granularity there would be very helpful.

Same thing, I think you mentioned that Malfy was the #3 contributor to growth in the region. I was just wondering what the other 2 were.

And the third question, as part of fit for purpose, I presume this involves a lot more standardization of ERP systems. As Pernod Ricard, do you now have a global ERP system or is it regional systems?

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

Thank you for your questions. I think first one on consumer centricity, I wouldn't say that we were not consumer-centric. We want to be more consumer-centric and, in particular, leveraging data, as I said before, and starting with consumer data. And for instance, we created 1 year ago a global consumer insight organization, which allows us to have a better understanding of new consumer trends to be able to make the -- I would say, the right business decisions. And I think this is a move that we've done. We decided to create a regional innovation hub, which will allow -- to be closer to consumers, identifying the new trends starting with the markets and then work together with the brand companies on the innovation pipeline. So here, the starting point will be to see the new trend that we have in the market. Our new S&R strategy is also starting with the consumer, from buying a brand to buying into a brand. And that's definitely something that we do more and more in developing our brand strategies and brand campaign. So that's what we mean in the more consumer-centric.

In terms of growth drivers for the region, you're right, I mentioned Malfy in the top 3 since the beginning of the year. Lillet and Jameson are the 2 other leading brands. And Malfy and Lillet were not in the portfolio 10 years ago. We show the importance of betting behind the right growth relays at the right time.

And in terms of fit-for-purpose organization and evolution of IT and so on, it's not just a matter of ERP. I think we tend to have ideas of what's ERPs in most countries. We don't have necessarily the same core model everywhere. But with the new IT organization that we have, whenever we deploy a new IT solution, whether it is SAP one or any other apps we want to deploy in our market cos. We now do it in an industrial way at the regional level or at the group level, which allows to have far more commonalities and to be quicker in deploying, I would say, new apps, which are adapted to the new needs. And today, with the new technologies with the API technical solutions, now you can link apps between each other even if you have a history of different ERPs. So I think that's something that today we can manage very efficiently. And more importantly, we have today an IT organization, which is organized in a way that it can be a very efficient enabler for the group transformation going forward.

Operator

Your next question comes from the line of Sanjeet Aujla at Credit Suisse.

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

Gilles, three questions from me also, please. Firstly, on wine. Would you say the wine portfolio is strategically more important than in the past for the organization in a post-COVID world?

Secondly, can you just talk a little bit more about e-commerce? What sort of acceleration have you seen there? How significant is e-commerce now in recent months for your business in Western Europe versus the year before?

And then just coming back to stock levels. Can you just comment on stock levels, particularly across your emerging markets. You spoke a little bit about LATAM seeing some destocking, maybe a little bit in Russia as well, but love to get a sense of what depletions are doing versus stock levels in those markets.

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

Well, on wine, I don't know if it's more important. I know it's doing better. And that's what matters at the end of the day. It's doing better because I think that in the last 2 years, we've done in the group a very good work in improving the performance, in adjusting the organization to be more efficient, to be quicker at innovating, to have a more fluid relationship between the brand company and the market cos. And this very good work I think is paying off today. It's fair to say that in the COVID times, in some countries, wine has been particularly resilient also. And that was particularly the case in the U.K. But I think it's a combination of a good portfolio strategy and a good -- an improved execution in wine as much as COVID-19 trends favoring current trend. So wine is -- and I think I had the same question last year. Wine I think is quite a good complement to our spirit portfolio, in particular, in some management entities like the U.K., Northern Europe and also Spain where we enjoy a good Spanish wine portfolio.

E-commerce, that's definitely a channel on which we have accelerated a lot partly because this channel was boosted by the Covid-19 context, but also because I think we've done the right things in terms of ways of working, in terms of elevating our skills and investing more in that channel with different drivers, the e-retail, the big marketplaces, the on-demand with some agreements with companies like Glovo or Rappi. In Africa, as you know, we have a partnership with Jumia. And we also have our own marketplace, Drinks & Co, that has become more important after the successive acquisitions of Uvinum and Bodeboca.

So we have a large diversified e-commerce ecosystem. And it's delivering because I think, on average, our sales have been multiplied by 2 in the last 12 months. It's not across the board because some countries are more advanced than others in the region. Very clearly, U.K., Germany, South LATAM are the most promising countries for us in terms of e-commerce. We are also accelerating a lot in North LATAM and also in Nigeria even if the share of e-commerce in Nigeria, in Italy, in Southern Europe is a bit lower. It's still a little developed in Eastern Europe. By the way, e-commerce is not legal in Russia for spirits and in the Middle East. But U.K., Germany, LATAM and Africa are definite areas where we are accelerating. And we believe that we get share in e-commerce in the last 12 months in most of the geographies.

And in terms of stocks levels, to make it short and simple, I believe that today, they are probably at normal levels. Let's say that the level of inventories has been different from one market to another one, depending on the structure of the market, whether the route to market is direct or indirect and also that of the timing of the peak of the pandemic. And that's why -- because LATAM has been impacted a bit later than others, this is a region where we still have some destocking in Q1, in particular, in smaller markets where we work with third-party distributors that have not ordered a lot since the beginning of the year. But things are getting more normalized now.

Operator

Your next question comes from the line of Olivier Nicolai at Goldman Sachs.

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

Gilles and Julia. I've got three questions, if I may. First, on Spain. Obviously, you said it's a big on-trade market. I was just wondering if you had any idea of what about the -- what do you think about the pace of recovery over the next few years, and you think the on-trade channel would be permanently weaker going forward in Spain.

The second question is regarding cognac for the region. And obviously, your region is very wide. So I was just wondering if perhaps you could give us a bit of what your view is on cognac potential in Africa, Middle East and perhaps as well in Europe as a market brand.

And just lastly, it's more actually a question on your Slide 19 regarding Turkey. Since you mentioned that organic sales growth was strong, I was just wondering if it's just purely pricing to offset inflation or is there any volumes growth as well there.

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

Thank you. (foreign language) Your first question was on Spain. I think you're right to say that it's a large on-trade market and more than half of the domestic market is on-trade. But it's also a market where the border business is important and is also impacted by the ability of people to travel. The on-trade today is still suffering a lot because there are many sanitary constraints. It's not totally close. It's a different situation province by province. Excluding some provinces, it's open in others, but very often with some very strict timing and a number of seats restrictions.

Looking at Spain, the last big crisis was in 2008, '09. And at that time, the on-trade was very severely hit. Many outlets closed and were not reopened. But all the outlets reopened afterwards. And the consumption came back because it's really part of the culture there. It's part of -- people in Spain, they tend to go out with friends and with families to the restaurants. They don't have the habit to host at home. Now that's something that could evolve potentially with the current crisis, but we definitely believe that on-trade is really a strong part of the Spanish culture. There was a clear improvement in July, August during the summer, fast improvement. It's unfortunately got worse after that because the COVID-19 second wave started to hit again.

But we are confident that when the pandemic starts to be behind us, this channel should grow again. Again, maybe with some on-trade outlets, new ones that could reopen. Mainly also with some stronger day consumption as opposed to night consumption because it's true that the night clubs have been a lot impacted by the current crisis. And we have started to see ahead of the COVID-19 crisis a gradual shift towards more day consumption. And that's something that we have and we have anticipated with our portfolio strategy. I think the acquisition of Petroni vermouth, the aperitif, is totally in line. The innovation that you are going to see on the Spanish market are also going in that direction. So it could take time. But when the pandemic is behind us, I think it will just accelerate within a few months.

In terms of cognac, it's fair to say that EMEA LATAM is not the largest region for Martell. It's more about Chinese, Asia, Travel Retail and the U.S. Nevertheless, we have a few markets which are very attractive in terms of size and growth potential for Martell and for cognac, the first one being Nigeria. It's -- Martell is going very fast there. It's a 200 million inhabitant country whose population is growing very, very quickly, very influenced by the U.S. And that's definitely a very promising market there. And we invest clearly behind Martell to aggressively grow the brand there.

We are the market leaders in Mexico, and that's another market which is attractive to us. Obviously, the whole Southern America and the Caribbean with the importance of U.S. tourism even if it's a bit less strong at the time being, it is very definitely also a growth potential as part of the Prestige portfolio. And I would also like to add Russia. There is a strong brandy consumption habit there, and Martell has the potential to grow there. And then U.K. and Northern Europe are also attractive markets. But here, we are still very careful about the pricing strategy there.

Turkey has had a great performance in the last 3 months and in the last 12 months also, very, very resilient. So despite the collapse of tourism, despite the subdued on-trade, thanks to a very strong resilience of the traditional off-trade business. So we -- and this growth is coming both from volume growth and pricing. It's really a combination of the 2. It's fair to say that in Turkey, we partly benefited from some transfers from Travel Retail because the Travel Retail being almost new there. There was some of the volumes which were recaptured back on the domestic market. We happen to have a very loyal and a resilient consumer bases in Turkey, and we speak about maybe 4 million, 5 million people with high purchasing power and which -- who can keep consuming despite the local currency devaluation. And that's something we've seen clearly in the last 18 months. So very strong growth there coming from pricing, but also very clearly from volume growth and market share gains.

(foreign language)

Operator

The final question comes from the line of Simon Hales at Citi.

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

Just a couple of quick ones from me, please. I wonder if you -- can you talk a little bit more about maybe the tequila portfolio and how that's been developing? How the mezcal and the tequila portfolio is being rolled out, the opportunities you perhaps see across your geographies?

And maybe linked to that, what are you seeing in terms of agave prices at the moment? Anything you can say about how they are starting to trend?

And then secondly, I know, obviously, you've been doing a very good job in terms of the market share gains we've seen across a number of your regions and countries for a while. How much do you think -- over the last sort of 6 to 12 months on the back of the COVID pandemic, how much sort of the share gains that you've seen do you think have come from the independents, the craft sector and big brands just resonating more with consumers? Do you think that's driven a step-up in your share growth? Or is it something else?

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

Simon, this is Julia. The line wasn't great. Can I just rephrase the second question, you were asking the share gains. How much came from the craft or smaller brands and big brands winning? Is that -- was that the question?

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

Yes. It was just to get a feel, Julia. Obviously, you've probably gained share from your big competitors, but also craft and smaller independents have been under pressure under COVID. So has that also been a bigger contributor to some of the share gain of late? I suppose the underlying question is, how much of the recent share gains do you think you can really hang on to post the pandemic?

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

Okay. Thank you, Simon, for your question. First one on the tequila and mezcal portfolio. So I think it's more a question on, let's say, the brand company that we call House of Tequila, which, you're right, is part of the EMEA LATAM, even if by far, #1 market is -- on the U.S., obviously. And our tequila portfolio has been doing very well in the last 12 months, even post-pandemics with strong growth on brands like Avion, on Altos and also at the higher end of Reserva 44 and another new mezcal brand, Del Maguey.

So there is clearly a very strong demand there in the U.S. We've been able to seize that growth, putting in place the right portfolio strategy with Reserva 44 being the Prestige brand; Avion, the super premium one; and Atos being the premium one; the last brand being Olmeca, which is mainly sold in Europe, in particular, in Russia or Turkey and very exposed to the night channel. So Olmeca has suffered because of that exposure. But the 3 of the brands are very exposed to the U.S., have had a very, very good performance following the trend that we see on the category in the U.S.

So that's definitely a strategic priority for us. Obviously, we expect in the years to come the profitability to improve not only through strong pricing, but also through normalization of the cost of agave. We've been waiting for that for many years. We, today, believe that the price of agave should probably plateau in the next couple of years before going down, plateauing around MXN 30, MXN 32 a kilo. It's fair to say that the strong resilience of the tequila category in the last 12 months is probably delaying a little bit the decrease of the price of agave. But we are confident that midterm, it should clearly happen.

And your second question on the share gain. I think in reality, it's coming from a large spectrum of brands, both premium blockbuster brands that very clearly have been quite resilient during that crisis. I think consumers look for safe also choices. And brands like Jameson, Ballantine's, Chivas, Absolut in Europe have been particularly resilient. But we also have some specialty brands that have been -- that have had a very strong performance. And our specialty brand in EMEA LATAM have grown at a quicker pace than the rest of the portfolio driven by brands like Lillet, Malfy, also our specialty malt brands. Glenlivet is doing well, but the other malt brands are also doing quite well.

So I think that here, it's a combination of a premium blockbuster brand and also a specialty brand that allowed us to gain share. Our intent is to keep gaining share, doing a good job on our portfolio strategy, on our brand platforms, on our Last 3 Feet execution. During COVID-19, the fact that we have a strong portfolio and a strong distribution network has helped. But that momentum, we already had it before. So that's how we intend to keep gaining share on our key brand in the future.

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

This brings our call to a close. Thank you very much, ladies and gentlemen, for your time. Thank you very much, Gilles. Have a good afternoon or morning, if you're calling us from elsewhere.

Operator

That does conclude the conference for today. Thank you for participating. You may all disconnect.
