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PRESENTATION
Operator
Good day, and thank you for standing by. Welcome to the Pernod Ricard Asia Conference Call. (Operator Instructions) For your information, this conference is being recorded. Now, I would like to hand the conference over to your speaker today, Julia Massies. Please go ahead.

Julia Massies - Pernod Ricard SA - VP of Financial Communication & IR
Thank you, operator. Good morning, good afternoon, ladies and gentlemen. I’m very pleased to welcome you to Pernod Ricard Asia’s 2021 Conference Call. We’re hosted today by Philippe Guettat, Chairman and CEO for Pernod Ricard Asia. Now most of you will have seen the video we posted on our website this morning, so in the interest of time, we will turn directly to the Q&A session.

So operator, if you can fix for us our first caller, please.

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

We move to the next question coming from the line of Simon Hales at Citigroup Inc.

Simon Lynsay Hales - Citigroup Inc. Exchange Research - Research Analyst
Can you hear me okay?
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Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia
Simon, yes. Can you hear us?

Simon Lysay Hales - Citigroup Inc. Exchange Research - Research Analyst
Perfect. A couple of questions or maybe 3. So if you could just talk a little bit about how consumption trends are evolving by category and age demographic in China. You're clearly sort of doing very well as you referenced in your presentation, strong recovery post the pandemic. You talked about the success you've been having recently with the Glenlivet in the 25 to 30-year-old age range.

I'm just sort of wondering, is Scotch really skewing sort of the significantly younger in terms of demographic into that 20 to 30-year-old age range? How is cognac faring amongst that age group? And perhaps more broadly linked to that, how are your non-cognac and Scotch plans performing in China? What proportion of your sales now are outside of those 2 core categories for you? So that was sort of maybe first extended question.

And then just secondly, I wonder if you could just talk more broadly across Asia about how you expect investment and marketing supporting the business to evolve over the next 2 to 3 years. Do you think you'll be investing consistently ahead of sales growth in the region?

Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia
Thank you, Simon. Well, the first one, consumption trend by demographics and category in China, it's pretty a long one and lengthy one. As you know, most of the information we have are based on usage and attitude research which we run once every 2 years. So it's a bit difficult to really look at the impact of COVID. And I don't think this is a major impact. Overall, what we can see is that overall, whiskey has a global footprint, a more national footprint, a high level of penetration, but with lower level of consumption; while China has a high level of consumption, very much in the 2 highest consumption provinces which are Guangdong and Fujian. Whiskey is overall potentially recruiting at a younger age, more – some of the Gen Z and younger millennials, whilst cognac is a bit more of an uptrade and, therefore, really targeting more of the 25 to 40. So the younger millennials and up to the overall the millennials. But we put in quite a lot of efforts as well in recruiting Gen Z, especially in nightclubs and clubs.

And as far as blended malt, blended malt is growing fast. It's more younger drinkers coming in as well. It's not really cannibalizing cognac, so it's enabling the overall footprint overall of IS, imported spirits to grow in China. Quite nicely overall. But as you know, that we have a lot of education. We have a role to play and to continue on that.

Proportion of sales outside of cognac, whiskey, it's mostly Absolut, which is doing pretty well. We have double digit growth. And you can see, it's a key growth really for us. Overall, we are saying, of course, a bit of Malibu, Kahlua and the rest, but Absolut is a key growth in Korea and probably key for us in China. So strong investment planned ahead of volumes clearly in China in the years to come will continue as we said. And throughout Asia, it's an educational gain and capacity ability for us to recruit new drinkers and to educate more consumers to bring them on board of the category. And as a market leader, I think what is benefiting the category of imported spirits is well benefiting Martell, Chivas, Ballantine's, Absolut and all our brands and the Glenlivet.

Operator
Our next question comes from the line of Edward Mundy at Jefferies.

Edward Brampton Mundy - Jefferies LLC, Research Division - Equity Analyst
I've got 3, please. The first is on some of your medium-term growth aspirations. I think historically, you saw that India is maybe growing low double to mid-teens and China high single to low double. Are those still realistic assumptions for the medium term?
The second question is around India and potential deregulation of Scotch. There's been some recent reports in the newspapers that the basic custom duty could decrease from 150% to a lower range. If tariffs do come lower, what does that mean for your business?

And then the third question is really around Transform & Accelerate. I think you talked a lot in your earlier presentation around good, sustainable top and bottom line growth, but Transform & Accelerate ran between fiscal '19 and '21. Can you talk about potential opportunities beyond fiscal 21 to drive sustainable profitable growth and sort of what next for Transform & Accelerate in Asia?

**Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia**

Edward, so in fact, medium term, clearly, what we have said was the high single-digit to low double for China and low double for India. And I think at this stage, of course, I mean, in the long run, outside of COVID period, I think this remains pretty realistic. And this is clearly -- this is part of the Transform & Accelerate directions.

As far as India and the potential deregulations, so that's a very long term opportunity and a massive opportunity for the whole industry clearly. But in fact, today, there is no more, no specific report at this point. So it's a bit of a question mark. I always said that it's going to be merely 30 years that we at Pernod Ricard, 30 years. I've been hearing about this potential things coming up. So probably we are closer than any time of this as the U.K. and Indian spirit industry group have been engaging with the U.K. and Indian governments to secure improvements in bilateral trade in spirits, and we are fully supporting that, overall, clearly, as Pernod Ricard. But at the moment, it seems that things are moving in the right direction. But clearly, it's a long term play that could be transformative, but in the long term.

Last, I think your question whereabouts opportunities going forward beyond this year. At the moment, we are very much busy in closing this year, but -- and it's a bit too early to think about opportunities beyond outside of what we -- you have mentioned at the beginning, which is the indication that we give during the strategic plan of Transform & Accelerate that you just emphasized, except that the fact is India is low double digit.

**Operator**

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

**Olivier Nicolai**

Three questions, please. First, just a follow-up on the previous questions. You mentioned a revival of Scotch and Chivas among the younger crowds. I was just wondering, would you say that perhaps 70% or 80% of Scotch drinkers today in China are below 30 years old? And what would be the opposite for cognac essentially where it's above 30 would tend to drink cognac? So that's the first question.

Second question is how significant is Hainan duty-free hub is today? And if it continues to grow, obviously, could it have an impact on, potentially, a mix on margins? And then just lastly, since in your background of the presentation you have some very nice bar with a bottle of Lillet, was just wondering, since one of your competitors is keen to introducing spritz cocktails over in Shanghai. Do you see a potential for Lillet in the region as well?

**Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia**

I think my boss will love your third question, but I'll finish with this. So the first revival, Scotch is not really a revival. Scotch, overall, I think it's a very strong performance of Scotch and overall Pernod Ricard Scotch brand in a difficult environment post COVID. Overall, so we have strong double digits across the board for all our Scotch brands, which is good, but in fact, it's really going back to previous trends that we were facing before COVID periods.
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And at the same time, in terms of age group, I think it’s a bit of a stereotype to say 70% of Scotch is below 30 year old. Since Scotch is very spread out as well across the different category and age categories. There is strong recruitment below 30, but as well, there is quite strong retention of the category, which have been educated 20, 10, 15 or 20 years ago.

And cognac is really not only an old man drink at all in China. It’s completely the opposite. Cognac is very strong in clubs, and in high energy nightclubs, even stronger by far than Scotch. So -- and cognac is strong as well in new locations. So new occasions is probably more middle-aged 35 to 45 business people and as well people celebrating, so more family. But as well, there -- and in the club, it’s really 25 to 35 year old crowd which are consuming cognac and enjoying it in the night out and parties.

So I would say it’s pretty balanced overall and quite a good repartition of all the different class stages. And we are very much investing on both our Scotch portfolio and on Martell clearly in order to recruit Gen Zs and the young millennials below 30.

Hainan duty free hub, it’s a massive opportunity. It’s a duty free opportunity. Clearly, this is the way we’re playing need for Pernod Ricard. So in fact, we are really very much constraining ourselves to travelers in order to catch to the needs of travelers. We are buying in at the airport or -- and are traveling to Hainan by need at the airport. So it’s not necessarily directly cannibalizing and impacting domestic business. It’s coming in addition. It’s mostly taking over and taking part of the business that we have lost in Hong Kong airport, Singapore airport, and the borders between Hong Kong and China. So overall, it’s quite a good compliment, and it’s making up for this business lost with international -- Chinese international travelers who are now staying in China. So not significant impact on mix or margin impact even more positive as probably we can imagine that we have better terms than in airport sales outside of China.

And then Lillet there could be potential in Lillet and that’s in China, but potentially even more in markets like Japan. So that’s a brand which is starting -- that we have started to -- at the moment, to activate as part of our specialty portfolio, together with Monkey 47, KI NO BI and the range Aberlour and as well some Redbreast. And I think we’re starting to see some good traction, particularly more in Hong Kong or Singapore. And where we are looking at potentially going beyond that and testing it in some of the market in order to see continued reaction.

Operator

We are taking our next question from the line of Sanjeet Aujla at Crédit Suisse.

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

Three questions from me, please. Firstly, this thing about China, can you just talk a bit about your (inaudible)...

Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Sorry, Sanjeet. Because -- I apologize. Apologies, Sanjeet. There’s a strong echo. So in fact, I’ve only heard only China, but then the rest of the question got lost in the echo and the cracking of the line.

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

Apologies. Let me try again. Is that clearer, Philippe?

Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Yes, that’s much clearer. Great.
Sanjeet Aujla - Crédit Suisse AG, Research Division - European Beverages Analyst

Right. Okay. So first question, just on the evolution of the channel mix in China post COVID versus pre-COVID. Have there been any significant shifts in things like meal occasion, modern on trade post COVID versus pre-COVID? Or has the mix kind of normalized back to what it was?

My second question is more on geographic mix. How much of your business in China today is outside of Guangdong and Fujian? And how fast is that growing?

And third question is actually more on Southeast Asia. You really didn’t talk about that region in your presentation, and I’d just like to get a feel for how that part of your business is performing at the 9 month stage, and you’re seeing with regards to the recovery there.

Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Thank you, Sanjeet. So China evolution of channel mix post COVID versus pre-COVID, what can we say? Premium prestige channels, which is the traditional off-trade is still, has rebounded very strongly. I mean, this is the key engine of growth for cognac during the meal occasion. So a very strong rebound across the board.

Modern off-trade is the same thing. Overall, modern on trade, which is high-energy bar and nightclub, this is super — this is really booming. After the beginning stage where we had a lower number of outlets with a lower footfall and a kind of revenge spending, people spending more on that. What we have seen is people footfall continue to — have been increasing, even to a higher level besides COVID and people continue to spend quite heavily. So this has triggered new nightclubs and high energy bars opening.

And at the same time as well, what the big surprise was that, in fact, normally, we used to have seasonality with lower traffic and footfall just before Chinese new year and after Chinese new year. But as Chinese travel — people are not traveling, in fact, they have a high level of disposable income. They continue to go out strongly and compensate the fact that they do not travel by going into the modern on-trade and spending on imported spirits. So this channel has been accelerating.

Traditional on trade remains pretty resilient as well post COVID. And of course, surge of e-commerce from a low base depends overall in terms of our business. But growing pretty strongly and with — in more entrenched type of consumptions that are here to stay and pretty high base and now quite a significant share size of our business for brands, for premium brands like Chivas Regal, Ballantine’s Finest and Absolut, clearly coming from e-commerce, where we’ve been gaining share [indiscernible].

Geographical mix, so we do not give numbers by region. But as you can see on the back of the expansion of high-energy bar and nightclubs which are nationwide, clearly, this enabling — this enables the recruitment of new drinkers to Pernod Ricard brands throughout the territory. And therefore, outside of Guangdong and Fujian, where it’s still over indexed, but to a lesser extent, thanks to the development of modern on-trade. But as well, e-commerce would enable us to recruit and educate new consumers outside of Guangdong and Fujian.

Southeast Asia, a very good question because — and here, unfortunately, not very good news overall as the geographies are very strongly impacted by COVID-19, as you know. Most of these markets either are on lockdown or went back on lockdown on the back of second or third waves. So sanitary situation is pretty difficult in most of the markets as well in addition to what we have seen in India.

And on top of that, we have 0 tourists going in markets like Thailand, where 25% of the overall economy is reliant on tourists. And as well, business travelers who are very important in a market like Thailand, but as well the Philippines, Malaysia and Singapore. So we are in — still trending in high single digit, double digit decline versus a ’19 in these markets.

We’re preparing for rebound we’re really clearly recouping and making sure that we can rebound, but potentially not before next fiscal and probably not before Q2 of next fiscal.
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Operator
We are taking our next question from the line of Trevor Stirling at Bernstein.

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

Two questions from my side, please, Philippe. Philippe in the China section of the presentation, we saw a lot of Noblige. We saw a lot of Cordon Bleu, of Chanteloup. So — but how is L'Or de Jean Martell doing in China? And are you managing to make some ground versus the market leader at that very, very high price point?

And the second question about Jameson in the region. I saw it featured in the Japanese section. It looks like you're using a highball to be there in Japan. I'm just wondering how you're flexing the global positioning of Jameson in the region? And what potential does it have elsewhere in Asia?

Philippe Guettat  - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Thank you, Trevor. Regarding China and L'Or, clearly, in a high range. Our priority is Chanteloup XXO, which has been relaunched. And this is clearly where we really want to put the effort and the brand building capabilities because we think this is really the sweet spot of upgrading our range from Cordon Bleu and XO to XXO. And of course, we are seeing opportunity with L'Or de Jean Martell, but this will take more time. So first, strategic focus on Chanteloup XXO, with all of activations and an extremely good overall reaction from consumers. We think this is really the sweet spot, given the current, both political and economic environment. The rest and L'Or de Jean Martell will be icing on the cake, clearly.

Jameson, very happy to have a question about Jameson in Asia. Overall, we've been making very good progress with Jameson. So you were mentioning about Japan. Korea as well is a market where we've been growing. And Southeast Asia looks extremely promising as a whole, clearly, with Thailand. So unfortunately, I just mentioned about the difficulty in Southeast Asia before. But Thailand, where we see a lot of inroads, a lot of progress among the hipster category in high energy bar and as well in all some pretty leading edge district of Bangkok. Similar line in terms of leading edge and all the upscale, on-trade bar in Manila. And we're seeing, as well, quite very good progress in Malaysia and Indonesia with Jameson.

For the moment, it's more international strategy in terms of activations, focus on taste and mode of serving highball, Jameson Ginger and Jameson Lime, which are the key cocktail. And that seems to have a very strong appeal among Southeast Asians.

Of course, India is a big priority, overall, in terms of volumes, but that's more a very educated whiskey market and here doing very good progress. Continuous work to do seeding in China. But as you know, we have a pretty strong Scotch-whiskey portfolio so Jameson is in addition to it, and we've been on — we are they are on seeding mode.

Operator
Our next question from the line of Chris Pitcher at Redburn.

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

Two questions from me. On China, Philippe, you mentioned profitable growth. Is it fair to characterize the last 7 to 10 years as margin compression as you invested in marketing, route to market and broadening out the sales force and that we should now start to see margin expansion in China, maybe not from fiscal '21, but certainly from fiscal '22. And then secondly, could you update on a couple of your partnerships and give us some thoughts on baijiu in China, how is Wu Liangye going in Southeast Asia? Is baijiu a category you're potentially interested in?
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Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Thank you, Chris. No, profitable growth, long-term profitable growth in China, that's always been the core of our strategy, and we didn't see and never had any margin compression. Clearly, there have been some rebating post the crisis, the anti-ostentatious campaign in -- back in 2012, 2013. So we had some rebasing our business more towards VSOP. So mostly Noblige that enable us, in fact, to capture the middle class and the private type of moment of consumption.

But after that, we've been seeing quite significant growth of volumes, especially from 2016 onwards. And margin at the same time, investing. But clearly, as we are in a constrained category for cognac, everybody is playing with the same type of constraint. So investing to educate and recruiting new consumers, but clearly being able, at the same time, to leverage volume growth, value growth, upskilling and development of our margin. And here, I'm talking for Martell, but I think that the whole industry is following a set of similar footsteps.

So that's about China. We're investing clearly as well to be able to leverage more whiskey and recruitment. But as well, it's always been with profit in mind. Second question about partnership and -- with baijiu with Wujiang in Southeast Asia, so we're starting to sell. It's a bit difficult to crack some of the barriers, regulatory and import license and to obtain that. But overall, things are taking time. So we are starting to -- I think to sell in Malaysia and I think Cambodia at the same time as well. We have been a victim of what we were mentioning before, which is no Chinese tourists or Chinese businessmen traveling to through these geographies. So it's really leveraging on the Chinese community and local Chinese community, and there is a lot of education to be done. So it's starting. And we are happy with the cooperation, but it will take time.

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

And just in terms of the China baijiu opportunity. Is that one you see potentially an area to look in? Do you think it's interesting? Or is that something that you're targeting perhaps through your own domestic whiskey?

Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Well, it's always interesting because it's a massive opportunity overall a massive category and especially both in volumes and in value, premiumizing, uptrading, but there are very few assets for sales or interesting assets, most of them are government-owned and controls and so it's difficult foreigners to put -- lay their hands into that. And whenever there are assets for sales, in fact, most of the time, they are not that interesting. And the fee are extremely high.

So the key question would be how to be able to extract value out of that. But never say never. So we'll keep -- as any opportunity, we'll look at them.

Operator

Taking our next question from the line of Richard Withagen at Kepler.

Richard Withagen - Kepler Cheuvreux, Research Division - Research Analyst

I have 2, please. First of all, you mentioned in the video a marketing mix analytics tool in Japan and a key digital program in India. Can you talk about the details of these programs? And what does it allow you to do that you could not do before? And then the second question is on the gross margins in the Asia, rest of the world segment. They've been relatively stable at 57%, 58% in the past 5 years. So what are, in your view, the most important drivers, either up or down of the gross margin in the next 5 years or so?
Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Richard. So the first thing is about — this is the key development programs that have been introduced by Alexandre Ricard during the latest call in H1 results. So clearly, here in Japan, what we’re doing is to developing a proprietary marketing modern mix, which is aimed, in fact, at improving the efficiency of our marketing spend. And being able to allocate better spend according to touch points between brands and within key geographies, and all that’s leveraging artificial intelligence. And we’re doing similar things in India, more in terms of sales force efficiency, allocation of time and in order to make sure that we fully maximize the opportunity of our sales and the ability to deploy within the different sales outlets.

Regarding margin in Asia. So here, I think clearly, what we have is a few, few key drivers. Of course, country mix is quite critical overall to influencing the level of margin, especially between China and India. We are a bit at the opposite of the 2 business models of Pernod Ricard here. One which is more luxury prestige and the other one, which is more premium brand driven. So what we’re doing here is — can clearly continue to work on pricing. And as you have seen, we have taken price up for Martell in China and in India, in the context of very highly inflationary environment as well here. Whenever regulation applies and authorizes us, we’ll be taking our price up, one.

Second, uptrading. Uptrading, really, clearly ensuring that we put more focus behind our top end brands. This is the case in China with Martell and the high range of Martell, Cordon Bleu and XO. This is, as well, the case in India with all the emphasis being put behind Blenders Pride and Royal Stag ... and 100 Pipers and as well the strategic international brands, Chivas, Ballantine’s and Absolut.

And then we also have been implementing and rolling out throughout Asia, both on imported brand and locally produced brand, the group operating guidelines in order to ensure that we have — we can minimize cost — the cost increase and ensure, at the same time, as well that cost of operations is kept under strict control. Julia, do you want to add anything?

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

Nothing yet. Thank you, Philippe.

Operator

We’re taking our next question from the line of Laurence Whyatt at Barclays.

Laurence Bruce Whyatt - Barclays Bank PLC, Research Division - Analyst

Philippe and Julia, a couple from me. Just following on from 1 of the earlier questions on India and regulation. If tariffs were reduced in India, would you look to pass those tariff reductions on the pricing for consumers? Or would you look to improve your margins in the country?

And secondly, in terms of your product mix in China, do you anticipate more of the growth coming from Scotch from a lower base? Or do you think the growth between Scotch and cognac will be relatively broad similar?

Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

The second one is related to China?

Laurence Bruce Whyatt - Barclays Bank PLC, Research Division - Analyst

Yes, just China, whether you think Scotch and cognac will grow at a similar pace, or whether you think one of those categories will grow faster than the other.
Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Okay, regarding India, clearly, it's a bit of a crystal ball. And if really -- we have some free trade agreement between the U.K. and India and the tariff were reduced. There'll be quite high and strong expectation for price to come down. I think that's quite clear, both the authorities and from consumer. This will be sufficiently advertised. And at the same time, I mean, the key issue we are facing with our -- all our strategic international brands, Chivas, Ballantine's, Jameson, which is a bit of the tariff negotiation, is really price availability, price accessibility. So I will reckon that, in fact, quite significant portion will go into price in order to boost volumes and be able to educate a wider number of consumers.

Just wanted to take the example, for instance, of Karnataka Bangalore, which is IT hub. A bottle of Chivas Regal costs USD 90. I mean, so this level of price is hardly impossible. And to have given some of these young IT consultants, even if they are making quite a lot of money to afford a bottle of Chivas regularly, so that's going to be very celebratory type of occasion.

And probably another part will go in terms of educating and therefore, recruiting more consumers and expanding distribution and expanding activations and building awareness and consideration. So all this with the long term, of course, profitability in mind. But at the beginning, I think we'll have to do the heavy lifting in terms of reinvestment.

China, and I wish this time will come and that we have to make this choice. But not too sure that we are still there, but let's hope so. In terms of China, I think, as you've seen, so far, if we look at the past 5 years, 6 years, in terms of CAGR, cognac has, both in terms of volume and value, has grown more or less twice as fast as coach whiskey overall. So cognac is very dynamic. Scotch had been, in fact, it's -- has been less dynamic, but with decline of blended Scotch being flat, which used to be the bulk of the volumes and a quite sharp increase of malt whiskey, so moving forward, we are clearly confident that cognac will continue to grow at, hopefully, high single-digit numbers, between mid-single-digit to high single digit. And overall, for Scotch, we should be in similar line, but probably with a higher level of dynamism of malt. But I mean, that's a bit difficult to predict, but that's where we stand at this stage given the current dynamism of both categories cognac and malt whiskey.

What will happen, clearly, we can anticipate at some stage and there could be some supply pressure on both these 2 categories, and this could trigger, as well, potential reappraisal, stronger reappraisal of blended scotch whiskeys, where inventory are at a higher level and less constrained. So let's see exactly. So this could, as well, come into the equation. But I think this is hoping that we have a few years of stability, which has not been the case over the past 2 or 3 years.

Operator

Taking our next question from the line of Pinar Ergun of Morgan Stanley.

Pinar Ergun - Morgan Stanley, Research Division - Equity Analyst

Have 3 quick ones. The first one is how does kind of wine portfolio fit into the broader strategy in Asia?

Secondly, you've talked about the market growth opportunity in whiskey. Could you please also give us some color on how the competitive landscape is evolving as others also get behind this opportunity?

And then finally, a very quick follow up on Hainan. Once international travel is back, so longer term, not the near term, how would you expect sales in Hainan to evolve? Do you think it will be incremental to travel retail elsewhere? Or should we expect some shift back to other travel retail zones?

Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Thank you, but -- just -- could you, again, come back on the second question about market growth opportunity and competitors?
Pinar Ergun - Morgan Stanley, Research Division - Equity Analyst

Yes, sure. So on whiskey, you made it clear there's a very big market growth opportunity, but I was interested in hearing your thoughts about competition. How is the competitive landscape evolving within the category?

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

This is now -- the scope is Asia as well as the Pacific [countries]...

Pinar Ergun - Morgan Stanley, Research Division - Equity Analyst

Basically, actually, sorry I should have clarified. I was thinking more China actually. Apologies.

Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Now about -- so about wine, there is a very strong strategic fit within Pernod Ricard portfolio, clearly, especially in Asia. I think we see a long-term opportunity for growth. Of course, in our must-win market, China and India, where we have very strong positions and a strong -- very strong fit, both in terms of the portfolio because it's really catering to different moments of consumption. This is more female driven overall. This is more meal occasion as well, and at the same time, we playing on the new and -- on the low and no alcohol players. So that end as well, quite a strong fit in terms of route to market, as I was saying, taking us more in modern off-trade and as well, e-commerce and enabling the whole portfolio and the meal occasion in restaurant, the whole portfolio to penetrate better all these channels.

So very strong strategic fit in the 2 must-win market, but as well in Southeast Asia, in particular, Thailand and in the Gulf as well. And we see, as well, opportunity in Japan overall across the portfolio. So very synergetic and profitable and growing in line with consumers' development of this segment, which I've mentioned before.

China competitive landscape for whiskey, I think market growth opportunity is pretty well played. As I said, we are a market leader, overall, in terms of Scotch whiskey, strong market leader. With a strong benefit from a strong advantage of gap compared to our key competitors. We are playing on 4 different brands catering to different type of consumer segments. Different need states and different type of occasions.

As you know, between Chivas, Ballantine's Finest, Royal Salute and the Glenlivet, I think, as I've said, a single malt at the moment is more buoyant and growing at fast pace as well benefiting from the halo effect coming from Taiwan and the Taiwanese consumers and travelers. That's why, as well, we are investing quite significantly in Taiwan behind the Glenlivet, but this is well benefiting Royal Salute. So I think that -- and competitors are as well, some of them gaining share in this -- gaining volumes and tractions in single malt and other, a bit lagging behind. Overall, clearly, we really want to continue to command a strong and significant market lead, and continues well to educate and recruit new consumers and bring them into the category.

Hainan evolution. Yes, we see clearly Hainan as a potential new market for our brands, even when international travel will resume. It's not going, probably, to be next year, next -- in fiscal year 2022, that we see a lot of Chinese travelers outside of China. This will take gradual -- this will take time.

Nevertheless, once Chinese travelers are back on international times, Hainan will be able to recruit or to bring in new people, new travelers before were not traveling or traveling only within China or visiting only Hong Kong, and then will go to Hainan as a destination to go for -- to benefit from the beach and as well from the shopping opportunity. So we think that's going to be incremental to the roll to the duty free business. Potentially taking a bit of share from the -- what the business -- they used to be done at the borders of Hong Kong and Macau, so potentially.
Operator

We are taking our next question from the line of Andrea Pistacchi at Bank of America.

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

A couple of questions, please. The first one on the premium spirits business unit that you set up in China. You’ve talked about some of the brands. So I’m just wondering, compared to your sort of expectations when you set up this has a separate business unit a few years ago, how is this progressing? And have you -- initially, I think you focused on 30 cities, have you moved beyond that yet? And then I think in a question earlier, you were saying that for cognac potentially to grow mid to high single-digit in China and Scotch, if I understood correctly, similar to that or a bit more. But at the same time earlier, you were saying that you continue to expect China to grow sort of high single-digit to low double-digit.

So I just wanted to square that a little. Of course, as the other smaller international brands that should all grow strongly please. And then my last question, if I may, is a broader question on route to market in Asia. You’re constantly adapting and assessing your route to market. Recently, you made the changes in Korea. So I was wondering whether what we should expect, whether you’re happy with your footprint now, or whether we should expect any changes to route to market?

Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia

Thank you. Premium BU in -- premium business unit in China, it’s really very much in line with our expectation, even doing better. We are just looking at the business case that we built 5 years ago, a few weeks back, and we are ahead even compared to the initial business case. So we’re making very good progress, very happy.

And as you can see, most brands are growing double-digit. And even faster. And even during COVID times, in fact, has been clearly strongly growing both Absolut, Ballantine’s Finest the rest of the portfolio of wine. So further expansion, I think now we are in a high number of cities. From the top of our mind, we should be probably close to 50 or 60 cities and operating, but that’s something that I will need to check and will confirm.

Nevertheless, I think the expansion is growing, and we can continue. And we are continuing to further expand the business. Sorry, because I’m starting to hear myself talking. Okay, there was an echo, but it’s back. So I think this is quite a benefit to it. And at the same time, we’re either doing direct or being a distribution-led, thanks to some dedicated whole service. So I think pretty much in line and I’m extremely happy with the overall development.

China, I can really confirm a high single-digit to low double-digit overall for the country. On the back of cognac, which is probably more mid single to high double -- to high -- to high single, sorry, to high single overall. So mid single to high single for cognac. And we see probably around similar lines, despite the fact that we are over-indexing on blended Scotch, which is not doing as well as single malt, as I’ve said. So confirming high single-digit to low double for the whole of China. It makes sense overall compared to the market forecast and progress that we can plan.

Route to market, Korea. Yes, we in fact, moved away and gave the distribution of Imperial so whiskey, Korean or so-called ex Korean whiskey or local whiskey to an ex Pernod distributor last year. And things are going pretty well for Pernod Ricard Korea, as in fact, we’re growing double-digit. And as I said, as was said in the video, that’s probably 1 of the first time, at least for me, being major core that I’m talking about growth in Korea. And so not even talking about double-digit.

So very happy about the choice because it’s really enabled the sales team to focus on modern on-trade and especially in off-trade and the fact is that in Korea, modern on trade is very much impacted by COVID, continuing to be impacted by COVID. But off-trade is growing fantastically well and is clearly compensating -- even more than compensating for the decline of modern on-trade. And all our switching international brands are up double-digit, in particular, Ballantine’s, which is making a very strong comeback, which is -- but as well, you have seen Malibu and Absolut, mostly the innovation of Absolut, Absolut juice.
So no further plan for the time being. I think we’ll be opportunistic depending on the market situations overall, in terms of route to market change in any other geographies of the region, but if there are any opportunities to seize or readjustment to be done in clearly in the framework of our fit-for-purpose organization, we’d be doing that.

Julia Massies - Pernod Ricard SA - VP of Financial Communication & IR
Operator do we have any other callers?

Operator
We don’t have any other questions on the line. Please continue.

Julia Massies - Pernod Ricard SA - VP of Financial Communication & IR
Okay, thank you very much then, ladies and gentlemen, and thank you very much to Philippe for hosting this call. And please stay safe and enjoy the on-trade wherever you are.

Philippe Guettat - Pernod Ricard SA - Chairman & CEO of Pernod Ricard Asia
Thank you very much. Glad – great talking to you and all the best, and hope to see you soon at some stage face to face. Goodbye.

Julia Massies - Pernod Ricard SA - VP of Financial Communication & IR
Thank you very much to all.

Operator
That concludes the conference for today. Thank you for participating. You may all disconnect.