

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

PERP.PA - Q3 2021 Pernod Ricard SA Corporate Sales Call

EVENT DATE/TIME: APRIL 22, 2021 / 7:00AM GMT

CORPORATE PARTICIPANTS

Helene de Tissot *Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board*

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

CONFERENCE CALL PARTICIPANTS

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

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

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

Mitchell John Collett *Goldman Sachs Group, Inc., Research Division - Former Executive Director*

Olivier Nicolai

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

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

Toby John McCullagh *Societe Generale Cross Asset Research - Equity Analyst*

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

PRESENTATION

Operator

Thank you all for standing by, and welcome to today's Q3 FY '21 Sales Conference Call. (Operator Instructions) Please be advised the call is being recorded. And I would now like to hand the call over to our speaker, Ms. Julia Massies.

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

Thank you very much, operator. Good morning, ladies and gentlemen, and welcome to our third quarter sales call. We're hosted this morning by Helene de Tissot, our CFO, responsible for Finance, IT and Operations, will take you through a brief presentation and then answer your questions. Helene, over to you.

Helene de Tissot - *Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board*

Thank you, Julia. Good morning to all. So let's start with the 9 months sales presentation. So we are delivering excellent Q3 at plus 19%, which is marking return to sales growth for the group in the 9 months period, the figures being plus 1.7% organic sales growth, minus 3.7% reported sales.

So if we start by the performance by markets, this performance is driven by the dynamism of our must-win domestic markets with USA continuing to grow mid-single digit. China, delivering a plus 34% in the 9 months and India back to double-digit growth in Q3. Europe is continuing to display strong resilience, thanks in particular to our performance with Scotch and Specialty Brands despite the COVID-related restrictions. Travel Retail is starting to lap easier comparison base, but still very subdued with limited passenger traffic.

If we look now at our brands, our strategic international brands are growing by 1%. So returning to growth, which is driven by Martell, Malibu, Jameson and the Glenlivet. Absolut and our blended scotch portfolio are still in decline as they are very impacted by the travel retail exposure. Strategic local brands are now stable, thanks to double-digit growth of Kahlua, Passport and Ramazzotti. Our specialty brands are growing strongly at plus 22%, with continued strong dynamism of Lillet, Malfy and Aberlour in Western Europe; and Tequila and American whiskey in U.S. Strategic wines are growing by 2%, particularly thanks to the off-trade dynamism in U.K. and Canada.

Let's move now to our must-win markets, starting with our #1 market, the U.S. U.S.A. growing by plus 6% in the 9 months, with the sell-out continuing to grow at robust mid-single digits, thanks to a dynamic of trade, driven by the Glenlivet, Malibu, Kahlua, Tequila and American whiskey portfolios. Jameson is softer in Q3, this is due to the lapping of cold brew launch, which happened in Q3 -- in fiscal year '20. Black Barrel is continuing to grow dynamically. The on-trade in the U.S. is still in decline, but improving thanks to the reopening through Q3 and accelerating in March.

China is growing by 34%, with Q3 sales in triple-digit growth due to very strong depletions and lapping low comparison basis. We had an excellent Chinese New Year with double-digit depletions on all key brands. Martell is in a very strong growth with positive mix driven by Cordon Bleu, and we announced price increase in April. We had as well continued very strong dynamism of the Glenlivet, Royal Salute, Absolut and Chivas in China.

Global Travel Retail is at minus 50% for this 9 months, with a softer rate of decline in Q3, which is mainly driven by the lapping of a low comparison basis, notably in Asia. We continue to have a positive performance of offshore duty-free Island in Hainan and Jeju. India is stable in this 9-month period, with all key brands in double-digit growth in Q3, with excellent growth of international brands portfolio and a better mix within the Seagram Indian whiskeys portfolio. COVID-19 resurgence is obviously happening now in March and April, leading to new restrictions in India.

If I move now to the other key market performance, starting with Europe. Europe is at minus 3%, with Germany delivering an outstanding growth, thanks notably to Ramazzotti and Lillet. U.K. has as well continued excellent growth driven by wines, Absolut, Jameson and The Glenlivet. Eastern Europe is in high single-digit growth, which is driven by Russia and Poland. France has good off-trade sellout driven by Ricard, Absolut and Aberlour, but on-trade is still closed. And Spain is facing continued weakness due to the on-trade restriction and its high exposure to the on-trade channel. Americas is at plus 4% with Canada delivering high single-digit growth, primarily driven by Jacob's Creek, The Glenlivet and Absolut. Latin America, with Mexico in double-digit growth driven by Scotch and Absolut and a very dynamic growth in Brazil. Asia, Rest of the World is growing at plus 3%, with Japan in decline due to the on-trade restrictions despite good resilience of Perrier-Jouët. In Korea, our strategic international brands are driving a very strong growth in the off-trade. And Africa and Middle East, we have a double-digit growth, which is driven by Turkey.

So moving now to the conclusion and the outlook for fiscal year '21. Again, we had an excellent Q3, plus 19%, marking return to sales growth in this 9-month period with a good resilience throughout and strong dynamism of domestic must-win markets. For the full year '21 is still uncertain and volatile complex and with the current information available on the pandemic, Pernod Ricard expects to continue implementing a clear strategy with acceleration of our digital transformation.

Sales acceleration, thanks to continued business recovery with the on-trade gradual reopening, but Travel Retail still very subdued, dynamic resource management with strong reinvestment were efficient, with the A&P expected at circa 16% ratio for fiscal year '21. We expect organic operating leverage, thanks to dynamic top line and structure cost discipline and as well a significant negative FX impact of EUR 250 million linked to the euro appreciating versus U.S. dollar and as well versus emerging market currencies. So for the full year '21, our guidance is the following: organic growth in profit from recurring operation of circa plus 10%.

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

Thank you very much, Helene. We'll turn to your questions, please operator, please can you put through the first caller, please?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from the line of Edward Mundy from Jefferies.

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

3 for me, please. The first is on your guidance for organic operating leverage. I was wondering whether you're willing to share what you think this might imply for sales for the full year? The second question is on margin expansion over the medium term. Your Transform & Accelerate program between fiscal '19 and '21 is coming to an end at the end of this year. I was hoping you might be able to share your degree of confidence for operating leverage beyond fiscal '21? And what some of the major initiatives might be that could be underway? And then the third question is on the FX guidance. I think historically, you've guided for roughly 1% move on the euro dollar is worth roughly EUR 10 million. It feels like that's unraveled a little bit, possibly given some of the emerging market FX volatility. We think that your FX impact at sales is more like 5% or 6% for the year, the guidance implies about 10% at EBIT. I was wondering if you could help us sort of reconcile some of the moving parts there.

Helene de Tissot - *Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board*

Okay. Thank you. So starting with the guidance. So obviously, we are guiding on the growth -- organic growth on our profit from recurring operations. So I'm not going to give you a precise number in terms of top line. What I can tell you is that we are expecting the sales to accelerate in Q4, knowing that obviously we're going to lap as well a favorable comparison basis. And I'm sure I'm going to have a chance to come back to the dynamics of the different markets.

So back to the question on the leverage. What we see now is more dynamic sales growth for the full year, especially thanks to China, where we had an excellent Chinese New Year performance. And as well, thanks to the U.S. with the acceleration of the on-trade reopening with obviously a strong correlation with the high pace vaccination campaign. Europe evolving as well better than expected despite the new COVID restrictions with still a very resilient off-trade. We'll see what would be coming in terms of reopening of the on-trade. So to cut a long story short, the shape of our P&L is going to be a higher bottom line growth than top line, thanks to this stronger top line which is then going to create a greater gap with the structural cost evolution. So that's why we have some leverage in the guidance.

We still expect some pressure on the gross margin. But obviously, it's quite difficult to be more specific on that as they could be less of moving parts here and there. For the A&P investments, we are, I believe, quite consistent with our previous discussion with this indication of the ratio, which is still expected at circa 16%, which is showing the strong ambition we have behind our strategic priorities.

Maybe if I move now to your question on the more, let's say, midterm strategy, margin expansion and Transform & Accelerate. You're right, the -- I would say, the framework of Transform & Accelerate that we shared already more than 2 years ago, was covering fiscal year '19 to '21. So we are going to close '21 in a few months' time. Having said that, our ambition remains unchanged. As you know, we believe that this is a very relevant strategy, which is that we are obviously strongly delivered in the good times and as well in this crisis. So we continue to implement that strategy.

Moving forward, I would say that as long as we have some impact of COVID-19 base, this might distort a bit the ambition we have in our Transform & Accelerate numbers, but again our ambition remains unchanged, and we believe this is a very strong strategy. For the FX guidance, you're right. We gave some sensitivity for the U.S. dollar, which is not changing dramatically in terms of sensitivity. It is still relevant. But we are quite strongly impacted by the emerging currency evolution. And you have obviously the detail in our 9-month figures. So that's why we believe we could have this significant negative FX impact for the full year, which is going to be probably quite strongly impacted in terms of weight by the emerging market currencies versus the U.S. dollar.

Operator

The next question is from the line of Simon Hales from Citi.

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

Three for me as well, please. Firstly, can I just ask a little bit more about the U.S.? Obviously, 6% sort of growth for the 9 months. It looks like there's been a bit of an acceleration through Q3 as you would have thought. Is that -- is the growth in Q3 that you saw in the U.S. all depletion led? Or is

there a little bit of inventory movement in there as well? And maybe associated with that, as we look forward into Q4, how are you thinking about sort of stock levels in trade as we look into Q4? Are you expecting to see a little bit of restocking as reopening really gets further underway in that market?

Secondly, just on China, can I ask you around about stock levels sort of post-Chinese New Year within the wholesalers, what the situation is there? And also I may have missed this, Helene, but did you quantify the size of the price increase you took in April on cognac?

And then just finally, I wonder if you could just give us a bit more detail on India. What you're seeing happening on the ground at present there? A little bit more color as to how you see things developing over the next sort of couple of months.

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Okay. Thank you. So let's start by your question on the U.S. So going back to the Q3 figures. So I would say it's fair to say that in this Q3, you have some effect of the on-trade acceleration, which is obviously then leading retailers to prepare that reopening quite, I would say, dynamically. And this is very true for, especially, I would say, the month of March because this is -- the acceleration of the reopening is really started, let's say, early March. So that's why there could be some higher, let's say, trends for Q3 versus the first half. So no restocking per se, just, let's say, a very active preparation of the reopening of the on-trade for which, as I said, the acceleration has been quite significant in the last week of March.

So for the trend in Q4, obviously, it's still too early to tell for the U.S. What we know is that, obviously, the key question is going to be what would be the respective dynamics of trade versus on-trade and especially at the time of the on-trade coming back, what would be the strength of the off-trade. So directionally, we could expect some softer off-trade versus the first 9 months knowing as well that the variance in terms of percentage, we are cycling a pantry load, as you know, and it happened already a few weeks ago. But this, let's say, softer off-trade should be offset by the reopening of the on-trade. The question obviously being how much. So we still believe that the U.S. is a very resilient market with strong structural trends, obviously.

So let's see again what would be the reopening of the on-trade, knowing as well, obviously, that the situation is already quite different from 1 state to the other. And as you know, some states like Texas and Florida are already quite, let's say, normalized in terms of reopening of the on-trade. There is still some easing of restrictions to happen in other key states for us such as California and New York.

If I move now to China. So your questions were on stock levels and price increase. So you didn't miss anything. As you mentioned, yet, the price increase. So let me clarify this right now. We have announced at the end of March, this price increase for Martell in the context of excellent Chinese New Year, which obviously, we believe has been favorable to price increase. The price increase is between plus 3% on most of our SKUs for Martell and plus 4% on Cordon Bleu. And we believe this will enable us to strengthen our leadership in pricing.

For the stock levels in China. So they are broadly in line with where we want to be at year-end. And by the way, I take the opportunity of that question to answer maybe more broadly on the level of stock everywhere, which are quite healthy everywhere. And obviously, our intention is to have this type of very healthy inventory levels for the June ending. In India. So obviously, in India, the situation is changing probably from 1 day to the other. As you know, we are facing right now some restrictions into key states, I mean others as well and -- but 2 key states of Maharashtra and in Delhi. So for Maharashtra, there is 2 weeks lockdown, which started a few days ago. They started the restriction with the curfew and then it moved to lockdown. So only essential business are open. And in India, that means that all the off-trade is closed for our business and so is our facility. There is this acceleration of the pandemic in Delhi that leads to this 1 week, so far, strong restrictions. And that's -- I mean that's the information we've been provided so far. So that's, by the way, the type of disruptions we have taken into consideration in our guidance, because this is obviously the information available right now. So what we're expecting in Q4 is at least the very good question, disruptions, for sure. We will monitor very closely the situation there.

Operator

Our next question as from the line of Sanjeet Aujla from Credit Suisse.

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

A couple from me really on the U.S. I guess, firstly, on Jameson, you're lapping now the launch of Cold Brew last year. How would you rate the success of that innovation? And are you confident that line extension can continue to grow in year 2, year 3? I think some of the previous line extensions on Jameson haven't been able to sustain the initial momentum. So I would love to get your assessment a year in on that. And when you assess the U.S. performance more broadly, you didn't really talk about tequila and cognac. Are you satisfied with your performance across those 2 categories in the U.S.?

Helene de Tissot - *Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board*

Okay. Thank you. So for Jameson, as you mentioned, we are recycling the launch of Cold Brew last year, which happened at the end of Feb ahead of what was supposed to be a great opportunity with St. Patrick's Day. And we are as well, by the way, lapping a very significant pantry load for that brand last year. As you know, there was this pantry load at the end of March in the U.S. And I would say, in our portfolio, a big trust and child brands have been very much favored by that trend. So this is really true for Jameson.

So back to your question on Cold Brew. So again, as I just said, obviously, last year, St. Patrick didn't happen the way it was planned to happen. The on-trade is still significantly impacted in the U.S. despite the acceleration of the reopening and Jameson is very exposed to the on-trade as you know. So we believe that there is still lots of opportunities with Cold Brew, which is a strong innovation. It's going to be obviously much better when the on-trade is going to be normalized. So that's what we're going to keep building with Cold Brew. I must say as well on some of Jameson range, we have as well a very dynamic development of Black Barrel. This year, I would say St. Patrick has not been a normal St. Patrick as well for the second year in a row because of the disruption of the on-trade. So we'll keep investing behind Jameson. Obviously, this is a star brand for us to the U.S., and we believe that the strong innovation is absolutely critical to support that dynamism.

On your question on Tequila and cognac, well, I must say we did mention briefly in our exec summary, the fact that the robust performance we had in the U.S., we are well driven by our Tequila brand. So that's a strong growth relay for us midterm. And for cognac as well, obviously, the category is delivering an impressive growth. We have a very strong brand, Martell, which is still small in the U.S. And so that's, again, a great opportunity moving forward.

Operator

Our next question is from the line of Celine Pannuti from JPMorgan.

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

My first question is I want to follow up on the U.S. As in the previous con call, is it possible for you to give us the performance on-trade versus off-trade in the third quarter. And zooming on the states where you've seen on-trade operating in a normalized way, can you take a talk to us about what is on-trade doing? And what is overall the balance between on-trade and off-trade in those markets where we have a normalization?

And then just following up still on the U.S., what is -- I think we are going to go through a tough comparison off-trade, but as well on-trade doing easier comparison in Q2. But if you look at the remainder of the calendar year, how do you see that market growth overall?

And then my second point is on Europe. We still are in restriction that some market seems to be opening up. Are you also expecting some stocking as you have seen in the U.S. ahead of trade reopening?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Okay. Thank you. So I'll start with the U.S. So -- and I prefer to comment the 9 months' performance than the quarter -- quarterly one because I believe it makes more sense. But I hope it will answer your question. So for the off-trade first, we had a good performance, growing in the high teens, broadly in line with the market. I would say same thing for the on-trade. We are growing -- not growing, but performing border in line with the market, which means that on-trade is still down in these 9 months. So probably down for us in the type of minus 40%, knowing that we have a stronger on-trade exposure than the market which was around 75/25 pre-COVID. So all in all, we are growing border in line by channel, but we are impacted by a higher on-trade exposure than the market, which is leading us to performance of mid-single-digit versus a market which is probably still around the kind of plus 7%.

Your question on the reopening of the on-trade in the U.S. and what is happening in the off-trade, I would say, honestly, it's really early days. So I cannot give you some, let's say, a very robust fact on what is happening. But I can tell you, it's more from a consumer point of view is that even if a few months ago, when on-trade was reopening, we felt that consumers were sometimes a bit uncomfortable to spend too much time in the on-trade. Now the situation looks much better, and this is probably as well linked to the pace of the vaccination campaign in the U.S. So we're in the states that I mentioned before where the on-trade is almost, let's say, fully normalized. I'm sure you saw the same stats, but the bookings are quite impressive and the people are very happy to go back to the on-trade and enjoy everything around the social gathering and the on-trade consumption. So too early to say, but I would say the first states that are having this normalization of the on-trade, are seeing quite robust, let's say, appetite from the consumers to come back to the on-trade.

Europe, it's obviously not the same situation right now. As I mentioned, we believe that there will be some gradual reopening at the on-trade in the months to come. This is still obviously quite volatile and uncertain in terms of exact calendar. So I don't believe we can say right now that we see restocking. And anyway, as I mentioned before, our intention is to very closely monitor our shipments in the weeks and months to come to have a healthy level of inventory. But it's fair to say that a healthy level of inventory means probably even more agility than in the normal times to be as flexible and as fast as possible to as well seize recovery when it happens.

Operator

Next question is from the line of Laurence Whyatt from Barclays.

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

Three from me, if that's okay. Firstly, on China, it looks like an extraordinarily positive performance. Just wondering, previously, you said you didn't think you'd get much benefit from the later Chinese New Year, and you thought you'd get all that benefit last quarter. Just wondering if anything changed there and whether anything came through in the more recent quarter to potentially boost those Chinese figures. I think it looks on my numbers to be potentially north of 200% growth in China in the quarter. I was wondering if you got -- if you think that was an underlying improvement in the Chinese market or if there was a little bit of a boost from Chinese New Year in the quarter.

Secondly, with the U.S. performance being pretty strong in the off-trade, just wondering how much boost you think came from the government stimulus packages or whether they're do you think that's much more of an underlying growth in the U.S. consumer?

And finally, on Travel Retail, now we're starting to comp the travel retail losses, particularly in Asia. Just wondering whether that is cannibalizing the off-trade sales in Asia and your experience, particularly in China, if you can comment on travel retail versus off-trade in the markets where we're starting to comp the COVID issues?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Okay. So I'll start with China and Chinese New Year timing. Honestly, what we can say is that we had an excellent performance, and the underlying trends are excellent. You rightly mentioned this triple-digit growth for us in China in that quarter. And I would say it's really depletion driven. So

no significant CNY phasing, I would say, in those figures. So again, trade is fully open and functional in China for Martell all our channels, both on and off are growing double digit versus fiscal year '20 and by the way, all channels are above FY '19 levels on and off there's some, let's say, there's only KTV and traditional Off-trade that are probably still slightly behind '19, but all of the channels and globally on and off are above 2019 level. So it's a very good performance for us. U.S. stimulus, that's -- I mean, there is probably on this one, no bullet proof demonstration that this has an impact on the off-trade dynamism, but it's likely to obviously support the consumer purchase, knowing that when you look at some states where the unemployment rate was quite high, the off-trade was still quite dynamic. And so I would say it's probably obviously helping.

On Travel Retail, your question was -- I mean, first, your comments on the fact that we're going to lap -- the easy comp is obviously quite right. Then your question on cannibalization of travel retail versus off-trade, I would say first that in some domestic markets, we are probably benefiting from the disruption of the Travel Retail and our domestic performance. It's quite difficult to quantify, but this is quite, let's say, reasonable to assume. Then when it comes to cannibalization from the Travel Retail versus the off-trade, I guess your question could be as well on the duty-free offshore opportunity, basically offshore opportunity I was referring to. And this is obviously something we are very closely monitoring to be sure that there is no cannibalization and protecting our, let's say, profitability pool both in those islands and in domestic markets.

Operator

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

Olivier Nicolai

I got 3 questions, please. Just first to follow-up on Jameson in the U.S. I was wondering why do you think the growth is slowing? Is it just a tough comps? And obviously, the launch of Cold Brew last year? Or could it be the fact that the brand is fully penetrated in the U.S.

Second question is actually just could you give us an update on e-commerce growth and how much of your sales it is today?

And just lastly, a follow-up on 1 of the slides in the presentation. Could you just remind us what's the weight of Turkey as a percentage of your group sales? And with the very high inflation in the country, do you see really any volumes growth? Or is your sales growth just driven by pricing?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Okay. So Jameson, I'm sorry, I'm probably going to repeat myself a bit, but the 2 or, let's say, 3 factors to take into consideration. First, the comparable basis of last year with the launch of Cold Brew and pantry load, which is one of the explanation for some slowdown in the in the sell-out numbers. Number two, the on-trade is still disrupted and Jameson is very exposed to that channel. So that means that would be my third point that there is obviously some strong investments behind Jameson to be sure that we are capturing the reopening of the on-trade and the rebound for the brand in the months -- weeks and months to come. This is a very strategic brand for us in the U.S. As you know, we've been investing significantly behind that brand, especially in media, where we had double investments in the recent past. So this is, again, a top priority for us.

On the e-commerce, the picture is obviously not changing dramatically from 1 quarter to the other. We gave you some, I think, quite precise numbers in the H1 communication for our performance by the market. So I would suggest that you could refer to that. And knowing that it's less than 5% of our sales book level, growing obviously very dynamically in the relevant markets, growing very fast, for instance, as well in China when it starts to become quite sizable.

Your last question on Turkey. So it's close to 1% of the group sales. And the performance is quite strong. So it's both, I would say, volume and value.

Operator

The next question is from Mitchell Collett from Goldman Sachs.

Mitchell John Collett - Goldman Sachs Group, Inc., Research Division - Former Executive Director

Two questions, please. And I know on A&P, you've said circa 16%. Is there a scope for that to get back to the 16.5% you had in F '19? Is it still quite difficult to find good avenues to invest A&P. I know you just said you're going to invest behind Jameson, but a bit of color on A&P would be useful.

And then a question on a couple of brands we don't talk about very much, but you mentioned Kahlua, Passport and Ramazzotti doing double-digit growth. Are you able to give a bit of context on what's driving the strong growth for those smaller brands?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Okay. So I'll start with A&P. So circa 16% is not dramatically different for the 16.5% that you were referring to. What we want to do is drive as much impact and efficiency that we can with our A&P investment, which is obviously quite significant numbers, in terms of money invested behind our brands. So in this circa 16%, the very strong prioritization, meaning that the ratio is stronger than that for our strategic international brands and could be significantly stronger for some of our strategic priorities. So I would say for us, what really matters is to key building very consistent investment behind our brands to have very strong equity for those brands to obviously deliver premiumization strategy moving forward.

So then your question was on ability to invest an initiative where we can effectively reinvest behind our brands. As mentioned before, we are, I would say, extremely pragmatic. We want to be very agile in our resource allocation, meaning that we have the ability to accelerate our A&P investment very quickly depending on the dynamism of the market. So you can assume that right now, we have this volatility with the reopening of the on-trade, which could be very different from 1 country to the other, which is something on which we are spending quite significant of time with our markets to really adjust our resource allocation in the most efficient way. When you mentioned Kahlua, Passport and Ramazzotti, so I would say, first Kahlua is not a small brand. The others are not small either, but -- so Kahlua has been performing quite strongly, especially as well in the U.S. for sometimes now. It's obviously fitting very well the home consumption and the homemade cocktail trends because, as you know, Kahlua is a great ingredient for mainly cocktail recipe. So we are very happy with the performance of the brand. And I would say, on Passport and Ramazzotti, it's strong performance as well, Ramazzotti being quite strong in Germany, where it's a key market with as well a strong innovation pipeline.

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

Operator, we'll take our final 2 callers, please.

Operator

The next question is from the line of Trevor Stirling from Bernstein.

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

Two quick questions from my side. And then first, you commented on double-digit depletion growth in China over Chinese New Year. I wonder if you just give us a little bit more color about the relative strength of Noblige, Cordon Bleu, and XO. And also, do you think you gained share over Chinese New Year?

And the second question on agave pricing, I think it's something we've been talking about for some time that the agave price is very high, everybody expects them to come down eventually. Any sign that agave prices are starting to soften?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Yes. Okay. So let me start by the question on the Martell performance. So I'm not going to give you the exact performance by quality. But I mean, the performance has been extremely strong all are -- all the Martell family, I would say, Noblige, Cordon Bleu and XO and Distinction. It's very strong, double-digit growth for all those products and SKUs. And it's even stronger for Cordon Bleu, so which has driven a positive mix. In terms of market share performance, we don't -- honestly assess that on a few weeks basis. So we prefer to do that on a full year basis. Again, we believe we had an excellent Chinese New Year. So for the agave pricing, you rightly mentioned what is our view, which means that it's still quite high. And there is obviously cyclicity in the agave pricing evolution. So this should be coming to an end and probably plateauing before having some positive, I would say, tailwinds. So we are not there yet, but there is some indication that this plateau is going to happen sooner than later.

Operator

Next question is from Toby McCullagh from Societe Generale.

Toby John McCullagh - Societe Generale Cross Asset Research - Equity Analyst

Letting me slip in just at the -- and I guess coming back on the U.S. on off-trade dynamics, it is quite soon to comment as you've said in your answers so far on the some of the month-to-month trends, but perhaps take a step back, a bigger picture, longer-term view given that what's happened in the U.S. market over the past year or so, do you think there's anything structural that has changed about the market, about the longer-term market growth rates. And I suppose that question would be about either total alcohol, which has obviously had a very good 12 months in terms of consumption or specifically spirits within beverage/alcohol. So has your view of the long-term growth characteristics of that market changed at all?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Yes. Thank you. So I think you rightly summarized it. The market is still very dynamic, above its long-term trend, which, in our view, is probably around plus 4%. And this is obviously a combination of very different trends depending on the channel and the states. So off-trade is slowing down in Q3 and especially in the recent weeks with the start of the Latin pantry loading. The on-trade is clearly accelerating and reopening as we speak. So we need to have a bit more visibility in the weeks to come. And as you said, the market globally is continuing to be driven by spirits taking share from other beverages. So that's where we stand, giving you a more long-term view is a difficult exercise. So I'm not going to do that. It's fair to assume that there could be some softening in the global market dynamism once we have, let's say, normalized channels. It's obviously too early to say. So right now, it's probably around plus 7%. And our view is that it could be normalizing to the long-term trends I was mentioning before.

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

Thank you very much, ladies and gentlemen, and thank you, Helene, and we wish you all to a good day, and mainly please stay safe over the coming months.

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Thank you.

Operator

This concludes our conference for today. You may all disconnect. Thank you all for participating.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2021, Refinitiv. All Rights Reserved.