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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Pernod Ricard Full Year '21 Half Year Sales and Results Conference Call. (Operator Instructions) I must advise you that this conference is being recorded today. I would now like to hand the conference over to your speaker today, Ms. Julia Massies. Please go ahead.

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

Good morning, ladies and gentlemen, and welcome to Pernod Ricard First Half Sales and Results Call. We're hosted this morning by Alexandre Ricard, our Chairman and CEO; and Helene de Tissot, our EVP, Finance, Production and IT. We'll take you through the presentation and then take your questions. Alexandre, over to you.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Thank you very much, Julia. And good morning, ladies and gentlemen. Let's start right away with our executive summary. So first half of this fiscal year 2021 confirms the sustainable business strength, with growth returning in our must-win domestic markets.

Overall, over the H1, our organic sales have declined by roughly 4%. And our profit from recurring operations have declined organically by roughly 2.5%. And the reported profit from recurring operations is down roughly 11%, and this is due to negative currency impacts.

The key messages here are, we continue to implement and more importantly, to deliver our Transform & Accelerate strategic priorities, talking about our must-win domestic markets, strong growth in the U.S., plus 5% over the first half, returned to very strong growth in China with double-digit growth of plus 13% and a return to growth in India over the second quarter, up plus 2%, and over the first half, still down by 6%. We're gaining or holding share in our key markets, notably in Europe, despite on trade disruption.

And we continue our dynamic portfolio management. And you can see that innovation has been a key growth driver with plus 10% for our innovation portfolio. Obviously, very important. We continue to drive our 2030 sustainability and responsibility roadmap with significant progress in a number of areas, in particular, in packaging. And last but clearly not least, we continue to accelerate our digital transformation across all functions.

We've displayed a lot of flexibility and agility in managing the COVID impact. I think the key words here are dynamic management of our resources. Of course, the priority, our #1 priority is about the health, the wellness and the safety of all our employees and of our business partners.

Travel Retail is -- has been managing resources extremely effectively. A&P has been tightly managed and actively redeployed depending on the market, the channel opportunity and of course, the reality. In other words, the constraints and the feasibility and we'll talk about this later on.

Operational excellence has been driving a number of savings. We've maintained a very strict discipline regarding structure costs. And as I said, the keyword is all about dynamically managing our resources, which, in fact, if I move on to the second slide, has generated a slight improvement in our operating margin for the first half, up 51 basis points at 32%.

If I look at our sales, well, H1 sales trends continue to improve. And by the way, our business has grown globally if we exclude Travel Retail. Excluding Travel Retail, our business would have been up organically by 1%. However, this, of course, includes some Travel Retail sales that have been compensated by domestic consumption. So it's important to bear this in mind.

If you look at the regions, Americas up 2%; Asia, Rest of the World, down 6%; Europe, down 5%. From a brand perspective point of view, our strategic international brands are down 6%. We'll see this later in detail. Strategic local brands, down 4%. Specialty brands continue to be extremely dynamic. And by the way, confirming our dynamic management of portfolio, they're up 22%. And Strategic Wines are up 3% over the first half of our fiscal year. And Q2 is down 2.4%.

(technical difficulty)

on our value creation levers, as I mentioned it in the exec summary, innovation has driven 10% of our innovation portfolio has grown by 10% over the last few months or 1.5 years or so, we've proceeded with the acquisition of Petroni in the aperitif segment, specifically in Spain. Partnership with the fast-growing super premium Mezcal Ojo de Tigre in Mexico and being developed in the U.S. And of course, strong contribution of the recently acquired brands to our top line growth with triple-digit growth for Malfy, a gin and very strong double-digit growth for our American whiskey portfolio.

Innovation is in double-digit growth and is driving as well premiumization I cannot not speak about Lillet, which is up 35% and which is clearly driving a lot of growth for Pernod Ricard and not just in Germany, where it all started or in France but across many, many markets, knowing that Lillet is now a global big bent for Pernod Ricard.

RTD is also extremely dynamic, up 70%. And we continue to invest behind low-no alcohol through innovation with the recent launch of Beefeater Light or the acquisition of Ceders, which is a 0% alcohol Gin.

Moving on, very important, critical, something we've decided and rightly so to even accelerate during the COVID crisis is our digital transformation. We've made some strong progress on our key digital projects in core markets. I will only cover 3 initiatives, but there are a number of other initiatives as well. But the 3, I would say, most important ones.

Number one, matrix which is all about marketing effectiveness. So leveraging internal and external data to optimize through artificial intelligence and algorithms, basically, the effectiveness of where we invest our money and to optimize the return of investment of that money.

Second, key digital project, which we have named D-STAR, which basically is all about powerful data enriched insights for our sales team. So unlocking the power of our sales team around the world through enriched data impact and value-creating data for them.

And finally, while RGM, revenue growth management, we've called it REV UP. It's all about promotional effectiveness and using data promotions, which we enrich in a very continuous manner and which will be infinite, by the way, to optimize as well our promotional activities from a frequency point of view, from a debt point of view from a type point of view, from a timing point of view, and so on and so forth. So acceleration of our digital transformation, which we are currently undergoing a we speak.

Speaking of digital transformation, part of it as well. From a channel point of view and activity point of view is about e-commerce we've seen, of course, as many the acceleration of e-commerce trends. This was a trend already existing before the COVID crisis, and that has accelerated due to the COVID crisis. And you see here that our e-commerce channel has grown 63% over the first half. And if you look at our core top 4 markets, which account for roughly 80% of our sales in e-commerce. You'll see that China, which is probably our largest e-commerce market has grown by 46%. USA have seen e-commerce grow by 84%. The U.K. has seen e-commerce grow by a whopping 138%. And last but not least, France has seen very strong growth of e-commerce, up 56%.

We have our own e-commerce platform, our B2C platform, which has seen online sales, delivering consistent growth already last year. And at the peak of the pandemic in Q4 of last year. But if you look at the first half of this fiscal year, likewise, Drinks & Co is up 60%. We've upped our game in terms of activations within the digital area. And you have seen -- you have here on the slide, a number of examples.

If I move on to the sales analysis by market. Well, again, you'll see Americas, so Americas up 2% over the first half. Asia, Rest of the World, as I mentioned, minus 6%, Europe, minus 5%. All this leading to a minus 4% over the first half.

Let's start with our largest must-win market, the U.S.A., where we've gone through strong growth and driven clearly by a dynamic off-trade performance. We've grown in line with the market by channel. So very strong performance in the off-trade. Market share maintained in the on-trade, and e-commerce has boomed, up 84%. We have an over exposure or should I say we over-indexed in the on-trade in the U.S., which is still significantly down. But overall, we're broadly in line with the market. The U.S.A. is up 5%.

From a brand's point of view, if you look at Jameson, these are the 6 months to January 23, Nielsen panels, up 18%. Likewise for NABCA, which also covers the on-trade. And this is why, in most cases, not all, you'll see lower numbers here. So Jameson in NABCA, which combines off-trade and on trade and knowing that Jameson over -- is overexposed to the on-trade NABCA number is up plus 1%, which is still a strong performance, driven by Jameson Original, but also enhanced by the super premium Jameson Black Barrel, and Cold Brew is continuing to develop.

Glenlivet, up 25% on Nielsen, up 15% on NABCA. So continued strong momentum for the Glenlivet enhanced by innovation. Of course, Avion and Altos surfing on the dynamic tequila segment. Especially at super premium plus levels. You have here the numbers. Both brands are in strong double-digit growth. I'll just note that we have slightly increased our prices on Altos in H1.

Jefferson's which we acquired exactly, I think, 14 months ago, Jefferson is also up strong double-digit growth, which is great, significantly outperforming the category. Martell, up 18% on Nielsen, up 65% on NABCA with solid underlying growth and supported by the off-trade dynamism. Very strong and continued performance of Malibu, up double digit, very strong and continued strong performance as well for our future growth relays. Speaking of American Whiskeys beyond as well, Jefferson, with Rabbit Hole with TX and Smooth Ambler, of course, of Monkey 47 or mezcal, the leading brand, Del Maguey, Malfy and Red Breast, which is one of our ultra premium Irish whiskeys. Absolut, up 6% on Nielsen panels, down 2% on NABCA. Strong growth in the off-premise. But the brand is significantly impacted by the on-premise disruption in a category which is still very competitive. And very dynamic performance of Kahlua. So that's for the U.S.

Moving on to China, where we underwent a 13% growth rate over the first half for China. Very strong growth, confirming the recovery that we had already previously mentioned. It's fair to say that this growth is also boosted by strong sell-in accelerated in Q2 in preparation of the Chinese New Year. They're just from an anticipation point of view, there's no phasing. So we're really, really prepared for Chinese New Year in December. That being said as well, Martell first half sell-out is very strong in double-digit growth and led principally, by the way, by the higher marks of Cordon Bleu and XO. Chivas sell-out is stable due to lapping Q2 of the previous year, where there was a sharp on-trade recovery if you recall, our growth really is being the Glenlivet, Royal Salute and Absolut are all in strong growth. And the growth is diversified across all consumer touch points. In particular, I mentioned the e-commerce, but we're growing in all channels in China, in particular, in the off-trade, of course, but as well in the on-trade.

Moving on to our third largest domestic market. India, as I mentioned in the beginning, we have returned to growth in the second quarter with 2% growth in Q2, still down 6% over the first half. The sanitary situation is improving very progressively throughout the course of the first half and leading to easing of restrictions on public gatherings in Q2 and thus, the plus 2%. The off-trade is now broadly open in most regions, and our production capacity has overall normalized during the first half. The Seagram's Indian whiskeys are in decline, but we do have a slight positive mix due to the stronger emphasis our teams in India have put on Royal Stag and Blenders Pride in particular. Our strategic international brands have returned to growth as well, principally led by Ballantine's, Jameson and the Glenlivet. And it's noteworthy to say that 100 Pipers is also performing well.

Now one of our must-win markets is global Travel Retail, global Travel Retail has seen a decline of a 57% over the first half of the year. Travel Retail, let's be clear, is still severely disrupted because of the COVID-19 restrictions. And let's be clear as well, we do expect this severe disruption to continue throughout the course of the year.

If I move to Europe, I think it's important to stress the resilience of Europe in spite of the second wave, which led to on-trade restrictions across most of the markets. If I start with our largest European market, France, down 8%. Of course, there was a new national lockdown and so on and so forth. The on-trade is significantly impacted, and by the way, as we speak. Sell-out in the on-trade is up mid-single digits across many brands. But again, it does not offset the very strong disruption in the on-trade. It's noteworthy to stress the strong performance of Mumm and our Single Malts in France and the good results on Ricard, which is gaining share in a tough category, which is the anise category, and we're still quite dynamic from an innovation point of view in France.

In Spain, let's be clear, a double-digit decline on trade restrictions. And by the way, a very, very, severely impacted summer with a significant decline, as you can imagine, in tourism. That being said, we have gained shares principally driven by Gin and Absolut vodka.

U.K., up double digit, up 13%, with a continued strong performance driven by the very strong resilience of the off-trade and driven by brands like the Glenlivet, Jameson, Absolut, Malfy and our wine business in the U.K. Germany, up double-digit as well, plus 14%, with some acceleration in the second quarter. And again, this is despite on-trade closures, and this is also driven by Lillet and Ramazzoti with a strong innovation behind that brand.

Russia, double-digit growth in Russia. Let's be clear, principally driven as well by phasing, by strong sell-in December ahead of some licensing topics. But the underlying consumption trends in Russia remain strong, nevertheless. And good growth as well in Poland, driven principally by our whiskeys with a strong price/mix on our strategic brands.

If I look at the other key markets within Americas. Canada's up 8%, some modest growth in Brazil and good growth in Mexico and in Asia, Rest of the World declined in Japan, clearly driven by on-trade disruptions. That being said, good performance of Perrier-Jouet, thanks to distribution expense inspection, which is driving a positive mix.

Korea, by the way, we're not used to these kind of numbers. While we were used to double-digit numbers, but with a minus in front of them. This time, it's a plus so it's, I think, fair and fair to the team in Korea to stress it. Korea is up 10%, driven by Royal Salute, Ballantine's and Absolut, clearly focusing on the off-trade and again, offsetting the on-trade disruptions. Southeast Asia continues to be very difficult, and this is clearly related to the sanitary crisis to very, very subdued tourism.

And finally, in Africa, Middle East, while the sanitary crisis in Middle East, North Africa and new restrictions are impacting the recovery in South Africa. As you've seen, we've gone through a ban as well a number of bans, in fact, in South Africa. Continued double-digit growth in Turkey, clearly, thanks to the off-trade dynamism and also benefiting from former Travel Retail sales as well in the domestic market and fair to underline the excellent performance in Nigeria.

Very briefly by brands. I won't go through again our house of brands. I'll dive directly into our brands, starting with our largest brand, Martell. Overall Martell sales are down 3% over the first half. Martell would have been up 1%, excluding GTR. Very important to stress the very strong performance of Martell in China. Of course, the continuation of our value strategy. As I mentioned, China, double-digit growth and already on a high comparable basis last year when COVID was not in existence yet and a strong mix, as I mentioned earlier, driven by the higher marks.

USA, a solid double-digit underlying growth. And you have here the Nielsen and NABCA numbers, 18%, 65% growth. Supported clearly by off-trade and distribution gains. Travel Retail, as I said, difficulties, but by strong sales in Hainan as most of you probably know.

Moving onto Jameson, which grew sales, up 3%. And again, it would have been up 6%, excluding GTR, which is a big channel for Jameson. So USA strong growth in the off-trade. Clearly, the continued strong development, I mentioned it already, of our super premium Jameson with Jameson Black Barrel, and of course, Jameson suffering from its higher exposure to the on-trade.

In Europe, mid single-digit growth driven a bit everywhere with a positive price and mix coming in Eastern Europe and very strong share gains in Germany and the U.K. And in other markets, well, continued good performance in Africa, Middle East, acceleration in India and dynamism in the Pacific region.

If I move on to Absolut, down 12%, clearly impacted by its very strong exposure to both Travel Retail and on-trade channels across the world. If I start with Rest of the World, very good growth in the U.K. and Europe, but as well in Russia and Germany. In Asia, overall, stable with good growth in China, in Korea, as I mentioned earlier on, and as well in India, which offsets decline in Thailand, clearly due to lower tourism, as I mentioned as well before. Africa and Middle East, clearly impacted by the lockdowns in South Africa and as well strong disruptions in North Africa. And finally, market share gains in mature markets overall and in Brazil, in particular. In the U.S., the brand Absolut is up 6% in the Nielsen panels down 2%, and this is sell-out -- the NABCA sell-out. So we continue to authentically connect with consumers at very cultural relevant moments, and it is starting to pay dividends especially in the off-trade, where it's been quite dynamic. But again, the brand is suffering from its exposure to the on-trade.

Now moving on to our last, and clearly not least, big category, which is Scotch, which is down 10% and but would have been up 2%, excluding GTR. Here, we can note the very strong resilience of our Single Malts. But Blended Scotch is clearly impacted by on-trade and Travel Retail. Glenlivet, performing really extremely well. Overall at 2% over the first half, and you even have the numbers in the U.S., I already mentioned them. Chivas is down 16%, clearly led by Travel Retail and trade restrictions in Japan, which is one of its largest markets. But on the other hand, you had double-digit growth or the pursuit of double-digit growth of Chivas in Turkey. You have strong both in the U.S., in Russia, and the U.K. successes of blend is really being amplified in a number of markets. Ballantine's down 12%. However, double-digit growth in Eastern Europe, India, Turkey, Brazil. But again, Travel Retail Asia, especially on the higher marks Ballantine's 17 Year Old, 21 Year Old and 30 Year Old is impacting the brand's value performance. And I would say roughly the same thing for Royal Salute's, which is down 28% despite strong growth in domestic markets and the brand's key or strategic domestic markets, starting with China, Korea and Taiwan. And good performance, by the way, worthwhile noting in the U.S., in line with our luxury strategy.

Regarding the other key brands, I won't dwell too much upon them. Beefeater down 20%, principally related to Spain, which is the largest market. Havana Club, down 9%. Again, hit by a number of markets and on-trade exposure. Malibu, very strong growth, plus 26%; Ricard minus 5%, which is a strong relative performance. Mumm as well with minus 5% is a strong relative performance. And Perrier-Jouet down 19% despite growth in Japan. But again, a decline in the U.S. and Western Europe for obvious reasons. And again, our Strategic Wines, up 3%, starting with Campo Viejo, which is still undergoing double-digit growth both in its 2 key markets, being the U.S.A. and the U.K.

Specialty brands, I mentioned, up 22%. So I won't dwell upon it. We're extremely happy with the performance of our Specialty brands portfolio. I'd like to move on to something which, as well, I was mentioning earlier on the fact that we clearly accelerated on our digital transformation which is part of our Transform & Accelerate strategy even before the COVID crisis hit. Likewise, sustainability and responsibility, which is the core, at the heart of everything we do. Remember, we had presented or Good Times From a Good Place, a strategic road map in March of 2019 and while we've decided as well here to even accelerate. I think the sustainability and responsibility theme has gained significant importance and momentum because of the crisis. And frankly, it is a good thing.

If you recall, we have 4 pillars on our strategic roadmap. The first 1 being Nurturing Terroir. And here, you have one example amongst many of initiatives we have around sustainable agriculture through strong partnerships. This example is specifically in Ireland regarding Sustainable Green Spring Barley Scheme. And when we have at this stage, partnered with more than 200 farmers.

Our second big strategic pillar within our sustainability and responsibility roadmap is valuing our people and again, very strong initiative around supporting communities. We named 2 big ones and kudos to our PR U.S. Team, American team regarding the support around the Black Lives Matter theme and also about their initiatives around engage responsibly with the first ever business to consumer, human-centric open source globally scalable solution to fight against online hate speech. It is a first-ever gathering strong momentum across industries with many companies that are participating. And again, kudos to our team in the U.S. for having taken a lead on such an important, very important topic.

The third pillar circular making, where we've made very strong progress towards sustainable packaging targets. And by the way, we have accelerated. As we mentioned it also previously, we set ourselves a clear target to achieve no single-use plastic of point-of-sale material after June 2021. And this is a clear step up and acceleration. Our initial target was 2025 and is now June 2021, in other words, tomorrow. New sustainable packaging panel and dedicated EcoPack Tool to ensure global alignment. I'll just -- I was going to say, I'll start just would name 1 of them, but I'll name 2 of them. The first 1 is, well, the 100% recyclable Beefeater bottle, by the way, it's amazing to see the impact these initiatives can have. Basically, this is the equivalent of 400 tonnes of plastic saved annually, thanks to just one thing, the removal of the plastic caps and plastic labels. 400 tonnes of plastic saved on an annual basis. I have to say that when I saw that number, I called my team and said, did you make a mistake? Is it 4 tonnes, 40 tonnes? No, it's 400 tonnes.

You may have seen, for those who follow Absolut on social media, the innovative paper bottle which, by the way, has been done in conjunction as well with other players in other industries and as well the Limited Edition Swirl bottle, which is done -- produced with 60% recycled glass. And many other initiatives, listen, this is something which is close to our hearts, dear to our teams and which is clearly going in the right direction at an accelerated pace.

The fourth and last pillar, which is very specific to our industry to the spirits industry is all, of course, about responsible posting tackling alcohol misuse. You may know, we already communicated on it, but we have launched a mandatory MOOC massive online course for all our employees, no exception. We also have our global responsible drinking charter, which we all must abide by and many other initiatives. I won't go through all of them, but again, very important and very specific to our industry, especially during the current times.

So having finished that first section, I'd like to pass onto Helene de Tissot to talk about our financial performance during the course of our first half.

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

Thank you very much, Alex, and good morning to all. So let's start by the group income statement. So as you mentioned, Alex, the top line is down minus 2.4% organically and minus 10.8% from a reported point of view with a significant negative FX impact. This performance -- organic performance is translating. So with an improvement of -- margin improvement by 51 bps despite the sales decline of minus 4%, thanks to a dynamic management of resources and favorable phasing.

Let's start with the gross margin. So our gross margin is down minus 5%, contracting 108 basis points, driven by soft pricing with pure price increases on a solid comparable basis. Last year, our prices on strategic brands were growing by 2%, benefiting mainly from the previous year Martell price increases. We are -- as we are suffering some adverse mix in this first half, primarily linked to the decline in Travel Retail and some higher cost of goods, mainly from continued agave cost pressures and lower fixed cost absorption, offset by the continuation of the operational excellence initiatives.

Moving to the E&P that are down 12% versus last year, contributing to the margin improvement by 132 basis points. This is resulting from the proper based investment approach that we've been following since COVID with a strong reduction in markets and channels with subdued demand and as well some favorable phasing. We are expecting the ratio of our A&P to net sales to move to circa 16% for the full year '21 with a strong double-digit increase in H2. Structure costs are down 6%, contributing to 27 basis points to the margin improvement, which is a fair reflection of the dynamic management of resources that we have been implementing with a very strong discipline in all markets and as well as the fiscal year '20 reorganizations.

Coming out the negative FX impact. So this is impacting our profit from recurring operations by EUR 155 million due to the U.S. dollar depreciation versus euro, but as well to the emerging market currency depreciation versus euro. We expect a significant negative FX impact for the full year FY '21.

Moving now to the regional view, starting with Americas. So our profit from recurring operation is growing by 5% with a margin improvement, reflecting tight resource management enhanced by phasing. So gross margin contracting by 80 basis points, driven by adverse mix, linked in particular to channel and format negative mix in the U.S., lesser Travel Retail share and continued agave cost pressure.

The A&P are down 6% in that region, contributing to 150 basis points to the margin improvement, reflecting this purpose based approach I was just referring to. We are increasing investments in the U.S. This is our #1 market and a top priority with strong reallocations, reflecting opportunities and continued support behind brands by the Jameson and growth related. Structure costs, down 3%, contributing to 62 basis points, reflecting the tight resource management in the COVID context. And again, a strong negative FX impact of EUR 65 million impacting our bottom line, due mainly to the U.S. dollar depreciation versus euro and to a less extent, to the Brazilian real.

Moving now to Asia, Rest of the World. So our profit from recurring operation are down 11%, which is triggering a margin decline, resulting mainly from gross margin pressure. So gross margin contraction with a decrease of 8%, translating into erosion of a ratio of 140 basis points, which is mainly due to adverse market mix, Travel Retail, declining. A&P minus 10%, contributing to 60 bps, which is reflecting cautious investments in markets impacted by COVID. But again, with a very different picture depending on the markets, we are investing strongly in China. Structure costs are growing by 3%, which is mainly due to negative one-off costs because we are as well in Asia, Rest of the World, as everywhere in the group, tightly managing our structure cost there. Adverse emerging market effect impact, as I mentioned, which is mainly coming from the Turkish lira, Indian rupee and Chinese yen.

Moving now to Europe, where the profit from recurring operations growing by 5%. We have a continued revision in top line, that was already detailed by Alex. So very significant organic operating margin improvement, thanks to very tight resource management. Gross margin is contracting due mainly to adverse market mix, especially due to Spain. A&P decreasing by 23% as a result of cautious investment in markets impacted by COVID, in particular, in a region, as you know, where we had some ongoing restrictions in the on-trade channel across the region due to the sanitary situation. Structure costs are decreasing by 16%, contributing to 210 basis points to the margin improvement, again, with the continuation of strict operating guidelines and the positive impact efficiencies, initiatives that were put in place in terms of full organization in that region. Adverse FX impact mainly from the Russian ruble impacting our performance in Europe.

Moving now to the net profit. Starting with the earning per share view, so EUR 4.16 for the first half, which is down minus 9%, reflecting the decline in our profit from recurring operations and the positive impact of the share buyback, a buyback that was done in fiscal year '20. So financial expenses from recurring operations better by EUR 14 million vs the previous year, mainly due to the successful debt liability management that we did, starting, by the way, in fiscal year '20. But with as well a very successful U.S. dollar bond debt refinancing back in fall, driving a decrease of the average cost of debt to 3.2% from 3.7% the year before.

Our tax rate on recurring items is now at 23.4% compared to 24.2% in H1 last year due to the reduction in French corporate income tax rate and geographical mix. And we have a decreasing number of shares I was referring to, which is mainly obviously due to the share buyback program that was put in place in fiscal year '20, which has resulted in a share cancellation in this first half of fiscal year '21.

Moving now to the nonrecurring items. So starting with nonrecurring expenses at minus EUR 61 million, driven by a significant reorganization cost, and EUR 54 million. Expenses reflecting the ongoing adaptation of our organization. Nonrecurring financial results of EUR 103 million expenses, mainly due to the one-off costs relating to the early redemption of the U.S. dollar debt to the make whole call in the context of the successful liability management and as well some foreign exchange impact. And EUR 44 million positive tax on nonrecurring items, driven mainly by tax effect on nonrecurring items, notably the deductibility on the make whole call.

If I move now to the group share of net profit, which is minus 6%, reflecting the decline in profit from recurring operations, partially offset by lower nonrecurring and corporate tax items.

Moving now to the cash performance over this first half and the net debt evolution. Starting with the cash flow statement and with the recurring operating cash flow, which amounts to EUR 1.268 billion. So you have to hear all the figures that I suggest to comment to the following slide with a very strong cash delivery in H1, a free cash flow at EUR 835 million, which is plus 46% versus the previous year. So this is due to a recurring free cash flow at EUR 995 million, growing by 59%, resulting from a decline in profit from recurring operations that already commented. Significant improvement in operating working capital requirement due to inventory normalization and payables rebilled versus June, leading to a very strong cash conversion for this first half at 79%. Lower increase in strategic inventories versus last year, mainly reflecting COVID impact and active cash out management with stable CapEx. Lower financial costs, driven by lower average cost of debt at 3.2% that I was already commenting from the P&L point of view, we have the cash benefit here. So again, linked to the successful refinancing of the U.S. dollar bond debt.

A significant reduction in cash tax, bringing an improvement of EUR 103 million, which is reflecting the COVID impact on business profit and as well, differences in timing of prepayment in key geography. Nonrecurring free cash flow at minus EUR 160 million, due mainly to the restructuring costs, linked in particular to the reorganization that we are put in place in France and in our wine business. And as well, financial expenses due to this one-off cost that I commented already the make whole that was paid back in November.

So let's look now at the evolution of our net debt. Our net is 7-point -- close to EUR 8 billion at the end of December, which is translating into a reduction of the debt of EUR 443 million in this first half, thanks to stronger free cash flow and positive FX on our debt. So stronger free cash flow that I already commented, with this improved working capital need, lower tax and financial expenses, partly offset by higher nonrecurring items. We have as well limited M&A cash out in this first half, lower dividend payment versus the previous year, which is reflecting a stable payout ratio. But lower profit last year, resulting from the pandemic impact. Suspension of the share buyback program that we did back in April. And again, a significant positive FX impact of EUR 406 million on our debt, which is mainly due to the euro strengthening versus U.S. dollar.

And now back to you, Alex, for the conclusion and outlook.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Thank you, Helene. So regarding the conclusion, very clearly, our first half reflects the sustainability of our business strength with growth, as you've seen, returning in our must-win domestic markets and with agility regarding the management of the crisis, especially in terms of the way we have managed our resources.

For the full fiscal year 2021, we expect sales to return to growth organically. Thanks in particular to the dynamism of the U.S., China and India. Now that being said, I think it's very important to stress the continued uncertainty and volatility of the environment, in particular, obviously, relating to the sanitary and economic conditions with clearly a prolonged downturn in Travel Retail, for sure, and with continued on trade disruption across many markets.

We will continue to implement our strategy with, as I mentioned earlier, the acceleration of our digital transformation. And again, we will continue to very dynamically manage our resources with strong reinvestments where efficient. And here as well, as Helene mentioned it earlier, we will be back to growth regarding A&P, significant growth as we expect the ratio to be at circa 16% for the full year.

And on that note, I'm passing back to Julia.

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

Thank you, Helene and Alexandre. We'll now turn to your questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we have some questions from the English audience. The first one is from Simon Hales from Citi.

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

A couple of questions, please. Can I just ask about the U.S., obviously, a solid mid-single-digit performance in the first half. I just wanted to confirm that the plus 5% sales number you reported, that the depletion growth was also around that 5% level, i.e., there's no stock replenishment in that number?

And maybe linked to that, could you say something about how your stock levels are generally with your wholesalers in the U.S. at the moment and how that may evolve through the second half?

And then secondly, can I come back to China? I mean, just to clarify, Alex, I think you said in your comments that you sold in for Chinese New Year during Q2. So I assume it's right to assume there won't be any phasing benefit at all for Chinese New Year in Q3.

And again, linked to that, is there any recent anecdotes or feedback you can share from your wholesalers on the ground as to how they're thinking about the running to Chinese New Year this year given some of the press commentary we've seen around regional knockdowns being reimposed and obviously, government advice not to travel over the holidays if at all possible? So any color there would be very useful.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Thank you for your 2 questions, Simon. If I were extremely speedy, the answer to 1 is yes, the answer to 2 is no. So I'll detail a little bit.

So on your first question, yes, underlying is 5% for us. So 5%, 5% in line. Depletions are in line with that number. And regarding stock levels, absolutely normative usually, I would say, broadly normative. They're absolutely normative. They're perfectly in line.

Regarding China, basically -- no, there won't be any phasing. We really phase -- we sold in through our wholesalers in November and specifically in December to make sure we were fully ready for Chinese New Year. Now Chinese New Year is tomorrow. By the way, Kung Hei Fat Choi, for those who are in Asia. Listen, I'll say sentiment from my point of view is cautiously optimistic. Well, it's difficult to say plus to say more because our brands are exactly where they should be on shelves. So the pipe is rightfully filled.

Now the one data, we do not have and that nobody has yet is consumer intake, which is -- which has started to happen a few days ago. It's -- the festive season store is starting today, by the way, and will last, let's say, a couple of weeks. We'll start having real data-driven feedback by the -- at the earliest, by the end of March if not early April. So in the meantime, I would say we're cautiously optimistic.

Indeed, we read the same media. You read -- there are a number of restrictions. I think banqueting, by the way, the banqueting restrictions would make us dream in Europe. I think restrictions are limited to 40 people, in France it is 6 for information. That being said, it's fair to say that normal times banqueting can go up to 1,000 people. So 40 for China is a severe restriction, but the on-trade is fully open. People are going out. There might be a little bit of less domestic traveling as anticipated. So at this point in time, I would say we're cautiously optimistic.

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

That's very useful. Can I just sort of follow-up with one quick follow-on? I mean, obviously, in the first half, you were able to drive -- deliver some operational leverage through the P&L. As we look into the second half of the year, you're obviously going to see a stronger sales recovery. But A&P phasing, stepping up a little bit, maybe structure costs started to come back in. Do you still think for the full year, you'll be able to deliver positive operational leverage or positive organic margin expansion?

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

Okay. So I'll actually just answer that question. As you rightly mentioned, the margin were slightly improving in H1. Having said that the full year '21 is a year of recovery. So it's fair to expect that delivering leverage will be difficult starting with pricing, the environment makes it quite subdued currently, and it's been obviously a key driver for leverage in the past.

We have as well some negative mix coming from a channel format and obviously, the impact of the prolonged downturn in Travel Retail that we believe will remain for the full year based some pressure in terms of costs. As you rightly mentioned, we expect a quite different shape of the A&P for the second half to get to what we believe is the right level of investment toward the full year with this circa 16% indication in terms of ratio.

And when it comes to structure cost, and this one, I would say, you can expect the same cost management for the weeks to come in terms of very strict discipline. But we're going to have a different comparable basis because, obviously, we were let's say, starting probably end of Jan and early February in Asia and Travel Retail and everywhere in the group, end of March, having some very strict as well discipline last year, plus some technicalities linked to the bonus cuts that we are materializing in H2. So all in all, again, probably difficult to deliver leverage in fiscal year '21.

Operator

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

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

I've got 3, please. The factors on the A&P step-up that you're flagging in the second half. Is this largely due to phasing? Or are you seeing green shoots in the business? I mean, what gives you the confidence to have the big acceleration in A&P?

The second question is on Jameson in the U.S., which, as you said, has been held back by a week on-trade where they over-indexed relative to the rest of the market. Could you show you a degree of confidence in Jameson accelerating as the on-trade comes back?

And then the third question is around some of these new launches with Ballantine's Light and Beefeater Light in Spain. I was wondering if you could share some early feedback on that? And does this give you more confidence to roll these brands outside the markets and across other brand franchises as well?

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

So maybe I'll start with the A&P. So -- well, would say it's a bit of what you mentioned. Phasing, obviously, but as well, it's really depending on the dynamism of our respective markets. Because obviously, this is -- this circa 16% is an average. They're going to be very contrasted trends depending on the market.

So we are already in this first half, increasing our investment in some of our key must-win that like U.S., China and India, but India returning to growth in Q2. So you can expect our investment in those 3 geographies to keep accelerating in the second half, obviously, depending on the underlying demands, but that should be part of increase.

And then for the other geographies, this will be obviously strongly as well connected to the on-trade with opening and all the recovery that we will be capturing. So that's what I can say for the A&P.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

And on your question, Ed, regarding Jameson in the U.S. Well, Jameson is clearly overall suffering from its over exposure to the on-trade. That being said, the brand is doing particularly well.

And if you look at off-trade, for instance, if I look at the very latest off-trade panels -- Nielsen panels, which are off-trade, which are quite recent from yesterday, so up to the 30th of January, you'll see that the brand franchise over the last 4 weeks is up 40% of which Jameson Original is up 18%. And basically, Black Barrel is in the mid-20s to 30s. And in fact, to give you a more consistent number. If you look at Jameson off-trade performance since March 7, which is when the COVID crisis hit the U.S., it's up 26%, of which Original up 22%, which means Black Barrel is probably in the 30s.

So this translates a very strong dynamism around the brand franchise. Of course, Original still doing very well. The whole franchise led by Black Barrel, which is great news from a super premium plus and value mix point of view.

And as well, as I mentioned during the presentation, the continued development of Cold Brew, which, unfortunately, but that's a fact of life. We launched, I think, it was a week or 2 just before the COVID crisis. But the brand has been very well received in the market in the U.S.

So of course, as the on-trade gets less disrupted, of course, we believe Jameson will pick up again in the on-trade. Right now, the on-trade in the U.S. is down in the 40s, 50% and is still heavily disrupted. So we're currently focused obviously, our investments towards the off-trade behind Jameson, and it's proving to be the right strategy.

And finally, on Beefeater Light and Ballantine's Light. It's an innovation. I fundamentally welcome, which plays in this lower alcohol-type trend for some people, for some consumers. It doesn't mean that our core consumers, just like the core brands, they're still there. It's just to increase our consumption base.

They've been launched in Spain. But very recently, so it's a little bit early to tell. The one thing I can share with you, which is always the first thing we try and get in terms of feedback is the trade feedback. Our teams on the ground and in particular, our customers have welcomed these 2 new innovations, which are bold innovations because we're using very strong franchises. Beefeater is the market leader with a strong franchise in Spain. So we'll have more information probably our next financial coms meeting. So please stay tuned.

Operator

And our next question comes from the line of Sanjeet Aujla from Credit Suisse.

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

A couple of questions from me, please. Firstly, on the U.S. and coming back to the point on stock levels. I think in your Q4 last year, you saw significant destockings in the U.S., particularly after St. Patrick Day. I guess, given how the channel mix is shaping up over the next couple of quarters, would you expect to get a restock benefit as we look into Q4 this year in the U.S.?

And then just another follow-up on the U.S. Clearly, you're getting strong growth out of tequila, particularly with Avion. But I think you're still under-indexing that category relative to the industry. Do you see that as a gap that needs to be addressed in terms of your sort of long-term ambition to drive growth ahead of the market?

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

So I'll start with the first question on the stock level. So as we mentioned, at the end December our stock are broadly normative everywhere, by the way, but -- and are quite normalized in the U.S. As you rightly mentioned, we had some buyback stock last year in Q4, which was largely due to the, let's say, very brutal stop of the on-trade back in March, which was obviously creating some abnormal level of stock that we try to help normalizing by buying back the stock from our wholesalers.

So what we said, and I think we can obviously confirm that is that you should expect [selenic] whole sell-out for us in the U.S., we don't want to restock. Having said that, the trend for H2, it's a bit early to tell you what it's going to be. There's obviously uncertainty around the reopening of the on-trade. We are going to lap the very significant entry load that took place starting end of March until probably, let's say, end of April. And we don't want to restock. I think that's what I can say right now.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

So regarding your question on Avion. In fact, I'll enlarge it to what I call the agave -- agave-based premium spirits, which is a category which is obviously very dynamic. One of the fastest segments right now in the U.S., where we play with, as you said, Avion, by the way, with the Avion Range, Silver Reposado Anejo and Reserva 44, which is a $100-plus prestige proposition for Avion.

Where we also play with Altos, tequila Altos, which is more in the super premium positioning in the mid-20s in terms of dollars. But as well with some scale brands with the leading brand Del Maguey. And more recently, through a partnership with a Martell brand called Ojo de Tigre.

These -- all these brands are performing very dynamically. Again, if I look at mid-March to now performance. You see Altos that has grown roughly 60%, you see Avion that has grown roughly 64%. And you see Del Maguey that has grown 71%. But you're right, we under-index in this category, which right now is a bit unfortunate because it's a fast-growing one, but we're also present in other categories that are that are quite dynamic as well.

What I'll mention is we are investing. And just to add to one point that Helene said earlier. This is a typical example of where we're going to step up our investments, the tequila in the U.S. media investments, Avion Altos, to accelerate the growth there. And who knows, we will pursue our dynamic management of portfolio. If there are any bolt-on opportunities in agave in the agave space, we'll look at them. We have in the past. By the way, Avion is an acquisition, by the way, Del Maguey is an acquisition. And by the way, Ojo de Tigre is a partnership, but we under-index in the tequila category. That's clear.

Operator

Our next question comes from the line of Laurence Whyatt from Barclays.

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

Three for me, if that's okay. The first one on India. There are a lot of tax increases that went through over the summer. And we're expecting to see an impact of those on pricing, which I understand, went up by about 15% or 20%. Given you've now got growth in India in Q2? Are you seeing any volume impact from that price increase? Or has it been largely just got unnoticed by the market?

The second question, again, on A&P. You mentioned that part of the A&P reduction was due to largely on trade closures. Is it all to do with on-trade closures? Or have there been other efficiencies? And I was wondering if you could quantify how much was down to each one.

And then finally, we're at the half year stage and don't have any profit guidance that Pernod often gives at this stage. But what's holding you back from giving guidance, is that largely due to uncertainties around on-trade in COVID or uncertainties around Chinese New Year? Or what are you looking for in particular?

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

I'll start with India. So as you rightly mentioned, there was some significant increase in taxes, by the way, probably as soon as May at the end of the 6 weeks full lockdown that was put in place in India. We call them Corona taxes. And they are probably a bit lower than last time we talked, we are right now, more talking about the range of -- it's a 10% to 15% impact on our consumer prices because of those taxes that are supposed to be temporary.

And the situation is obviously very different from stage to the other. So this is impacting our volumes in those states. But having said that, as you rightly mentioned, we are back to growth, which is obviously quite positive for the months to come.

The A&P question. So I think, as you mentioned, obviously, we want to be very flexible and agile in terms of A&P investment which means that our spend are really adapted to the environment. You mentioned the on-trade closures, which is obviously one key factor. Another one is Travel Retail. We've been reducing very significantly A&P in the channel, which makes lots of sense. And as you mentioned as well, we are obviously looking for efficiency. And to be sure that our spend is done where it makes sense from a strategic point of view. And effectiveness and as well, obviously, in terms of ROI.

By the way, our digital transformation is going to help and is helping already in key markets to really drive efficiency from our A&P investments. Maybe back to you for the guidance, Alex?

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Yes. Well, we gave a guidance. It's just not a number guidance. The reality is, to be fair, well, actually part of our guidance is that the environment is still uncertain and volatile. The sanitary situation, as you can see, is far from stabilized, and there have been recent new lockdowns.

As I mentioned it earlier during a question on Chinese New Year, it's still too early to have a clear view on Chinese New Year. We're cautiously optimistic. The vaccines deployment is taking time. So I think it would be more prudent to share with you a guidance at some point in time when we'll have enough visibility to give you a reliable indication. Until then, we need to focus on managing through the crisis on one side and keeping on our transformation agenda on the other. But overall, again, I feel quite comfortable navigating without a guidance because of the, frankly, demonstrated resilience of the business fundamentals.

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

Understood. And just as a follow-up on the A&P question. It looks like if we were to get back to the sort of 16% level of A&P throughout the year we would need somewhere in the region of around 18% of sales A&P in the second half, which would be well in excess of anything we've seen post the changes in IFRS. And given you mentioned the on-trade closures and Travel Retail reduction have been an impact. Those are likely to remain in place for much of the first half. Why do you think you are going to get back to that 16% level, which, as I understand, is your long-term expectation for A&P despite the fact that there's going to be so much on-trade closures and Travel Retail impact throughout the second half of this year?

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

Well, first, I would like to say, we mentioned circa 16%. It's not a target. It's more an indication of what could be the shape of the A&P for the full year. So obviously, there's a lot of phasing between H1 and H2. So we know already some of the activations that are going to take place in the weeks to come.

As you mentioned, obviously, the intention is not to spend in a market, which would be very much on-trade exposed if the on-trade is in a very severe restrictions. So it's depending on our brand strategy in the different markets. We are back to growth in 3 out of our 4 Must-win markets and in significant growth in China and in strong growth in the U.S. But already, let's say, to a great place to invest behind our brands to keep strengthening the equity of our brands and deliver our Transform & Accelerate strategy in those places.

So it's a circa 16%, which we believe would be a fair assumption of the what could be at stake for the full year with this activation to take place in H2.

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

All right. We will take our final 2 callers, please.

Operator

Our next question comes 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 coming back on the U.S. You mentioned you did 5% in the first half. And you mentioned that you had a trade mix that impacted because it came below what we saw from your peers. Could you remind us what the percentage of on trade?

But more broadly, in a dynamic market in the U.S., what is your expectation for market growth in the second half, sorry, yes, in your second half, you alluded to a tough comp in April and March. So just wanted to have a bit of a steer on what you think the market growth will be?

And my second question is on digital. You said the growth was up 63%. Hopefully, it's an easy one. But could you remind us how big now digital was in H1 of this year? And what percentage of sales it represent in China and the U.S.?

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

I'll start with your question in the U.S. So maybe just to clarify our share in terms of trade and on-trade exposure to both channels. And I'm going to give you figures pre-COVID.

So what we mentioned by the, let's say, over-indexed to be on-trade is this translation is that we are probably, let's say, 25% on-trade, 75% off-trade, where the market is probably more, let's say, 20% to 80% in terms of split between channels. So our performance is in line with the market by channel.

And we believe that the off-trade channel is probably growing, let's say, in the 20s, very strong growth. And we are at least in line with that performance, and the on-trade is probably down in the 40s. And that's what we are as well delivering in terms of performance. That's where we get to this plus 5% being translation of this performance in line by channels.

When it comes to your second question, which is what to expect in terms of trends for the market in H2. So that's obviously a very good question. So well, first, I would like to say it's too early to tell. There's still an uncertainty, obviously, around the reopening of the on-trade in the U.S. As we said before, it's probably half of its capacity in value terms right now, but there's very significant differences between states. And obviously, let's do expect depending on the sanitary evolution, vaccination campaign and so on, so uncertainty there. Plus the fact that the markets, and so will we, will be lapping this pantry load, I was referring to. So too early to tell. That said, this is a very resilient market with strong structural trends.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

And regarding your question on digital, we don't share the exact numbers, but what I can say is digital is still approximately less than 5% of our total business. That being said, with 63% growth, it is -- it has been anyways, our fastest-growing channel for a number of years, which has more recently accelerated.

And again, China e-commerce at this stage is still much bigger in proportion of our business than is e-commerce in the U.S. for our business. But you see China has grown 46%, the U.S., 84%. And what complexifies even further giving -- sharing data from that point of view is that the part of the business we do in e-commerce varies or can vary quite significantly from one brand to another.

And just to give an example, e-commerce in China is one of our #1 channels for Absolut as a brand in China. But -- so this is where we stand at this stage. And of our total e-commerce business, more than 95% is indirect. So B2B2C and less than 5% is B2C. These are the numbers we can share at this stage.

Operator

And our final question comes from the line of Jean-Olivier Nicolai from Goldman Sachs.

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

I got 3 questions, please. Firstly, you mentioned a lower tax rate since French corporate tax rate is going to continue to come down towards 25% by 2022 should we assume a further reduction in Pernod Ricard tax rate and you perhaps quantify it?

Secondly, in Europe, structure costs came down significantly in H1. Could you perhaps give us some example of what you've done and how much of this reduction structure cost is here to stay compared to what we'll reverse? And are there any cost benefits from your beautiful headquarters in Paris?

And just lastly, just a quick follow-up on the guidance. Could you perhaps -- could we expect an organic EBIT guidance in March, similar to what you have announced last year when actually the EBIT was much, much lower. I think it was around the 20th of March. So could we have perhaps a bit more visibility and a guidance before your Q3? And as we come out of this crisis, are you still comfortable with the Transform & Accelerate ambitious targets of 50 to 60 bps EBIT margin improvement.

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

So maybe I'll start with the question on tax. So you're perfectly right. The tax rate in France is announced to decrease over the years. For us, happening a bit later because of the timing of the closing of the fiscal year in June. So we are benefiting from the reduction from 34.4% to 32% in this fiscal year. And we expect tax rate for the year, which would be around -- for the group which will be around 24% to 25%.

Obviously, difficult to already anticipate what would be the exact geographical mix in the current environment. So it would be even more difficult to predict what would be the evolution of tax rate over the years despite this change of the French tax rate because, obviously, we are -- we in many other geographies, where the tax rate could be evolving. So I cannot give any more flavor for the, let's say, the midterm in terms of tax rate.

Structure costs, so down in Europe, as we mentioned, they are down everywhere. It's fair to say that the decrease in Europe is quite significant. And this is, again, the combination of 2 things: reorganization that are delivering significant savings. And in those figures, you have France and the Reconquête project that was fully implemented 1st of July. And as well, very strong discipline in all the other geographies. So for the one that are here to stay, I would say, obviously, those reorganizations have been done and will deliver their savings. But as well, the improvement in our performance because this is all about accelerating, especially with our reorganization in France, and the name of the project is self explanatory, Reconquête.

And for the -- obviously, other impact linked to the very strict discipline. This will be as well, obviously, changing, depending on the context, meaning that this, let's say, guidelines in terms of equipment freeze, salary freeze and full travel ban will obviously change when the situation will normalize.

For the island, thanks for the compliments. This is a beautiful place, I agree, but this is as well a great investment from a financial point of view, but this is, I would say, at least neutral compared to the cost we used to have. As you may know, we have regrouped teams from many different location in Paris. We have a -- so the headquarter, but as well some of our Pernod France teams, EMEA LATAM regional teams, Martell Mumm Perrier-Jouet. So all the teams are now back together, I would say, will be back together as soon as we can all go back to the office with a nice, let's say, stabilization of our cost.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Maybe on your last 2 questions. First of all, on giving a guidance. In March, we have no plans of sharing with you at this stage, a guidance in March. That being said, please mark your calendars for March 9 there is the North America conference call with our CEO of Pernod USA, Ann Mukherjee. I think it will be a very, very interesting call from our largest dynamic market, the U.S.

I mentioned earlier on that, for instance, if I take Chinese New Year, as an example, we will only have the real consumer impact data at the earliest by the end of March, if not at the beginning of April. And obviously, Chinese New Year is quite important for us. So at this stage, no plans whatsoever to give a guidance in March. And by the way, I don't know what we'll do for Q3, to be honest, we'll see by then.

And finally, on Transform & Accelerate our framework and the profitability ambition we have around Transform & Accelerate. Let me be very clear, our ambition is unchanged. So we still aim to implement our T&A strategy medium term. Of course, certain trends have been emphasized regarding convenience, home delivery. So with a very specific, I think, underlying question you asked regarding leverage. I'll go back to what Helene said earlier, don't expect this fiscal year. But of course, when our growth framework is back into T&A intervals. Remember, 4% to 7% and so on and so forth. You should expect this to deliver leverage, of course.

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

Ladies and gentlemen, thank you, Alexandre, thank you, Helene. Please stay safe, and we look forward hopefully to seeing you soon at some point.

Operator

Ladies and gentlemen, that does conclude your conference for today. Thank you for participating. You may now all disconnect. Thank you.
