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PERP.PA - Q3 2024 Pernod Ricard SA Corporate Sales Call

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## PRESENTATION

### Operator

Good morning. This is the conference operator. Welcome, and thank you for joining the Pernod Ricard third quarter sales call. (Operator Instructions) At this time, I would like to turn the conference over to Ms. Florence Tresarrieu, Global SVP, Investor Relations and Treasury. Please go ahead, madam.

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### Florence Tresarrieu - Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury

Thanks, Odette, and welcome, everyone, and good morning. So we're very pleased with H el ene to welcome you to our Q3 FY '24 sales calls. H el ene is going to start with a few opening remarks, and then we're going to jump straight into Q&A. (Operator Instructions) H el ene, over to you.

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### Helene de Tissot - Pernod Ricard SA - EVP of Finance & IT

Thank you, Florence. Good morning. Good morning, all, and thanks for joining this Q3 sales call today.

So I guess you've been reading the press release published on our website this morning. Today, we are reporting a robust performance for the first 9 months. We've been improving momentum at Q3, with organic net sales stable. Organic net sales for the first 9 months are at minus 2%. I'm pleased to highlight that volumes in Q3 are back to growth at circa plus 1%, which is a strong positive signal after 4 consecutive semesters of decline. This includes, by the way, growth on our strategic international brands also at plus 1%.

The strength of our diversified premium international portfolio and our broad geographical footprint, balanced across regions and between mature and emerging markets, enabled us to largely offset contraction albeit for very different reasons in U.S. and in China. Our performance year-to-date is robust as we have now exited the post-COVID supercycle in most markets, with normalization now largely completed outside the U.S.

So please allow me to first highlight the strong performance in some of our key markets, beginning with India, one of our Must Win market, as you know.

So as indicated, at H1, we expected to see an acceleration in momentum. And that is what we report today, with India growth of plus 8% in Q3, leading to plus 5% year-to-date. So growth is strong, broad-based and accelerating with a strong consumer demand for spirits, with continued and sustainable trends towards premiumization and an overall strong performance of our strategic international brands, like Jameson, Absolut and The Glenlivet, but as well on our Indian whiskeys.

Moving now to our second must-win market, Global Travel Retail, which is also improving, with a strong growth for the portfolio, notably Jameson, Martell and our Scotch repertoire, sustained by an improving sellout momentum. So Global Travel Retail is growing 5% year-to-date and enjoyed a very strong Q3 at plus 39%, with this Q3 growth amplified by phasing, which is both a catch-up on H1. You remember we are highlighting negative phasing in H1, and sell in ahead of Q4. So Q4 will be as well lapping the quite elevated comparison basis.

We have as well enjoyed strong growth year-to-date in a number of other markets, notably Japan, Germany and Turkey, and an accelerating performance in Q3 in Spain, Brazil and South Africa. Europe is proving particularly resilient at plus 1% to date and plus 4% in Q3, if we include Russia. This is driven by strong growth in Germany, Poland, and as well broadly stable in the markets of Spain and France. Asia-Rest of World, excluding China, is particularly dynamic, with strong growth in India in global travel retail as I just mentioned, and in Japan and Taiwan.

Africa and Middle East continues to deliver a very good performance, notably Turkey, where the performance of Chivas, Ballantine's, but as well Olmeca is outstanding, and in South Africa and Nigeria, in particular, with Martell and Jameson.

So let's move now to U.S. and China, 2 of our must-win markets that have contracted this year, albeit for very different reasons, I must say.

So the U.S. first. We have reported a net sales of minus 8%. Starting with our sell-out performance, the 9-month sell-out performance is rather stable vs the H1 sellout at circa minus 3%. Our ambition to accelerate sequentially is taking a bit longer in the current context.

And this is because the market is experiencing very aggressive price promotions after a soft OND. We are addressing this through our agile and data-led Revenue Growth Management, supported by our Key Digital Program Vista Rev-Up, ensuring that we protect the long-term strong equity of our brands. We have as well accelerated our activations, notably on Jameson, which has enjoyed the highest marketing investments ever made by Pernod Ricard USA, ahead of St. Patrick's Day, but as well strong activation on our newly acquired brands, namely Jefferson's, Código and Skrewball. The market continues to normalize with the consumer demand remaining resilient currently at circa plus 1% to plus 2%, though below its normal long-term growth rate.

So with regard to our net sales in the U.S., they continue to be impacted by ongoing inventory adjustments, as you know, mainly at retailer level in H1 and starting in H2 more so at the wholesaler level. We are closely monitoring inventory levels together with our wholesalers, and we expect inventory adjustments to continue over the coming months and into fiscal year '25.

In China, where we enjoy a strong leadership position, our performance both to date and in Q3 reflects the challenging macro environment, which is negatively impacting consumer sentiment. This has led to a weak CNY with some down trading, although depletion volumes grew. The performance of Martell Noblige is solid and our premium brands, Jameson, Absolut, Olmeca and Beefeater are as well enjoying strong growth. Given Q4 is traditionally a small quarter, and in addition, we are facing elevated comp this year in Q4, performance in China for the full year can be expected to be quite similar to the year-to-date performance. So looking at the full year for fiscal year '24, and while the environment remains challenging, we are confident in delivering dynamic Q4 net sales, improving versus 9 months and leading to net sales growth broadly stable for the full year, as already mentioned in summary for our H1 presentation.

We have confidence in the positive momentum for Q4 as in most markets, we have exited the post-COVID supercycle, which provided a difficult comparison basis. Normalization is largely completed outside the U.S. And our return to volume growth in Q3 is an encouraging signal. We are lapping last year's price increases, with those new products now anchored in the marketplace and in the mind of the consumer. This accelerating momentum is visible already in Q3 in many markets, and I mentioned them a minute ago and is expected to continue.

Let me as well highlight the efforts on brand activation in our markets, supported by consistent A&P investments and leveraging our key digital programs for improving effectiveness. So we expect to deliver organic operating margin expansion in fiscal year '24 as we continue to focus on revenue growth management and operational efficiencies with A&P at circa 16% of net sales and disciplined investment in structure.

I will use the opportunity of our quarterly sales update to precise our organic profit from recurring operations guidance at circa plus 1%.

We remain very confident in the attractiveness of the global premium international spirits market and in the long-term demographic and consumer trend tailwinds that sustain demand.

That concludes my opening comments. And now Florence, I think we can open the line for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) The first question is from Andrea Pistacchi with Bank of America.

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

Two questions, please. The first one, if I may, on your operating profit guidance. You've opted to deliver 1% for the full year. I think you need something like about 10% in the second half organic EBIT growth, which implies quite meaningful margin expansion. Now you just touched on some of the factors. Revenue growth management obviously, tight cost control, but considering also the headwinds that you have from the soft performance in the U.S. and China, which are high-margin business, could you maybe give a bit more color on the confidence you have in delivering this margin expansion and really what the drivers are?

And my second question, please, is on China. I was hoping that you could put a bit more color on the 12% decline in China, given also the easy comp that you were up against. Is this a reflection of soft underlying demand, which, of course, is soft? Was the decline compounded by some distributor destocking after the Chinese New Year? And sort of connected to China, if I may, your premium international brands are growing strongly actually in China, Jameson, Absolut, et cetera. What do you think explains the very different performance versus cognac? Is it the channels are exposed to the smaller base of these brands? Or is there anything else?

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### Helene de Tissot - Pernod Ricard SA - EVP of Finance & IT

Andrea, I think you have probably almost 10 questions in your 2, I would say it seems, but let me try to be a little bit efficient here. So first question on the guidance and what it means for the distance to go. I'm sure you will understand that I'm not going to detail out to you what could be the P&L in Q4 to achieve the guidance. What matters is what has been the strength of the performance so far and the visibility can give us an ability then to push in the guidance for the full year. So first, I will start with the first line of the P&L, and then I will stop.

Obviously, to deliver our guidance, we will have some acceleration from the top line in this Q4, which, I guess, I will not be about it to come back to, but which is the, I would say, continuation of strong acceleration, which is already happening in quite a few markets that I listed in my opening remarks. For instance, just to name, India, with a strong acceleration expected in Q4 after a strong 9-month performance. But it's not only going to be India story, there are many other markets in a good top line trajectory as we speak. We're going to face more favorable comps as well. If you remember, last year in H2, our volume started to be impacted by the full implementation of price increase. And now this is already well anchored into the market. And so we are sighting to an extent, more favorable comp.

For the rest of the P&L, I mean, we've been, as you know, protecting value, protecting gross margin quite consistently in the recent past. So you could expect that to materialize for the full year. And this is thanks to optimization strategy, to sizable price increases that we put in place and for

carryover this year of last year price increases, mainly operational efficiencies that are helping to limit the impact on our cost of the inflationary pressure coming from different drivers. A&P, there's always some taking from one quarter to the other. And what matters is that we have and we continue to have strong ambition in terms of brand activation. And when it comes to discipline in structure costs, obviously, this is something which is as well going to support the bottom line delivery for the year.

So moving to China. So maybe let me use that question to say that, I guess, there could have been some different assessments of the comp in Q3 or Q4 in China. It's not always very easy to read. First comment, - and we were clarifying that, I suppose, in the February call - there is no phasing impact, timing impact of a later CNY in Q3 because there was already sales happening in December. So this, in a way, to some extent, is not supporting growth in Q3 numbers. Then if you think about what was last year situation in China, Q3 was made up of very different things.

Beginning of Q3, meaning January, 2 weeks February, as you remember, this was the peak of COVID contamination, so very low performance and consumer demand everywhere. But then a quite dynamic post-CNY and post-COVID, I would say, rebound, especially when it comes to wedding and off breaks has supported good dynamic on them, plus the recovery of the on-trade. And we are cycling that, this year into Q3. So I would suggest that what matters is what is the situation in China for the year and probably incurring 9 months and what to expect in Q4 rather than focusing up on the quarter. Because anyway, as we were expecting, the consumer demand is impacted by the weak macroeconomic environment.

We were cycling a quite high month, and that's the main driver of the H1 performance. This time, we are cycling a lower CNY, for sure. But as I just said, quite a dynamic post-CNY last year, which is not happening to be very clear. So CNY this year is weak, it was expected and it's not better than expectation. And post-CNY effect.

So your last question, I think, was related to trade inventory in China. So as you know, we're not commenting trade inventory on a quarterly basis. But to be fair, we were expecting, as I just said, quite soft CNY. So the trade inventory right now I would say, are okay.

And what matters is that, as usual, we're going to focus on landing the year with a healthy level of trade inventory. So when you think about the decision to go in China, Q4 is always a kind of a low quarter. Otherwise, mentioned in my opening remarks, we expect the full year to be quite similar to the year-to-date performance.

And yes, I think it was the final question on the premium brands versus cognac, because that's something which is growing quite strongly in China. Premium brands meaning, Absolut as well Jameson, and tequila, with the Olmeca brand has performed well.

So it's true that despite the difference in terms of moments of consumption, we are recruiting new consumers, new generation with those brands that are as well more affordable, quite dynamic in broad, I would say, dynamic channels like, for instance, Western Style brands, like health and so on. And obviously, as well much less exposed to festive season. So great performance of those premium brands. By the way, this is something that, as you know, we identified as a strong opportunity already a few years back. We had a special -- specific team supporting the addition of those brands that have been built already more than 5 years ago, and which is doing a great job.

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## Operator

The next question is from Simon Hales with Citi.

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

So two for me then. Florence, can I start off just on the U.S. So I wonder if you could just give a little bit more color around the inventory adjustments you've seen in Q3? And I think you said in your remarks you expect that to continue into Q4 and possibly fiscal '25 as well. Is that right? And how do I think about the scale of ongoing wholesale inventory adjustments as we move through Q4 and beyond? So that was the first question. And then maybe coming back to, secondly, the guidance overall for the full year in terms of top line. Clearly, you're still guiding to broadly flat organic sales growth. I think that probably means you need to do mid- to high single-digit group sales growth in Q4.

If I take what you said on China trends continuing for the full year at a similar rate than what we're seeing for the 9 months of around down 10%, shall we say, probably still a double-digit decline in the U.S. That's probably 1/3 of your markets but is still declining double digits in Q4. And that means the rest of the business probably needs to be growing mid-teens plus to get you to flat for the year. I'm just trying to reconcile that given, you still book a drag at Russia in Q4. You've got tough comps in Europe. What markets are really going to massively accelerate in the fourth quarter to get you to that flat full year organic sales growth delivery?

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**Helene de Tissot** - Pernod Ricard SA - EVP of Finance & IT

Okay. Thank you. I was about to say I'm going to start try to answer faster, but your question is like quite long as well, but very relevant, of course. So let me try to answer them. I'll start with the first one, which is about the U.S. inventory. So obviously, a hot topic. We were expecting inventory adjustment to continue in H2. This has already quite sizable in H1, mainly at retail level for all the reason you know that I can remind you. It is, first the good news is that there is no more supply chain tensions. So I would say no need to be on a higher level of inventory to face whatever supply chain disruption that we had in the past.

And second, which is obviously a key driver of inventory adjustment, the high interest rate environment. I'm sure it will not be a surprise for you to know that we are probably now in what I'd call higher for longer interest rate environment compared to where we were a few weeks ago. So this is as well I would say supporting our expectations for inventory adjustment to keep happening. So we are focusing strongly on the inventory levels. Obviously, we are working quite closely with our wholesalers and distributors to adjust the inventory level to the new reality of the market that I just described.

When you look at our numbers in these 9 months, just mentioning, for instance, the gap between the net sales and the sell-out, which is roughly 5 points for our portfolio. This is obviously largely linked to trade inventory reductions, even in this part of year as well some phasing from 1 month to the other, especially because of, I would say, some technicalities in March. So trade inventory adjustments are occurring at wholesalers and retailer level. Again, retailer level, notably in H1. And that we expect the conditions that are leading to those inventory management, including as well wholesalers, to persist, as I just said, meaning cost to carry and reduced supply chain risks. So that's why I was mentioning in my opening remarks that you should expect inventory adjustments at wholesale level to materialize in H2 and as well in fiscal year '25.

Second question, yes, distance to go, especially on top line. So this was a very detailed question. I think I covered already China. When it comes to comparable basis, I think you mentioned tough comps in Q4 in Europe and in other geographies. Globally, and without giving you a guidance on every market, we are cycling a favorable comp in Q4, obviously, not in China. But in many other markets, this is becoming to be more favorable because of the volume slowdown last year that was materializing post price increase implementation. So, and it's not only technicalities as I said, the 9-month performance is made of quite a different trajectory in many markets that are growing with acceleration in Q3. And by the way, the volume growth in Q3 is not anecdotal. I think it's very good weeks below of metrics data in the coming weeks.

So as I mentioned already, India accelerating in 9 months. We expect a strong Q4 in India. Global travel retail is improving, with a very strong Q3. So there will be some adjustment in Q4, but that will not change the trajectory, which is a good momentum, improving in travel retail. Again, and if you want me, I'm happy to list all the markets that are performing strongly, and that will continue to perform strongly in Q4 for instance Africa and Middle East. But as well, Asia, excluding China, Central and Eastern Europe and as well improvement in some LatAm markets, like Brazil.

So maybe the last market that I didn't cover is the U.S., but I did it when I did the first question. But please keep in mind as well that the comp which could look high because of the growth last year in Q4 was a growth, but versus quite low Q4 in fiscal year '22, which, as you know, was quite disrupted by supply chain tensions. So very decent picture from Q3 to Q4 from this year to '22. So confidence in that ability to deliver that performance for the full year, which I believe makes lot of sense when you look at our performance in the 9 months.

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**Operator**

The next question is from Sanjeet Aujla with UBS.

**Sanjeet Aujla** - UBS Investment Bank, Research Division - Analyst

A couple from me, please. I was wondering if you could just elaborate a little bit more on your prepared comments around the pricing and promotional environment in the U.S.? Can you just talk a little bit more about which categories and price points where you're seeing that more aggressive activity? And just give us a little bit more context on how you're adapting to that? So that's my first question. My second question is on India. You called out growth acceleration in Q3, upbeat expectations into Q4. Can you just clarify that you're now lapping the loss of the Delhi license and perhaps give us an update on where you are with that situation as well?

**Helene de Tissot** - Pernod Ricard SA - EVP of Finance & IT

Thank you. So the pricing promotion in the U.S. So that's true that this is something which has increased in the recent weeks, after what was a soft O&D that we were already highlighting in our H1 numbers. As you know, we've been quite, I would say, bold in our price increase that we took in the recent past everywhere, but as well in the U.S. We are as well improved quite significantly in terms of our ability to implement very efficient promotion, and we are tracking that with our key digital program.

But the context is, I would say, a bit more aggressive than it was at the end of the year. So we are adjusting our promotional intensity to make sure that our brands are well positioned to attract, obviously, consumer choices. So we do that with, I would say, agility, of course, but as well disciplined and effectiveness, thanks to our key digital program. So what you can expect from our brands in the coming weeks is, first and foremost, strong activation, both in terms of I would say, marketing investments but as well revenue growth management initiatives.

Second question on India. So maybe let me clarify. India acceleration is really -- the translation of very strong fundamentals in that market where we've been, as you know, performing quite strongly for more than 20 years. We have a very strong portfolio, both in terms of Indian whiskey brands and international spirits that are both performing quite strongly. And this is why we are confident in our ability to accelerate as well in Q4 in that market. The go-to-market impact of Delhi is not anymore in a comparable basis starting in Q2 this fiscal year. So no more as well, as you have seen in Q4.

**Operator**

The next question is from Sarah Simon with Morgan Stanley.

**Sarah Simon** - Morgan Stanley, Research Division - Former MD in European Equity Research

Yes. I just had a question on marketing. You've obviously said you're going to maintain A&P at 16% for this year. Given you've lost share in the U.S. and it's still a large market, even if less important for you than some others, I'm just thinking more broadly. Do you still think you can hold A&P at 16% for fiscal '25 and beyond? Or do you see any need to actually increase spending?

**Helene de Tissot** - Pernod Ricard SA - EVP of Finance & IT

Thank you. So first, let me clarify 16% is a leverage number at group level. Just to help you guys having some visibility on what to expect in terms of investment. And as well, obviously, which for us is very critical to demonstrate that we have strong ambitions to build a very strong equity across the world to obviously, say, support great ambition in the future. So 16%, again, it's at Group level. It's higher in the U.S. If you remember, we are close to 20% in H1 in the U.S., which materialized strong activation, acceleration of activation, in that market, which, as you just said, obviously, it's a very key market for us, #1 market for the sector and the mobile market as well for us.

So you can expect this acceleration of activation in the U.S. to continue in the coming weeks and in the coming months. So without taking too much risk, I think that's a fair statement as well as our fiscal year '25. So maybe just to say to elaborate on that, we are very, I would say, dynamically allocating our resources across the markets, meaning there is a strong focus on prioritization of the U.S. market, but not only on the U.S. market.

And we are well, obviously seizing any opportunity depending on the current dynamics of the market to reallocate our money behind the right strategic priorities. So it's not I would say a static picture that with which we start the year and then we stick to the initial plan. We are adjusting that continuously, especially in an environment which is as volatile as it is right now.

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**Operator**

The next question is from Edward Mundy with Jefferies.

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

I appreciate it's probably a little bit too soon to be talking about fiscal '25. But just coming back to some of the commentary from the H1 conference call, about potentially being within the range of that guidance - not guidance but that framework of 4% to 7% range. What do you think are the building blocks to get there, perhaps the Russia headwind fading off, maybe some of the destocking comes to an end. How do you think about getting towards that range and really building on that inflection or a thing in the third quarter into fiscal '25? First question.

And then second of all, I mean, historically, you've delivered margin expansion, 50 to 60 basis points. When you're delivering within that range of 4% to 7%, yet this year, you're still getting some margin expansion despite more like flattish revenue growth. Do you think into fiscal '25 you need to be within that 4% to 7% range to deliver margin expansion? Or do you think if you were slightly below that range, you'd still be able to get margin expansion as you've done within fiscal '24?

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**Helene de Tissot** - Pernod Ricard SA - EVP of Finance & IT

Okay. Ed, I'm a bit embarrassed because it's very difficult for me not to tell you, sorry, but I can't answer any of those questions. So let me try to help. But first, and I'm sure you're not surprised, we are not going to guide on fiscal year '25. This is a Q3 call for fiscal year '24. And we have a chance to talk to the guys soon enough to give you as well more visibility what to expect in fiscal year '25. So I'm sure you will understand. But your question, which are basically, I would suggest more around midterm framework trajectory, both in top line and operating leverage. It's something that I'm sure you noticed. We are reiterating again today. We did that already in the H1 communication, which means that we believe that I would say, in the dynamism of the sector.

But on top of that, the relevance of our strategy and the consistency in the execution of that strategy everywhere is giving us strong confidence in our ability to deliver the midterm framework, which is, as you said, top line between 4% and 7%, aiming for the upper end of the range with some operating leverage of circa 50 to 60 bps. So this is a midterm trajectory. It's not trying to guide for fiscal year '25. But as you were rightly highlighting, I think that when you look at our performance in the recent past, post-COVID with a supercycle, with very high inflation. And now in this normalization environment is giving us confidence in the ability to deliver that metalwork in the near future.

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

Got it. And I know it's difficult for you to answer the first one, but perhaps I should ask a different first question. So on Global Travel Retail, which is very strong in the third quarter. To what extent can that continue into the fourth quarter?

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**Helene de Tissot** - Pernod Ricard SA - EVP of Finance & IT

So yes, Ed I'm sorry, the sound is very bad, but I hope that I got the question right? Your question is on Q4 in travel retail, right?



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

Yes. It was very strong in the third quarter. Does that continue into the fourth quarter? Yes.

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**Helene de Tissot** - *Pernod Ricard SA - EVP of Finance & IT*

Yes, yes perfect. So there will be some I would say moderation because obviously, Q3 is super strong. And again, they were in Q3 some catch-up of a negative phasing in H1 and probably some as well positive phasing that happened in Q3 that is what would have been Q4 sales. But as you know, in travel retail, this is largely depending on the timing of the orders coming from our customers. So that would mean that there will be some negative impact in Q4 of this positive phasing in Q3, but what matters, because I don't think we should spend too much time on what's happening from one quarter to the other, is that the performance in travel retail is improving.

By the way, when we look at the consumer demand momentum, it is improving, even if, obviously, this is only slow, but gradual recovery of Chinese travelers so far. But as you know, we were already back to pre-COVID in all the other geographies at the end of last fiscal year. Key markets for us. Our brands are very well exposed to that channel. This is a quite dynamic one, a very profitable one a must-win market. So we have strong ambition for travel retail in the near future, but there will be some negative phasing in Q4.

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**Operator**

The next question is from Trevor Stirling with Bernstein.

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

Two questions from my side. Hélène, one is you very kindly gave us the split between shipments, depletions and sell-out for the 9 months in the U.S., could you just confirm what that was in Q3? And secondly, perhaps more importantly, is coming back to the sell-out trends in the U.S., do you see any inflection at all in either the market sellout or your own sell-out trends in the U.S. as you got to the end of Q3 and so far in April?

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**Helene de Tissot** - *Pernod Ricard SA - EVP of Finance & IT*

Yes. Thank you. So I'm not going to give you the zoom in Q3 numbers for selling, sell-out and depletion in the U.S. I hope you understand. And I think we are already very transparent on those numbers. But what I would like to highlight is that, first, there is some impact in the month of March. I mean everyone has noticed this difference of delivery days between March this year and March next year. I don't think we should spend too much time on that because anyway, this the positive impact in April, but the fundamentals of the market, as I was alluding to this more aggressive promotion context is not helping to materialize the improvement in the sell-out performance that we are aiming at for our brands.

This is obviously the ambition. And we are working hard to make it happen, not only from a firepower point of view, as I was mentioning with a stronger A&P activation, but as well in terms of focus of the execution of our strategy that Conor McQuaid, our new CEO in North America was -- had the opportunity to elaborate on a few weeks ago. So a focus on execution, more activation, newly acquired brands that are now going to perform -- contribute to our organic performance as we speak. So there's a lot happening in the U.S. that are strengthening our confidence in our ability to improve the performance of our brands in the near future. So I think that was the only question.

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**Florence Tresarrieu** - *Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury*

And just we're going to take 2 more callers, please.

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**Operator**

The next question is from Laurence Whyatt with Barclays.

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

A couple of questions for me, please, both on China. Just wanted to understand how dynamic you can be with your ODV purchases? Just sort of in a scenario, I think you continue to believe that China is going to deliver close to double-digit growth for the next 15 years, at least that's what Alex said on the first half conference call. In the event that, that didn't happen, and we saw a continuation of this weakness to slightly longer or perhaps tariffs were to come in that could potentially impact the market, how dynamic can you be with your ODV purchases, of course, I would assume that you need to make decisions on brands like Noblige, Cordon Bleu, XO these sort of things many years out in order to be able to produce the product in the event that China was slower, does that cause an issue for your purchasing of ODV and are those contracts long term? Can you get out of them any earlier? And then secondly, of course, we've all seen the news of flooding in Guangdong over the past week or so. Have you seen any direct impact from -- of that on any of your operations or any consumer confidence in that area?

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**Helene de Tissot** - *Pernod Ricard SA - EVP of Finance & IT*

Okay. Thank you. So first, I think, obviously, it's not a good year in China and that's thing too and then that's part of the reason that everyone understand, which is that there is a weak consumer confidence. And that is directly linked to the weak macroeconomic environment. So the performance of Martell in that context is I would suggest quite understandable, especially because, as you know, this is a brand, which is very strongly exposed to festive season. And this, by the way, is something that we are very proud of because this is linked to the very strong position of Martell in a very, I would say, dynamic and exciting category, which is cognac in China.

So for us, when it comes to eau-de-vie strategy, the only thing I'm happy to share with you is that you should know that this is a very strong competitive advantage, having been able to build a strong inventory thanks to very strong relationship with our partners in cognac, which is a key barrier to entry and competitive advantage for the coming years to support the strong addition of Martell, again, which is in the very strong leadership position in China. I would suggest to stop there, by the way, this is a Q3 call. So I'm not sure I have the time to elaborate if that can be a supply strategy. But again, Martell is a great brand and the supply behind Martell is as far as a key competitive advantage.

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**Florence Tresarrieu** - *Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury*

Can we take the last question?

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**Operator**

The next question is from Jeremy Fialko with HSBC.

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**Jeremy David Fialko** - *HSBC, Research Division - Head of Consumer Staples Research of Europe*

So just a couple of questions from me. So the first one, quite a difficult question of a country or cocktail cabinet inventories in the U.S. I know it's something where kind of anecdotally, we hear about it but I wanted to know whether you've been able to do any more detailed work as to whether consumers are still sitting on kind of excess spirit inventories at home and whether you have a particular view on this topic and the extent to which it is holding the market back? And then the second question is on the price mix element of your growth and how you see that evolving? Obviously, that was slightly negative in Q3, you'll be lapping more price rises in Q4. And just wondering when one looks at the sort of the mix component of your business in terms of China being weak Travel Retail will be strong, but not as strong as Q3. How would you see the price mix element of your growth evolving and whether you think that's likely to stay negative over the balance of the year and potentially into '25?

**Helene de Tissot** - Pernod Ricard SA - EVP of Finance & IT

Okay. So I'll start with your second question. And first, again, sorry, I'm not going to comment what could be price mix for fiscal year '25. So the negative mix that we have right now in our numbers is, I believe, exactly what you were mentioning in terms of key drivers, which is market mix because obviously China and the U.S. are very profitable markets. So when those markets are under contraction and India is growing strongly this has a negative impact when it comes to mix, even if we are, again, very happy to see India growing, which is a key market for us. When it comes to your first question about U.S. consumers and what about stock at home. Obviously, we don't have full visibility on that. But I guess the pantry loads you were referring to were already if I'm not wrong, 4 years ago. So there is some limits to what people are stocking at home. So I would suggest that probably means that there's no impact to expect on that front in the near future because it's probably over with, again, low visibility. Thank you very much.

**Florence Tresarrieu** - Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury

Thank you so much, keep safe.

**Helene de Tissot** - Pernod Ricard SA - EVP of Finance & IT

Bye-bye.

**Operator**

Ladies and gentlemen, thank you for joining. The conference is now over. You may disconnect your telephone.

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