Remy Cointreau Full Year Results

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Marie-Amélie de Leusse: Good morning, everyone, and thank you for being with us this morning for Rémy Cointreau full year results. I'm here with Eric Vallat, our CEO, and Luca Marotta, our CFO. '23-'24 was definitely a challenging year. We are operating in a complex environment as well as facing several headwinds at the same time. After a period of erratic stop and go in shipments due to restrictions on logistics and the constrained demand in the US during Covid, we have been facing a sharp normalisation of consumption coupled with inflation and its consequences, notably a fiercely promotional market. More generally, we believe the world is entering in a new economic phase with the global slowdown in consumption, while China has not yet fully recovered post-Covid, contrary to general expectations. But this is not the first time in our long history that we are facing challenges and we are well armed to navigate periods of uncertainty such as now. We are fully focused on managing this volatility. '23-'24 highlighted our forceful efforts to deal with destocking in absolute value. This is not over yet as underlying demand has not yet recovered. '24-'25 is a year of transition that will allow these adjustments to be completed. More importantly, these difficulties have not changed our long term vision. On the contrary, by challenging us every day, they push us to demonstrate even greater agility and innovation as showcased by our large portfolio of innovations and the changes we have made in our commercial structures both in the US and in Europe. Our corporate culture, our strategic vision, our team's passion and dedication are our best assets. We have every confidence in the ability of our teams all around the world to constantly innovate and renew themselves and to carry our values of excellence even further, and we thank them very much. I will now let Eric take you through the full year business review. Eric, the floor is yours.

Eric Vallat: Thank you, Marie-Amélie and good morning, everyone. Thank you for joining us today. It's now my privilege indeed to take the mic and to share with you our progress on our strategic journey and our overall results. Luca will then go further into detail as usual.

And before sharing with you our results for '23-'24, I would like to provide a quick overview of the year. There is no argument that '23-'24 was a very challenging year, but a year that also saw some positive achievements and progress. Starting with China on slide five now where our Chinese teams have done a tremendous job, as evidenced by our resilient results in a complex market, with the value depletions growing at a low single digit, representing an increase of more than 75% compared to '19-'20. Rémy Martin won market shares plus a 0.5, which means a plus 2.1 versus 2019, and also reached an important milestone by gaining market share in XO 0.3 points for the first time in a good while. This result crowns a year of in-depth work to revitalise Rémy Martin XO, a crucial driver of profitability which offers huge potential over the medium term despite current headwinds on the high end. Rémy XO market share remains very low, especially when compared to its awareness. So together, these results reflect the solid execution of our teams in China throughout a year full of initiatives including, for instance, a meaningful and numerous innovations, as you can see on the slide, and an efficient communications and activations plan.

I am now moving to slide six. In the US, the group is facing strong headwinds including a destocking, inflation, increased promotional activity and, last but not least, a sharp normalisation in consumption. Impacted by VSOP, this has led to a loss of market share from last year for cognac, while Cointreau and The Botanist continued to grow their market shares.

However, despite a chaotic short term situation, we are staying the course and resisting the temptation to take short term measures that could undermine the potential of longer term value creation. Strong price consistency is a prerequisite for building desirable brands, and I am convinced that this consistency will allow us to emerge stronger from the current crisis. Guided by this same desire to maintain a long term vision, we have also continued to invest in our brands, certainly in a more selective and more pragmatic way; but short term turbulence encourages us to pursue our communications roadmap. With the 20% of our sales allocated to A&P in Americas, we have increased our A&P spend by six points versus '19-'20.

The slide seven now shows that besides our two main markets, '23-'24 has been marked by a sharp recovery in travel retail, which recorded a plus 40% growth compared to last year and exceeded '19-'20 figures for the first time. And second, a huge number of product innovations launched most likely a historic record for the group, meaning the highest number of innovations. This is important for two main reasons. It contributes to brand desirability, and it shall hopefully fuel '24-'25 growth with a full year impact; strong growth in e-commerce as the third axis with a 20% growth, which now represents 14% of our sales worldwide, driven by China. And finally, the good resilience of our regional brands and the acceleration of our incubator brands, which, at their own level, will ultimately contribute to the diversification of the group on an organic basis. A few words now on slide eight on CSR. It is obviously a key priority for the group and has remained so despite the current context. We have continued to invest behind our CSR actions and the transformation of our business model. As a result, our total carbon footprint is down 15% versus last year following a decline in volumes distilled as well as a number of actions all along the value chain. Further removal of the gift boxes, lightweighting of bottles, more train transport, more biofuel and cleaner cargos, and the supply chain side, and finally increased circularity by replacing our bottles by 4.5 litres ecototes. So, thanks to our partnership with the Ecospirits. We have also made progress on embarking our farmers into regenerative agriculture, thanks to the deployment of local programmes called the Collectives of Regenerative Agriculture. With these programmes we form – we individually support all our partners into the transition. It is about lifting the brakes for our farmers into this transition and contributing financially. Three programmes have already proven successful and two were launched early 2024. Lastly, we have worked on a water stewardship plan in order to structure and accelerate our adaptation and commitments in that field. We have identified three areas of progress and action; water quantity, water quality, and water regeneration. With regards to quantity, we are pleased to have reduced our water consumption by 20%, almost, 19 to be precise in '23-'24. But we want to go further and improve our water use per litre of spirits produced. Thus, we set ourselves a target to reduce it by 20% by '20-'30.

I am now on slide nine. As you've seen from the press release this morning, our full year '23-'24 results are in line with our expectations bottom line despite a meaningful decrease in sales. Back in April, you saw our sales numbers down 19% on an organic basis, which represents 16% growth versus '19-'20. In terms of profitability, COP decreased by almost 28% organically, which is a plus 35% compared to '19-'20, leading to a deterioration of three points in COP margin at 25.5%. This result reflects first a slight deterioration of the gross margin versus a record base of comps, and on the back of an increase in production costs and a negative brand mix effect. Second, it reflects the implementation of a wide cost saving plan of 145 million versus 100 million expected, which Luca is going to detail a bit.

The slide ten gives me the opportunity to remind you of our full year sales numbers by division. I will be quick, as they were already detailed by Luca in April. Cognac declined by 25% organically versus last year, up 6% on a four-year stack, and liqueurs and spirits recorded a 4.6 decrease versus last year, but a plus 47% versus four years ago.

On slide 11. Now, just a word on the regions. The slide shows that while Americas continued to be impacted by a major destocking, APAC and EMEA demonstrated resilience. Consequently, Americas declined by more than 39%, down 4% versus '19-'20. APAC posted a 2% growth, representing an increase of 51% versus four years ago. And finally, EMEA was up 0.7% organically, which is an almost 8% growth versus '19-'20.

Let us now focus on the cognac division profitability whose key figures are summarised on slide 12. COP margin decreased by almost four points organically. Beyond the sharp decrease of the top line, the organic change reflects an erosion of the gross margin compared to a very high base of comps on the back of the increase in production costs, partially offset by the price increase achieved in April '23, and a positive mix effect linked to the underperformance of the SOP. In parallel, the group maintained a high level of investments in A&P, stable in sales ratio alongside a more targeted approach. And finally, control the increase of the cost structure, thanks to the execution of a drastic cost savings plan, which made it possible to reduce the cost base by 16% for the cognac division.

Let's now have a look at the liqueurs and the spirits division profitability, whose key figures are encapsulated on slide 13. COP margin increased by 2.7 points organically. This evolution includes first a strong increase in the gross margin by 1.2 points on the back of the price increase achieved last April, which offset a moderate inflation in COGS. Second, some gains on A&P ratio, which remains at a high level, more than 26% of sales, up four points versus '19-'20; and lastly, a disciplined management of a structural of our structural costs.

To conclude this first part on slide 14, let's take a moment to share where we stand today on our ten-year journey. As you can see in this slide, we achieved a very strong progress on gross margin and have almost reached our '20-'30 target. '23-'24 gross margin is slightly down from last year but remains very high, well above what we were targeting internally when we drew up this roadmap. On COP margin, our beat is less impressive, obviously, but with a 25.7% margin in '23-'24, we are still above '24-'25 target. This slide is very important as it comforts us in our strategy aimed at maintaining a long term vision to create value. More importantly, this means that despite the headwinds experienced in '23-'24 and the transition that we plan to undertake in '24-'25, we are still on track.

Let me now pass on the mic to Luca, who will take you through the more financial slides.

Luca Marotta: Thank you Eric. Now let's move on detailed analysis of the financial statements and begin with the full year income statement. Profit or loss. So as already mentioned, organic sales were down 19.2%, i.e., up plus 16.2% versus '19-'20. On that basis, gross profit decreased by 20.6% in organic terms, implying an organic deterioration of 1.8 points in gross margin at 71.2% from a very high base, as gross margin is already up by four points since '19-'20. Sales and marketing expenses were down 15.4% on organic terms, reflecting a stricter control of our costs and a more selective approach in the second part of the year on A&P. Within this total, A&P specific expenses decreased by 20.1% organically in line with our sales more or less and remained at very high level of 21.4% in sales ratio. That means plus 3.5 points

compared to '19-'20, or, in term of increase, plus 39% compared to four years ago. This was necessary to continue to fuel brands and to grow their awareness and desirability. This evolution reflects a more targeted approach in our regions in H2, particularly in the cognac division, as well as our decision not to broadcast a Super Bowl ads this year on a national scale. Within this total or total of A&P, most of the spending came from the above the line part. So what is above the line? I remind you classic media, digital and PR, which accounted for around 50% of which 60 were digital. So consequently 60-50 around 30% of our total spend A&P were digital. In parallel, distribution costs decreased by 7.1% organically, which is mean organic decrease of 5.5, so a massive one, on a full year basis, showing a very solid control of our cost base. Administrative expenses decreased by 18% on organic basis. This resolution on year on year reflect the optimisation of our overhead costs in response, in answer to the current economic condition that I will detail later. All in all, operating profit was down 27.8% on organic basis and down 29.1 on a reported basis after taking into account an unfavourable currency impact of limited one, however, of €5.7 million. Beyond high comparatives, this decline reflects a steep decrease in sales, clearly, partially offset by a drastic reduction of our cost totalling €145 million. On a full year basis, COP operating profit is up plus 44.9%, and COP margins stood at 25.5, down three points on organic basis versus last year, but clearly up 340 – 3.4 points versus four years ago.

Now let's move to the more synthetic analysis of the group current operating margin. As said, it was down 2.3 points as reported, reaching 25.5%. This breaks down into an organic decrease of 300 basis points and a positive currency effect of 0.7 points. The organic deterioration of the COP margin reflects the deterioration of the gross margin, alongside a stable A&P ratio and a strong reduction in absolute value of our distribution and structure costs. In more details in terms of sales ratio, gross margin was down 1.3 points from a very high level affected by COGS inflation and a negative brand mix effect, partially offset by a positive price effect. Second point A&P ratio was almost stable at 21.4% of sales, as already mentioned, a very high level. Third point talking about costs overheads, the ratio of the distribution of structural cost was up 1.9 points on the back, clearly of the sharp decrease of the top line, partially offset by a drastic control of our costs. So we didn't beat around the bush or, as we say in French, we didn't use the back of the spoon to take all these points in absolute value. Compared to '19-'20, the ratio is clearly showing down, showing slowing and showing a down of 2.9 points.

Slide number 18. As announced last October, beyond stimulating our sales performance, we have decided to mitigate the impact of this short term headwinds with a very pragmatic approach on cost targeting around 100 million of cost savings. This was the guidance in November. Thanks to a strong, disciplined execution of this plan, we clearly over-achieved and reached 145 million on a full year basis of savings, of which, which is important to highlight, 45%, so slightly less than 50 than alpha, are structural. In parallel, so the consequence, is the 55% of total savings are one off and will automatically reverse in '24-'25 profit and loss. But what there is inside this saving? Let's start with manufacturing logistics, which contributed to around 20% of the total saving. All of them, all of them are structural. We stand, we remain in the baseline and reflects not only some effort optimisation in logistics, for instance, the launch of new products to maximise space use inside the containers. And on top, we realised long term lasting savings inside the production cost field packaging, raw materials, manufacturing cycles, and procurement proceedings. Second by nature, the point tackled was the A&P, which represented around 45%, more or less the alpha of the total savings. This has to be split in one

off savings spread across the globe, mainly in the cognac division, with, of course, a bit more emphasis on the US market. Here the objective, as Eric highlighted, was to protect below the line point of sale specific expense and to be more selective on above the life spends. Second, part of that were structural savings, mostly linked to the non-renewal of the same Super Bowl pattern, which corresponded at the time, one year ago, to an investment opportunity made in the context of exceptional growth. Third point, the most interesting one is in terms of financials, in terms of rigidity is linked to the overheads that represented around 35%, a little bit more than one third of the total savings. The main part here is one off savings and included overheads, savings linked to the variable compensation benefit, travel and expenses and fees freeze and cut. Structural savings were also embedded in integrated optimisation made in our organisation, mainly in US and Europe.

Now let's get a look at the remaining part of the income statement. Starting with other non-recurring operating expenses that stood at $12.8 million in 22,004, to be compared to 3.1 million last year, and net financial charges increased from €17.6 to €38.5 million this year as guided. I will detail them in the next slides. Talking about taxes. The reported tax rate decreased from 28.4 in '22-'23 to 27.4, one point less, reflecting the positive evolution of the geographical mix such as the rebound of travel retail worldwide. But excluding the non-recurring items, the effective tax rate is to be considered at 27.1% in '22-'24, to be compared to 28.3, apple to apples. At this stage, we expect the tax rate to slightly increase in '24-'25 to land around 28%, so more or less one point more. As a result, net profit group share came in at €184.8 million. That means minus 37.1 on a reported basis, i.e., a net margin of 15.5%, down 3.5 points on a reported basis. But on a clean basis, excluding non-recurring items, net profit came in at 194.8 million, down 34.3% on a reported basis. Net margin, excluding non-recurring items is higher, stood at 16.3%, down 2.8 points on a reported basis. Last but not least, financial is very important. Reported earnings per share came out at 3.64, down 37.1 on a reported basis, but 50% more than '19-'20, five-zero more. Excluding non-recurring items, clean EPS stood at 3.84.

Now a word on the analysis of the non-recurring items, which is something quite unusual for Rémy Cointreau at that scale. The reconciliation table between net profit excluding non-recurring items. You have to split that in two components. €12.8 million of net charges, which mostly include non-recurring costs linked to reorganisation implemented in the US and in Europe, EMEA, and plus 2.8 positive effect or positive non-recurring tax items linked to this charge. So the net-net tax shield included is 10 million. That's the reconciliation. Inside this cost of restructuring out of tax effect, we can split of more or less 7 million on the US, EMEA for more or less 4 million and other projects done on Bruichladdich on a whisky on Islay for 2 million.

Now a very important slide that is approaching cash flow. And we start before that with this impact on income statement, which is the net financial expenses, which were a charge of 38.5 million in 2024, to be compared to a charge of 17.6 in 2023. I have to remind you that it was clearly anticipated since June of 2023, this specific point. So despite the huge increase, the guidance was clearly perfectly spot on. And maybe it is a slightly bit on that. Net debt servicing costs were up in absolute value, reflecting a context of rising interest rates and the renewal, as we have seen, of certain long term credit lines, such as the issuance of 380 private bond placement, with an average ten-year maturity and an average cost of 5.58%, and the renewal

29 of March of the revolving credit facility for an amount increased to 180 million on a maturity of five years. So in a word, we increase the maturity of our lines. So despite the increase in the interest rate, there is more coherence between the long term asset and long term liabilities. As a consequence, our cost of debt was clearly up, on average, specific net debt on monthly basis from 1.7 to 3.8%. At this stage, we expect, we guide our '24-'25 financial charges to increase by around 10 million, corresponding to the integration on a full year of the 12-month basis of 380 million private bond placement. As a reminder, it was booked only pro rata temporis this year. Only six months in '23-'24. Net currency decreased from a loss of minus €2.5 million last year to a loss of 2 million. These charges, I remind you, are non-operational linked to the hedging or intra group financing. Finally, other financial expenses stood at 4.8 million in 2024. Now a very important spreadsheet, which is the cash flow generation and net debt. Free cash flow generation stood at 13.8 million in '23-'24, compared to 48.6 million last year, i.e., a negative variance of minus 34.8 million. This evolution clearly is linked – reflects a sharp decrease of the EBITDA, which was partially offset by two major elements. First of all, an improvement of the totally working cap items outflows. So a positive cash effect of €50.5 million, which need to be split between a decrease in the – on the working capital flow related to eaux-de-vie and spirit in ageing process, a cash effect positive one of €35.7 million and why that was driven by a lower increase. So not a decrease, a lower increase, I insist, in eaux-de- and bulk purchases. On top of high comps, our purchases in eaux-de-vie and our manufactured volumes were slightly lower this year. And a decrease, second point, over the other working cap items outflows for around 15 million, 14.8, mostly driven by a decrease of the account receivables, clearly in line with the slowdown of the activity and following '22-'23, which witnessed an increase.

Second element way to explain the free cash flow generation is the decrease of 52 million of the tax outflow. Why is that reflecting a lower level of profit? In the meantime, long term investment, cap investment flow were slightly up for 5.3 million and included some investments related to very important strategic matter like CSR, manufacturing, storage sites, IT and e-commerce, hospitality infrastructure and retail network. In parallel, out of free cash flow, other cash flow outflow items strongly decreased by more than 100 million, 105.1. This was largely driven by the absence of the share buyback programme this year, and, to a lesser extent, a slightly higher level of early redemption of the OCEANE. So it is 50.8 million, 23.24 versus 42.9 million last year. This was partially offset by the increase of the cash dividend versus last year. Delta on that point is 41.7 million. As a result, in terms of net debt end of March 2024, our net financial debt stood at 649.7 million, so up from 536.6 last year. A ratio is up from 0.84 last year to 1.68. So still very, very moderate and more than under control.

So now let's move to a technical spreadsheet which is very important for you. And also -- and we – I highlight more or less every quarter. The group reported a negative translation and translation impact of respectively €57.2 million on sales and only €5.7 million on operating profit. This mainly reflects the evolution of the US dollar and Chinese renminbi. But inside that, the Chinese renminbi that has totalled losses and US dollar was partially positive. As you can see, comparing the two elements, the delta it is -- the profitability is more or less 10%. It is lower than the rest. In other words, our hedging policies protected clearly than the natural consideration of that. A little bit more technically, we face the deterioration of the average euro dollar and euro renminbi translation over the period, which came out at respectively, 1.08 per euro compared to 1.04 last year, and 7.79 compared to 7.14. But in terms of average edge

rates, the situation is a bit different. Improved at 1.10 on US dollar. That's the reason why I explained you before versus 1.11 last year but deteriorated at RMB 7.59 for 10-cent Euro versus 7.38.

But now it's more important to talk about the future '24-'25. Assuming a conversion rate of 1.09 on euro US dollar, a €7.75 CNY, as well as an edge rate 1.08 for dollar or 7.80 in Chinese yuan, we anticipate an impact as highlighted negative between minus 5 and minus 10 million on sales, with a third of that factor recorded in H1. And on the upside side, a positive impact, I repeat positive effect between 3 and 7 million on operating profit, mostly driven by a positive factor in H1. So two reversed effect between top line negative, bottom line positive, two different phasing. As you can read on the slide, the forex sensitivity by currency is clearly shown and the evolution of euro US dollar, also RMB exchange rate remains very volatile. We will continue to update that with you every, every quarter. At this stage for '24-'25, we already covered 80% of our net US dollar exposure, of which around 40% on option. And for the RMB, we have covered as well 80% of our net Chinese RMB exposure, of which around 60% a bit more of option. So after this long explanation of forex – but I know it's important for you for your model, let's move on the overview of the balance sheet with total assets and liabilities. The total to 3.37 billion, up 184 million compared to last year. On the asset side, global inventory increased by 147 million to reach 1.96 billion due to the purchase of young eaux-de-vie as well as an increase over level inventories in the current context. Inventories account for around 58% of total assets, slightly up in term of weight compared to last year. On the right side, on the liability side, shareholders equity is up by 90 million, mainly driven the positive evolution in net income and the early redemption of the OCEANE, the convertible bond for 50 million. This has been partially offset by the payment of the cash debt dividend. Net gearing, so the group's net debt to equity ratio, was up clearly over the period from 31 to 35, reflecting decrease of our financial debt.

Now let's talk about profitability, about the employed capital, which is still important for long term company. Clearly there is – our ratio came in at 15.5 in '22-'24, down 8.9 points, more or less nine points on a reported basis and down 8.6 points in organic terms. These include organic decrease of nine points in the ROCE of the group brands and negative swing, even if not important in absolute level value of the partner brands ROCE. The ROCE evolution, like that, the strong decrease is the result of the clear asymmetry between an organic increase of 11.2% in employed capital, therefore, the long term, and a strong decline of 27.8% in operating profit as the Group continues to invest for the future despite a challenging context over the short term. This is particularly the case for the cognac division. Its ROCE declined by 11.2 points organically to reach 16.9 on the back of an increase of 10.4% in employed capital and a COGS decline of 33%, so clearly an asymmetry there. In '22-'24, the group continued to invest in aging inventories and CapEx for cognac, sticking clearly to its long term strategy. Likewise, the spirit division, ROCE increased clearly, so it's a very positive result by 0.6 point to reach organically 14.6%. But the needle, mathematically speaking, is clearly more on the cognac side. This evolution reflects continued investment beyond our brands, with employed capital being up plus 13.4% organic, alongside an increase of 18% on COP on operating profit on the back of a solid improvement clearly on the gross margin.

A word on the employed capital, but the slide is quite self-speaking. Overall amount increased by 200 million overall, mainly split on organic increase of slightly lower – 197.2 and a positive

currency impact of 3.9 million. On the organic side, 11.2% year on year increase in capital employed reflected strongly in aging inventories. 60% of this increase, CapEx more than ten as explained and earlier – and other inventories. So basically most of the increase is linked, I repeat, most of the increase is linked to long term investment. There is a discoloration, but you cannot judge that at the same time with the same perspective.

Last slide. Last slide. Not live slide, for myself. Moving to the yearly dividend. Given the short term headwinds and our confidence for the coming years, an ordinary dividend of €2 per share with the option of payment in cash or share, will be put to a shareholder vote of the General Assembly on 18th July 2024. Subject to approval by shareholders, ORPAR has informed the controlling, holding – has informed the Group that they will ask for the dividend to be paid entirely in share, demonstrating clearly its confidence in the group's future growth. For your information, share will be trade ex-dividend on July 24 and dividend will be made payable starting the 1st of October 2024 as usual. Overall, total dividend equates to a pay-out of 52%, five two, based on a recurring EPS of 384 and the mathematical yield, it is of 158% on the considered – on the average share price of the fiscal year, which was €126.38. So now let me hand back the mic to my boss, Eric Vallat.

Eric Vallat: Thank you Luca. Let me now share with you the outlook for the year to come before we take the questions. And before that, I would like to give you some colour on what is happening and what our plans are in the markets. I have no doubt questions will come after but let me try to wrap up our thoughts in the next ten minutes or so. Starting with the US on slide 29. This would be no surprise. As most of you know, we have implemented a new organisation in the US with the aim of gaining in efficiency while adapting to the context of – and saving costs. While reducing the overall staffing by 10%, we have focused mainly on four priorities. Priority one, reduce the number of layers to gain in agility initiatives and commitments. Number two, mirror our distributors footprint to empower our teams who are now accountable for the full P&L. This makes sense in a three tier system market to make sure our commercial teams share the same scope and the same objectives as our distributors, it will help anticipate and coordinate activations with a way more efficiency. Number three, while acknowledging the specificities of the three tier system, of course, also complying with its rules, we made sure we strengthened our set out approach by gathering under the same umbrella key accounts on and off trade, as well as a team of 24 in-house ambassadors and 35 distributor specialists dedicated to our portfolio nationwide. Number four, lastly, as you know, we are leveraging our Commercial Excellence programme to accelerate the growth of our non-cognac brands. On top, we have adapted our incentive scheme to our distributors.

Let us now look at our plans in the US beyond organisational matters on slide 30. We are, of course, in the process of activating a 360 boost plan on VSOP. We have always said that we need VSOP volumes to invest in the upgrade and in the value strategy. Having said that, life was a bit easy during Covid, let's be honest, and we did not activate enough VSOP while increasing our prices this year. You will witness more product animation and below-the- line activities in a number of key cities and states to support VSOP. And I would like to remind you here that VSOP is a creative gross margin-wise for the group. We are going to work on the desirability also to support the 375 centilitre, which is a great format to recruit in times of inflation. And it was a bit left over during Covid. But we are not going to decrease its price. So what do I mean by smart pricing for VSOP? I mean ensuring that distributors are focused on

VSOP by incentivising them. I also mean no price increase this year to take into account the lower pricing power. And lastly, I mean recommending a smart retail price bearing in mind psychological thresholds. This will not impact the average price ultimately, as it would mean a price decrease in some markets but an increase in some others. The increase will take a bit more time than the decrease, but this is the result of an in-depth analysis of our sales. Of course, these developments should not be performed and will not be performed at the expense of the upper range, which remains the most strategic in the long run, with focus on 1738, XO and of course, Louis XIII. As you can easily imagine, we will keep focusing on proven levels to keep developing successfully the rest of the portfolio beyond cognac and more particularly Cointreau, The Botanist and Buichladdich as well as Westland and Telmont, whose growth this year has been very strong in the US. Let's make sure we build on the momentum there.

This slide also gives me the opportunity to highlight that innovations this year is also designed to help address new occasions. As you can see with XO Night addressing on trade, of course, whose launch in prestigious clubs in the past few months has been a real success. Last but not least, with our new organisation in the US, we have opportunities to grow further in on trade and e-commerce to more resilient channels. Our new organisation has been designed to help there as well.

Let's now move to slide 31 with a word on China. China recovery post Covid has been disappointing. As said, here, I speak macroeconomically as well. We achieved less than anticipated ourselves in '23-'24, but we managed to grow in depletions thanks to the continued success of Club. Our XO also gained market share, but on a price segment which has been negatively impacted by the environment. We believe our investments through innovation, e-commerce and local activations behind XO will pay as did our investments behind Club. It's a question of time. We have two strong SKUs we can build on, and VSOP is very small for us in China, highlighting an opportunity in less high end venues than the ones we are targeting with Club and XO. We are fortunate to have a best-in-class team in China, which is not a given and which helps activating various levels to grow our business. First, we have always been smaller than our competitors in on trade – in on trade, which is an area of focus while it slowly recovers from Covid. Clubs have turned into live music venues, which are more cosy. It means probably less consumption in quantity, but not necessarily in quality once China starts recovering. We have a very comprehensive and dense plan to keep growing our e-commerce – e-commerce business, building on a team whose knowhow and relationship with the key players is a true asset and a competitive edge. Third, like in other regions, we are deploying our Commercial Excellence programme. This programme also addresses the need to leverage our capabilities for our entire portfolio beyond Rémy Martin at a moment when the cocktail begins to break through. This is a longer term, lastly, but we have an opportunity beyond the south of China in the tier one and tier two cities to grow our cognac business. Our commercial footprint is less than our competitors and represents an important white space to grow in the coming years. Last but not least, '24-'25 will mark an acceleration of the transition of Louis XIII towards a more retail direct model, meaning an omnichannel approach targeting the end clients. We have developed tools and reorganised ourselves in China, mirroring the high end watch brands to go one step further. This has driven a lot of innovation in the approach to the end client that we will leverage with Rémy Martin, like the creation of a real, fully integrated consumer data platform, for instance.

One last word on the rest of the world. I am on page 32. As we rebalance our geographic mix, and in particular in EMEA, in April, we put in place a new organisation structure to ensure we can seize opportunities faster and build stronger relationships with our distribution partners. We now have four business units headed by two developed markets managing directors and two future growth markets managing directors. We have also strengthened our marketing capability with new marketing directors in three of the four business units. Short term, we see high growth potential in the UK, France and Italy, and medium term in South Africa, Nigeria and more longer term. But we are working on it, India. In Asia Pacific, we expect – so excluding Greater China, we expect Japan to continue to grow, driven by high value inbound tourism and also a strong appreciation for luxury brands from Japanese consumers. Telmont champagne, for example, has demonstrated a rapid growth and we believe it will continue to grow fast in Japan. In the United Arab Emirates, UAE, we believe that the gradual opening up of the markets such as Saudi Arabia, the reduction in sales tax last year in Dubai and Abu Dhabi, and the casino sector entering the Middle East in 2026, create potential for high growth for our brand portfolio in the hotels, restaurants and catering, and of course GTR airport and duty free channels in the long run. Finally, India will take time, albeit demonstrates high potential for bottled in Origin as the demographic fundamentals are very positive. However, India remains a market with high barriers to entry and a hyper complex route to market and to the end consumer. So as you can see, the challenging environment is also taken as an opportunity for us to challenge ourselves and to evolve our organisation, which we believe will help in the long run.

I am now moving on to slide 33, the last one before the outlook. I would like to summarise our mindset and our approach in the current context. It is all about managing short term with agility and pragmatism while protecting mid and long term with steadiness. We are currently facing headwinds and visibility is low, so our priority in the months to come is to protect volumes while not compromising on the value strategy. Hence the VSOP boost plan as described the very dense innovation pipe and our investments behind growing channels, namely D2C, e-commerce and travel retail. In a challenging environment, to afford a strategy whose focus is more on medium and long term than short term, we are also adapting our organisation to reduce our costs and to improve our efficiency. Meanwhile, the value strategy is confirmed in the long run. Our portfolio will in part be driven by scarcity. And more importantly, although inflation is undermining the purchasing power of our customers in the past month, the trend of drinking less but better is not challenged. When given the choice for a given budget, two thirds of our consumers would go for higher quality rather than more drinks, a trend visible across all countries. This is why we are determined to pursue the value strategy. But this can only work if we add more value to our products and if we boost their desirability. Adding more value means innovating on the high end like we did with Bruichladdich 18 and 30 years old launch or the aged Botanist range. Adding more value means strengthening our sustainable approach. Adding more value also means increasing prices selectively where we can. Growing desirability involves everything you see in the bottom right part of the chart. I'm not going to list them all, but I would like to share about our new digital factory more particularly. Within the development of our digital strategy, and to align further with market trends, our objective is to get closer to our customers, leveraging our digital ecosystem. To achieve this acceleration, the creation of our digital factory empowers and supports our brands on their unique digital strategy by embracing their DNA and supporting implementation in markets. Ultimately, the goal is to

develop customers' engagement and to boost our e-commerce sales with the aim of achieving 20% of our total sales in 2030. I would now like to conclude on page 34. Despite a sharp fall in '23-'24, we continue to exceed the milestones set for our ten-year strategic plan. '24-'25 will be a year of transition, and '25-'26 will mark a resumption of the trajectory and targets set for '29-'30. High single digit annual growth in sales on average and on an organic basis, a gradual organic improvement in COP margin. In a complex environment with limited visibility in our main markets, we anticipate a gradual recovery in sales in '24-'25, with H1 negatively affected by continued inventory adjustments in Americas, a high basis of comparison in APAC and mixed consumption levels in EMEA. In this context, the group is determined to use tight cost controls and its value driven strategy to protect its profitability while continuing to make the investments needed for tomorrow's growth. In '24-'25, the Group will build on the resilience of its gross margin, thanks to a measured selective rise in prices amid moderate inflation. We will also build on the normalisation of A&P sales ratio at a level much higher than the '19-'20. And lastly, a tight control of overheads to offset most of the rise in costs resulting from the reversal of temporary savings achieved in '23-'24. I would now like to thank you for your attention and we are now happy to answer to your questions. Thank you.

Questions and Answers

Opearator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. We'll pause for a moment to allow everyone an opportunity to signal for questions. We will take the first question from line. Edward Mooney from Jefferies. The line is open now. Please go ahead.

Edward Mundy (Jefferies): Good morning, Eric. Morning, Luca. Thanks for taking the questions. Thanks for the presentation. I've got three, please. the first is just a very big picture question. It's not the first time in your long history where you've seen challenges. I mean, the 2013-2014 period of anti-extravagance was arguably even more severe. When you take a step back and you compare and contrast the current period to back then ten years ago, how do you think about the differences and similarities, and ultimately, what gives you confidence that we're going to see a similar recovery in the coming years, as you saw following that period back in 2013-14? The first question.

The second question is really around this sort of US VSOP boost plan. Just any early feedback on how it's being received by wholesalers, retailers and consumers.

And then the third question, perhaps for Luca. You know, clearly you're trying to balance the long term with the short term. Could you talk about some of the initiatives to help protect margins as you go through the course of this coming financial year?

Eric Vallat: Ed, one technical point, we had some technical problems to understand clearly your question. So the second one is very clear, US VSOP. So please, to everybody, if you try to formulate that because we have a very bad sound, unfortunately, today here in a very synthetic and straight to the point way, clearly, because we have a really some problem in term of sound today. Sorry. Sorry to bother you with that.

Edward: So the first question, just to repeat, 2013-2014, you had a severe impact on your business. Yet you recovered. How do you think about the similarities and differences in the current environment relative to 2013 and '14, and ultimately, what gives you confidence that we're going to see a similar recovery? That's the first question.

And then the third question is what measures are you taking to help protect margins in the current environment as you balance both the long term and the short term volatility?

Eric Vallat: I will answer the third one on savings and –

Luca Marotta: Yes. Okay. And sorry, Ed. Question to the VSOP boost plan. What was exactly the question? Sorry about that.

Edward: Yeah, the exact question was how is it – any early indication of how it's being received by wholesalers, by retailers and by consumers?

Eric Vallat: Okay. So – Okay. Thank you. So sorry. We are – in our budget concern, we are doing in-house for the first time. So we are going to improve time after time. And I guarantee you that having you repeat the question is not a way to gain time and have less questions. We'll be happy to take them all. So just answering your – the two questions that are for me. First, on the US VSOP boost plan gives me the opportunity to insist on the fact that we've always said that VSOP is a key pillar, definitely. So there is no change in the strategy there. But of course, while we want to grow faster the upper grades, we need to support short term VSOP. It's early to say because this 360 is just being implemented now. And as you know, in the US, things take time before they are fully implemented. What I can tell you is that in the States where we have started the 360, we do have positive signs in some – in one of the two states, we even have turned positive on VSOP. Now, it's been only a few weeks and I would not draw conclusions on this. I am convinced that the whole will have a positive impact. I have no idea of the magnitude. And of course, as you can imagine, the plan is well received by our distributors. That includes also a well-received part on the idea of the 375 because in fact, when you look at VSOP, this is where we have lost the most in market share and in sales, it's the 375. While it's a good format in this inflation time, and that's why we believe it's a format that deserves some more activation.

And on the point one, which is what makes us confident on a similar recovery, well, first I have no crystal ball, crisis were different. And actually, I would probably more compare what is happening now to what happened in 2009 than probably in '13-'14 because '13-'14 was for us a very difficult time in China. While we are quite resilient in China today, the overall environment indeed is not helpful. But on trade is only 10% of our business today. It used to be 45% in China, and it was less profitable business. Today it is only 10%. So for instance, there are some anti-lavish and measures taken against on trade from time to time in cities with closures and so on. But the impact for us today is little because on trade is only 10% of our business. And we are confident in our new model Louis XIII. So it's more the global environment than the specific measures against high end that we saw in '13-'14 that are, let's say, a concern. Having said that, again, we have a great team and great plans in place and still a geographical expansion potential in China, which is huge. On the US, it's a bit of a different story. I think that, first, we don't see a lack of desirability for our brands. This is not what we witness; except on VSOP, which we have to again activate and which we haven't activated properly. Second we don't see in every survey we make and so on. And I shared some of the figures, but for sure,

the trend of drinking less but better is the one that is going to last and even recover. Question is when exactly, of course. But the future in our business is not made of more volume at lower prices. It is made of flat or less volume, but at better prices, because people want to treat themselves and they pay more attention to quality. And the younger you are, the more it applies. So I am confident in the fact that it will recover. It's hard for me to say when exactly. As you can see, we anticipate from a second semester also because our comps will make it easier. Lastly, and I'm done, don't forget that once the trends start reversing, even if it's not a crazily positive, it has a kind of exponential effect on our sell in, which we will have to monitor, by the way, because our stocks are high in number of months, but in fact they are low in absolute value. So the date starts reversing the trend, the impact will not be negligible for sure. Luca, maybe you want to take question three?

Luca Marotta: Yes. Let's talk about saving and giving more colour, because I understand that some points need to be clarifying at this Q&A. So let's take the question in another way, if you allow me. We clearly beat the 100 million guidance – 145. So what is made for this 45 bits in the H2? It made of 18 million in A&P to be adjusted also to the fact that the net sales were in the lower range of the guidance, minus 15 to minus 20. And these are one off; and 27 on overheads, of which 2 million mainly in logistics once again and they will last stand. And the remaining part 25 in overheads. But this is overall. In terms of split 145 million, it is – on one off is 80. And what we need to be focused is not logistics and manufacturing because we stand, it is first of all the A&P. We said 70% of that to this A&P saving and one off. So the answer is in the guidance. Normalisation of A&P sales ratio in terms of A&P, a very high level. So, whatever it is, the growth, the top line, the evolution of the A&P next year will be a maximum equal, probably a touch lower because of the efficiency and because the fact that we already achieved a high level 21.4 of ratio compared to sales. So you need to focus to overheads clearly, which is the big part of the reversal, which is the dilemma, mathematically speaking. The saving on overheads, we said we are 50 million all over the year in term of duration, the structural 20. So they will remain, will last. For the one off, if you apply 30 million to the overheads of the group, it means that normally if you do not do anything, no more costs, no savings, the overheads next year should be increasing more or less 11-12%. This is not what will happen. This is clearly not what will happen. The guidance for next year is to have overheads low to mid-single digit increase. So we will continue to recreate savings. Considering also the fact that we want to realise the budget, what is our goal. So we are not counting now on a saving on short term benefits because bonuses are there to be delivered in terms of the budget realisation. So what we can do to offset a major part of the 30 million? First of all, we made the restructuring plan. We have an exceptional short term payback on the 12.13 million of restructuring overall, US, Europe, partially in Islay for the whisky operation, we account for more or less a little bit less than 10 million savings that will be – drive the overheads containment on '24-'25. So remain 20. And how we can reach that? I don't think we will reach a zero net effect – will remain some million, but major part of that will be offset by continuing our discipline in terms of continuous improvement in terms of processes, efficiencies, T&E, reducing again consultancy fees that are not necessary, continue to not restructure clearly, but to right size and to cut costs as we cut our, our nails when they grow. So continuous improvement once again to be able to respect, and we will, a low to mid-single digit on overheads next year. So don't be scared about the mathematical 12% of overheads increase. That will not happen. We will continue without anxiety and being focused to cut chunky costs to reduce debt. And I repeat,

restructuring that has been done this year has been done with a very short payback, around 10 million that will be realised next year. I hope to have answer to your question.

Edward: Okay. Thank you.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. Maximum two questions per person. The next we will take the question from Oliver Niccolai from Goldman Sachs. The line is open now. Please go ahead.

Olivier Nicolai (Goldman Sachs): Hi. Good morning. I've got two questions, please. Firstly, you highlighted that America is below Covid level. Do you see further risk on VSOP by holding on price, while the rest of the industry is becoming more aggressive on promotion, and your core VSOP consumer appears a bit more under pressure?

And the second question more specifically for Luca, in the context of slower demand, can we expect a stronger cash flow generation in 2025, as you won't necessarily need to buy as much aged ODV as you did over the last few years? Thank you.

Eric Vallat: Thank you for the question. So indeed, aggressivity is more than expected. This is a fact. Now you have to look at it state by state. And as you know, the US is not one country. It's a number of countries. And obviously it varies from one state to another. And it's true. It's a fact also that let's say a $50 range for an entry price is high, definitely. Well, the question is more where do we stand now and can we grow from where we are. Personally, I believe that the combination of the VSOP plan, which I described, which again is the first time we activate a 360 plan on VSOP since years. And I think we have to be humble and acknowledge that probably we had an overestimated ourselves and seen ourselves too beautiful during Covid, and it is needed. But I believe that the only fact of putting the focus behind it, of incentivising our partners and of activating it should have a positive impact. Now, the question, in fact, is what is a normative level for VSOP. First, I think should competition become even more aggressive, I think we've taken the heat somehow. We are now disconnected from VS, and it's been a number of months. We consider it a good news in a way, because we are a VSOP from Petite and Grande Champagne and we shall not anyway be in the same bracket. This hit we have taken, I believe that the potential including in the short medium term for VSOP in sell in is more than our current trends whatever competition, aggressivity and so on. Sell in, depletions, it's too early to say, but clearly in sell in we do have a potential for more on VSOP. And despite the current context now, we are still in the process of destocking and this will take a bit of time, and the time it will take will depend on the speed of recovery in H2.

Luca Marotta: Cash flow in '24-'25 without guiding my very precise way, because it's not our habit at all, but clearly we will be improving compared to this year, but for other reasons compared what you highlighted. Because we are committed on long term, we have long term contracts, you can see that in off balance sheet and commitment with our partners. So we will not drastically lower or we will respect our contract. We continue to buy – to build the future. So far as you have seen, inventory has a little bit less than 2 billion, of which 85%, 86% is cognac. We continue to build the future. So this positive delta will not be built by the strategic working capital part. And on the opposite, only – the fact of the – this year will end the year with a very low level of account receivable, we might have in a classical working capital is slight increase. So why we will increase the free cash flow before talking about dividends and so on, so really free cash flow, operational cash flow? Because we will make some saving and sacrifice

a reduction on a capital expenditure, which is not totally linked to the build of the strategic future. So we will continue to invest, but the guidance that normally is 70 to 80 will be reduced to 60 more or less. Then will be some slightly saving on the financial part and even more on taxes part in terms of cash outflows, because clearly it's linked to the level of profit of this year. There is also deferred and so on. So there are more other operational components than the fact that we think to reduce our buying pattern compared to our partners. This will not happen in '24-'25. We continue to respect our commitment and like serious partner there for the long term. This is for the free cash flow.

But then there is another part, other cash flow, that will impact the debt. And I will not guide on that because the debt at the end is the result of many, many things. But you can see clearly that it is clearly shown the decision of the controlling shareholder to receive €2 dividend this year in shares will determine everything equalsa substantial saving. I cannot – I don't want to quantify that very clearly, but very substantial saving compared to this year outflow. So all in all, they will have an impact on overall cash flow and on debt, reducing debt compared to a normal flows. Free cash flow, I repeat, will improve not at the expenses of reducing the strategic partnership and compromising our future. We are very serious. We are there for the long term. Rémy Martin this year is 300 years. In 300 years we will be there.

Olivier Nicolai: Thank you very much.

Operator: Thank you. We will take the next question from Lawrence Whyatt from Barclays. The line is open now. Please go ahead.

Speaker (Barclays): Thanks very much for the questions. I was just wondering on your overall growth rate, your sort of high single digit growth rate you're expecting from 2026 onwards, could you give us a more specific expectation on what you expect in China? I appreciate that you mentioned on the call that perhaps the current status in the country is not where you'd hoped it would be, but are you assuming that you're no longer going to hit a sort of double digit growth rate in that country? Thank you very much.

Luca Marotta: Hello. So only one question. So the medium term guidelines overall is seen as high single digit clearly for the starting from '25-'26, and all the region will contribute. The slightly difference compared to the footprint '19-'20. That's Europe. And travel retail is showing improved footprint on the medium to long term. We are not talking one quarter there. We are talking with some with some breadth to our brain need to have this kind of vision. US high single in China will be as before, the high single to low double digit long term value algorithm to obtain a high single digit as a group. If you want to complete with more or less mathematical element or more – Eric I don't know if you want to go.

Eric Vallat: No, no, it's – the question was more about indeed the percentage as such. And you perfectly said it. So –

Speaker: If I could just have the second question. Then in terms of your overall guidance for 2025, looking for an improvement in your – in top line, can we assume that means you're expecting positive growth in organic sales in FY25?

Eric Vallat: Expecting what? Sorry.

Speaker: [inaudible 1:20:04.5]

Eric Vallat: You mean this year? Right? Yeah.

Speaker: Yeah.

Eric Vallat: Well, it's too early to say. As we highlighted, visibility is rather low. Having said that, we do have a good reasons to anticipate recovery from H2. Question will be the – when will it start and the speed of the recovery. Now we believe that we are in a much better position than last year. In fact, what impacted us severely last year is also the fact that we did not anticipate, to be honest, such a sharp drop in sales. This year, I mean, first, we have adapted our existing structure. We are well prepared. And second, we do not anticipate such a sharp drop in sales. We even expect the high comps, the low comps of the second semester and the recovery in some of our key markets to support the business and to help recover from the H1.

Speaker: Understood. Then just to just to clarify, then, you – the guidance of an improvement simply means better than the FY 24 growth rate rather than necessarily positive growth. Is that fair?

Eric Vallat: It means definitely exactly a better second semester. And by improvement in the second semester, I mean growth. Now, I can tell you that what we anticipate in depletions is at group level overall positive as well. For the sell in, it's too early to say, but depletions – positive depletions will change the picture. As I said then, it depends also on a number of factors, which is why it's too early to say. It could be that the recovery is way more or way less than expected, depending also on the cash disposal of our partners and so on.

Speaker: Understood. Thank you very much.

Luca Marotta: Sorry to jump in. The aim, the will is to improve the actual footprint. But remember what we said one month ago a little bit more. We need also the spark. So there is a rhythm, the alignment between depletions in value and sell in. So we are – everybody is committed to that.

Speaker: Thank you.

Operator: Thank you. We will take the fourth question from the line. Trevor Sterlingfrom Bernstein. The line is open now. Please go ahead.

Trevor (Bernstein): Hi, Eric, Luca and Marie-Amelie. I lost you there for a minute or two, Eric, but I wonder if you could just make a little comment on the current level of sell out in the US and China and what you're seeing at the moment. Is there any slowdown in the rate of decline in the US, and are you still in positive territory in China?

And then maybe if I can squeeze in a second one, which is around e-commerce. Do you see much opportunity for e-commerce outside China, or do you expect China to continue to be the big engine of e-commerce growth?

Eric Vallat: Thank you. So the sell out in the US and in China. So currently we don't see an improvement on the depletions in the US, but we don't see a deterioration either. If you look at May and June and we are – April and May, we are not going to give details, but it's broadly in line with what we anticipated. So there is no bad surprise. But there is no good surprise either. It's roughly aligned. If you take China, the thing is April and May are very small months, so I would not draw conclusions on April and May depletion strength. As I said, we expect positive depletions in China for the year. CNY was a challenging. Having said that, our level of stocks are healthy. So overall, we are quite confident in our ability to grow to grow in China. Current depletions are no surprise to us either. But again, these are very small months. It's –

I think the next big rendezvous, in fact, is October and the Mid-Autumn Festival. There is also 618 in e-commerce, which is a big day, which for the moment is on track, but it's only June 6th. So it's a bit early to say. As you know, probably, but we start working on 618 a month ago and it's a number of activations for a month. For the moment, it proves to be good. I would say that in China, in fact, banquets are quite resilient. Off trade is okay. On trade is still in a very low recovery mode with on and offs with a changing landscape. So I am, let's say, probably a bit more, let's say, negative on trade short term than I am on the rest, particularly e-commerce. That's it for China.

For e-commerce, first, indeed, we expect China to keep growing and to keep growing at a faster pace than our total sales. I was in China not so long ago, and I must say, we are quite fortunate to have a fantastic team of close to 35 people quite skilled. They've been working with us. They launched e-commerce a few years ago now. And by the way, our head of e-commerce was doing yesterday a live stream himself and the head of e-commerce on Tmall gathering a million people attending. So I think we have a fantastic team and a great – we have the recipe, I would say, to succeed on e-commerce. So we expect China to keep growing and to be – to keep being the biggest contribution to the growth of e-commerce because of what I just described. Now e-commerce has been growing faster everywhere than our total sales last year, of course. And it's been growing. I mean, if you take, for instance, the US – the UK, we grew 25% last year and it's now 27% of our business. If you take the US, it's – it grew 20%. So it's also a sharp growth. So we are betting still on e-commerce to grow faster than the rest, and we are still investing heavily behind it. And if you ask me, beyond China, I would say UK first and the US second.

Trevor: Thank you very much, Eric.

Eric Vallat: US being more B2B and UK being a more B2B and B2C, while China is interesting because it's B2C and B2C also a lot, in fact. We have the biggest data base in China, just to say, because it's quite revolutionary in our business. It's something I have witnessed at Richmond before when I – at LVMH, but in our business it's less so the case. But we have a now a data base which is huge and which is totally integrated because we have our own e-boutiques on Tmall and JD. So we have a data base that is omnichannel and we can see who's buying on which site and what's their habits of buying elsewhere and so on. So we have a fantastic data base that we just gathered a few months ago. So e-commerce remains a key driver in China.

Trevor: Super. Thank you very much, Eric.

Operator: Thank you. We will take the next question Sanjeet Aujla from UBS. The line is open now. Please go ahead.

Speaker (UBS): Oh hi, guys. Two questions from me, please. Firstly, just a clarification. Coming back to the FY25 outlook, I think your outlook comments talk about protecting profitability. Should I infer from that protecting absolute profitability, so kind of flattish organic EBIT growth, or was that a message about protecting the percentage margin? So a clarification there would be great.

And then just more long term. Eric, I think when you became a CEO a few years ago, when you were framing the medium term growth ambitions for the group, there was a clear shift of emphasis more towards liquors and spirits than in the past. So as you look out and think about

the high single digit growth algorithm or growth ambition from fiscal 26, is your expectations for liquid and spirits still to grow faster? So more in the double digit range? How is that thinking evolved? Thank you.

Eric Vallat: You want to answer the first one?

Luca Marotta: Yeah. Hello. First question. We are thinking margin. So speed of growth, of habits, operating profits, bottom line to be compared to the top line symmetry with the levels of gross margin will be resilient. As we said, very clearly, A&P normalised. So it means that probably will be follow a pattern that was lower than the top line dynamics. And overheads, I repeat, is the point that I acknowledge that we are the most clear in term of guidance for next year, low to mid-single digit to be able to deliver that. So clearly this is the equation. So we are talking about margin.

Speaker: Got it.

Luca Marotta: But at the same time, don't forget what I said to Olivier Nicolai. Cash flow will improve. The first line of free cash flow is EBITDA.

Speaker: Got it.

Eric Vallat: And to your second question, first, to clarify, the idea was not a shift of emphasis, to put it the way I at least I wanted to express it. It's more moving from a cognac-driven organisation to a real portfolio management, which is a bit different, of course, because cognac remains a key asset. And obviously there is a huge emphasis on cognac as well as on liqueurs and spirits. This is where the newness is. And this has proven to work because we grew liqueurs and spirits 47% and we keep growing them. And at least depletions are still rather positive. So what does it mean indeed, for the future, let's say '25-'26 and beyond? Does it mean a double digit growth? So it will depend on the brands, of course. But in the algorithm, it could be that on year one and two – on year one and two, it could be that cognac, in fact, grows faster because of the recovery. As I explained, the – once the trend starts to reverse, there could be a positive exponential effect. So I would say that in fact, it's somehow similar to cognac over the five years with a – probably a sharper recovery of cognac in the – if you take year one and two. But if you take the five years, you could consider indeed that it's a double digit growth for liqueurs and spirits and less so for cognac if you take the average.

Speaker: Thank you very much.

Operator: Thank you. We will take the next question from line. Celine Panutti from JP Morgan. The line is open now. Please go ahead.

Celine (JP Morgan): Thank you. Good morning everyone. Two questions please. First one on the cadence of growth for the year. So you mentioned a challenging H1. Is there any colour you can give to us? I think you mentioned the issue of inventory stock in the US. You did say that China stock level you're happy with, but I understood that you had as well a very tough comparative base. So could you talk about how we think about Q1, Q2 in terms of growth rate versus the exit rate of H2, which was, I think, in the – down in the double digit level? And yeah, and obviously then what it meant for H2 recovery that you are baking in.

And then the second question is on A&P. So, I understood that you had around 50 million of one off benefit from A&P last year. You're guiding to A&P ratio more or less flat on growth. That seems to be more or less flattish to slightly negative. So this 50 million, they are not coming

back. And how are you funding the VSOP reinvestment that you mentioned in the US would be great if you could clarify that. Thank you.

Eric Vallat: Okay. As to the cadence of growth, obviously, I'm not going to give too many details, but as we said, H1 is expected to be challenging. So both quarters. Now if you take China, for instance, the challenging comps are on Q1 and Q4. More particularly – you have to remember that last year we were going out of Covid in China at the end of the confinement and refilling the pipe and so on. So it's a challenging comps. In the US, also challenging comps for S1, but more particularly for Q1, because in fact, and it's linked to the one off you're referring to, but in fact last year we had the windfall and the benefits of the heavy investment behind the Super Bowl on cognac in the US. So indeed, in Q1, for instance, we had 2000 merchandising, a specific exposure of VSOP and 1738 building on our investments on the Super Bowl in 2000 stores. So this did not repeat this year. So Q1 is more challenging for our two biggest markets. Now again, the whole semester we expect to be challenging. On A&P, it's – so indeed there was a one off. The one off, there were a number of one off savings. It's a total indeed that you refer to. It's a number of actions that have been taken everywhere. You know, part of it is cuts. Part of it is also better spend, meaning we get the same for a lower cost, because the beauty is that when it's tough for us, obviously, in the industry, it's also tough for the media industry. So you get better prices for the same exposure. So it's not only about cutting, it's also about optimising the spend, renegotiating the fees everywhere and so on. And that's something that really we are disciplining more and more on. Money was easy until half – one and a half year ago. Money is less the – for the past 18 months, which has driven a better efficiency somehow. How are we financing a VSOP plan? Our spend is 75 million more than what it was four years ago. Four years ago we were much more – we are spending much more behind the value destruction on VSOP, on promotions and so on. So we do have an amount of money that used to be spent on promotions that is now available for this kind of actions. And this will not prevent us from keeping on activating usher on the above the line. You will see things happening in the course of the year. But definitely, we will rebalance some of the spend on BTL and more targeted towards the VSOP and the 1738. Again, on the total amount, which is – which allows for a number of activations, anyway, it's a much higher amount than the one we used to have. In fact, in our original plan, the '20-'30 plan, the plan was not to increase as much as we did on A&P. It's the fact that we were ahead of the plan, on the gross margin and on the top line that drove to more A&P. But we have we have what we need to properly activate VSOP in the US.

Luca Marotta: If I may add one point, Celine. Clearly the one off nature is always the same whatever the type of cost we are talking about. But the implicit flexibility is not the same. So when you have overheads, you have people that are hired, you build, you have depreciation. A&P are there for the long term. That is a more liquid concept inside that. There are companies also that are considering the mix between operating profit A&P as a strategic disposal. One of – the company was working before Rémy Cointreau for instance. So meaning that there is a much more liquid in term of inflexible internal[? 1:38:01.7]. So part of this one off, which is totally sure, needs to be linked to the level, as Eric said, of the top line. Top line is lower. We need to also to rightsized that. And the criteria, implicit criteria inside that is a much more flexible than overheads.

Celine: Thank you.

Operator: Thank you. We will take the last question from line Jeremy Fialkofrom HSBC. The line is open now. Please go ahead.

Jeremy (HSBC): Okay. Hi. Hi. Morning. Thanks for squeezing me in. So two questions. First of all, travel retail. Could you tell us what percentage of sales that was in '24, and what you think it can grow at in '25?

And then the second question I've got is on your 33% COP margin target for '29 and '30. Obviously you're going to be around, say, 25-26% in fiscal '25, which means you'll have 700 or 800 basis points to do in five years. Now, that doesn't strike me as a particularly kind of gradual process as per your medium term guidance. So I guess, how helpful is it having that 33% margin there given, actually, it now seems to require a really pretty significant annual increase from 26 onwards? Thanks.

Eric Vallat: Okay. You want to answer question two?

Luca Marotta: Yeah.

Eric Vallat: It gives me some time to try to recollect in my mind on the figure of travel retail, and I will.

Luca Marotta: Thank you. The '25-'26 average natural high single digit top line is enough to feed the 33%. So far we are beating, it is clearly shown and said by Eric. Even if – despite the fact that we have – '23-'24 was a bad year, we are beating the trajectory; in '24-'25 will be on the same on the same type of picture. So compared to the plan in term of ratio, I insist, ratio, gross margin 72 and 33% today with the compounders highlighted started from '25-'26 is not in danger. So your question is are you – can you realise eight points where they come from? Gross margin after one or two years suppose will be more accretive. Top line will determine – will implicit additional gross margin in value to be reinvested. This journey of stabilisation, normalisation of A&P efficiency will last maybe a little bit more than the original plan. Also, because, Eric just said it, we improve the baseline very fast and much more, and the speed, which is much faster than the estimated forecasted in '19-'20, and, or, I'll be fired, overheads need to be accretive big time to the to the total equation. So with high single digit, our mission will be to be – CAGR and overheads clearly lower, low to mid – trying to remain in the low, and low part. This is a global equation. In terms of absolute value, I repeat, the high single digit top line growth starting from '25-'26 for four years, it's more than enough.

Eric Vallat: Thank you Luca, you've been a bit too fast for me, but still I can, of course, answer the question. Our percentage of GTR sales in total was below 10%. But I just don't have the exact figure in mind. But it was below ten. While if you take the normative level, pre-COVID, it was 12. So there is still potential for growth, obviously. And we do plan and we do expect double digit growth on GTR, unlike for other regions. We are more positive and we are more ambitious with GTR. Two things to keep in mind. One on the positive side is ourselves, we are, let's say, overinvesting on GTR because of the recovery, meaning, while we control our costs on every single BU, it's one of the business units where we hire people and where we strengthen our organisation for obvious reasons. We are also reorganising because during Covid, obviously, we had streamlined and now we are again reinforcing. That's the point one. Point two is we see GTR as an image driver. And obviously we are going to also over invest at our scale, but on visibility, focusing on the image-driven setting areas, meaning more importantly, the airports. So we are probably, let's say, a bit more targeted than we were pre-COVID on our investment

investing where we are building image for our brands. Of course, lastly in everything we do, we are driven by our value strategy. So we are making sure also that pricing is a correct everywhere because price consistency over time and worldwide is a key enabler in the long run.

Jeremy: Great. Thank you.

Operator: Thank you very much. There is no further question at this time. We'll hand it back over to your host for closing remarks.

Eric Vallat: Well, thank you very much. There is no specific closing remark except to thank you for your attention, and maybe see some of you next Tuesday in London. Thank you very much for your attention. And the sound was getting better and better. So I think we now have a setup. Thank you very much. Bye-bye.

Operator: Thank you for joining today's call. You may now disconnect.

[END OF TRANSCRIPT]