

China and currency effects drag Pernod Ricard sales below €8bn



Drinks powerhouse Pernod Ricard has blamed the Chinese market and currency effects for a -7% decline in sales performance in fiscal 2014 (ending June) - while travel retail proved to be an encumbrance in the Americas with sales down in double digits.

Sales dropped to €7,945m (\$10,480m) due to what the French company called “a highly unfavourable foreign exchange effect”. It also noted that “sales were adversely affected by one market, China” where sales were down by -23%. On an organic (comparable rate) basis total company sales were flat.

Among its three regions of Europe (now including France), Americas, and Asia/Rest of the World, each one posted sales declines of -2%, -8% and -12% respectively (see chart below and click to enlarge).

On an organic basis, Asia/RoW fell by -4% to €3,031m [although sales excluding China rose by +5%]; there was an improvement in Europe of +2% to €2,773m; but a slowdown of growth in the Americas to +2% due to the US and travel retail markets which resulted in sales of €2,142m.

Sales Analysis by Region (new operating segments)

Net Sales (€ millions)	FY 2012/13		FY 2013/14		Change		Organic Growth		Group Structure		Forex impact	
Europe	2,827	33.0%	2,773	34.9%	(54)	-2%	47	2%	(46)	-2%	(55)	-2%
Americas	2,316	27.0%	2,142	27.0%	(175)	-8%	47	2%	(0)	0%	(221)	-10%
Asia / Rest of the World	3,431	40.0%	3,031	38.1%	(401)	-12%	(128)	-4%	(14)	0%	(259)	-8%
World	8,575	100.0%	7,945	100.0%	(629)	-7%	(34)	0%	(60)	-1%	(535)	-6%

TOP 14 BRANDS DOWN -2%

Pernod Ricard’s Top 14 sales declined by -2% in fiscal 2014 due to a slight reduction in volumes (-1%) and an unfavourable mix (see chart below and click to enlarge).

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Among the top volume brands, Absolut slipped -4% to 11.1m 9-litre cases; Ballantine's was flat at 5.9m cases; and Chivas Regal fell -7% to 4.6m. Among the top five, Ricard grew +4% to 4.8m cases while Jameson had a very strong year, up +9% to 4.7m cases.

Volumes of luxury brands were hit: Martell, a key brand in China, was down by -6%; and Royal Salute by -7%. However, Pernod Ricard says that DF&TR had good growth from both brands.

Organic Sales Growth of Strategic Brands

	Volumes FY 2013/14 (million 9-litre cases)	Net Sales	Volumes	Price/Mix
Absolut	11.1	-1%	-4%	3%
Chivas Regal	4.6	-4%	-7%	3%
Ballantine's	5.9	-5%	0%	-5%
Ricard	4.8	4%	4%	0%
Jameson	4.7	12%	9%	3%
Havana Club	4.0	5%	3%	2%
Malibu	3.5	-4%	-6%	1%
Beefeater	2.6	0%	-1%	0%
Kahlua	1.6	-7%	-5%	-2%
Martell	1.9	-9%	-6%	-4%
The Glenlivet	1.0	8%	2%	6%
Royal Salute	0.2	-8%	-7%	-1%
Mumm	0.6	2%	1%	0%
Perrier-Jouët	0.3	16%	9%	7%
Top 14	46.8	-2%	-1%	-1%
Jacob's Creek	6.2	-6%	-6%	0%
Brancott Estate	2.1	9%	8%	2%
Campo Viejo	2.1	10%	10%	0%
Graffigna	0.2	-3%	-10%	7%
Priority Premium Wines	10.6	0%	-1%	1%

The overall impact for Pernod Ricard was a reduction in profit from recurring operations of -8% to €2,056m and net profit declining by -14% to €1,027m (see chart below and click to enlarge).

Pierre Pringuet, CEO of Pernod Ricard has described the fiscal period as “more difficult than anticipated” and says: “We are seriously committed to the Allegro project: this operational efficiency project must enable us to maximise our future growth while generating a hard figure of €150m of savings.”

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Alexandre Ricard, Deputy CEO & Chief Operating Officer, adds: "In this context which will remain challenging, we anticipate a gradual improvement in our sales growth, and we will increase the investment behind our brands and priority innovations in order to sustain long-term growth."

Summary Consolidated Income Statement

(€ millions)	30/06/2013 (*)	30/06/2014	Change
Net sales	8,575	7,945	-7%
Gross Margin after logistics costs	5,351	4,987	-7%
A&P expenditure	(1,644)	(1,503)	-9%
Contribution after A&P expenditure	3,707	3,484	-6%
Structure costs	(1,476)	(1,428)	-3%
Profit from recurring operations	2,231	2,056	-8%
Financial income/(expense) from recurring operations	(542)	(444)	-18%
Corporate income tax on items from recurring operations	(442)	(416)	-6%
Net profit from discontinued operations, non-controlling interests and share of net income from associates	(19)	(11)	-41%
Group share of net profit from recurring operations	1,228	1,185	-3%
Other operating income & expenses	(112)	(240)	NA
Non-recurring financial items	(12)	(41)	NA
Corporate income tax on items from non recurring operations	68	111	NA
Group share of net profit	1,172	1,016	-13%
Non-controlling interests	19	11	-42%
Net profit	1,191	1,027	-14%

(*) Data published with respect to fiscal year 2012/2013 has been adjusted following the application of amended IAS 19 (Employee Benefits), adopted in the European Union and whose application is mandatory for the Group from 1 July 2013 with retrospective effect as from 1 July 2012