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PRESENTATION

Edward Mayle

Hello, everybody. Thank you for joining today's call with Conor McQuaid, Chairman and CEO of Pernod Ricard North America.

We hope you've watched this morning's video release in which Conor shared his views for Pernod Ricard and the U.S. spirits market.

For this Q&A, I remind you, we will have our Q3 results released on 25th of April. So we're not able to discuss our Q3 performance today beyond data in the public domain (Operator Instructions)

So let's begin with the first question, please. So over to you, operator.

QUESTIONS AND ANSWERS

Operator

The first question is from Andrea Pistacchi, Bank of America.

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

I have 3 questions if that is okay, please. The first one, Conor, on execution in the U.S. You say that, Ann Mukherjee has really laid a strong foundation. And now, it's really about stepping up execution. So in what areas do you feel that you need to step up execution? Is it how you operate on the ground with the sales teams? Is it innovation, leveraging data more or sort of all of this? And what are you tweaking or changing, if anything, in order to achieve this?

Second question, please, on pricing and the pricing environment. So in the last couple of years, you were very proactive with pricing and indeed the whole industry took price. But the pricing environment is more difficult now. So what are you seeing on price? What categories are more difficult besides cognac? And have you been able to put anything through recently?

And also, if I can, how you think about pricing in the U.S in the longer term? I asked this because historically, there hasn't been a lot of -- plenty of mix, but probably not a lot of price in the U.S.

And my last question, please, is on Skrewball. You have a strong position in flavored whiskey now and the brand seems to have had a more difficult year in 2023 after some strong growth. So can you -- you mentioned briefly in the prepared remarks. But could you talk a bit more about your plans to return Skrewball to good growth? Are there any flavors in the pipeline?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

Good morning, Andrea. And thank you for the questions, and good morning to everybody on the line from New York this morning. It's my first -- coming to the conclusion, my first 90 days in this particular role and the great honor that I have to lead this team.

So, as you rightly say within the video, I called out our desire for a greater degree of focus on execution as one of the key areas that I wanted to build on, and the great legacy that I've inherited from Ann.

Maybe just to contextualize some of what we have seen Ann's time and tenure in the business as having delivered. Clearly, we've brought new capabilities into the team. We've got much more enhanced media focus and much more multicultural focus within the team. We've made those portfolio adjustments and those additions to the portfolio in the areas that we believe are attuned to the marketplace, including tequila and RTDs. And we've had clearly a clear focus as per the Pernod Ricard organization globally on bringing digital and the KDPs to life.

So where do we need to go going forward? We really need to focus now on making sure that that strong foundation and those transformational efforts translate into stronger execution on the ground across the brands. And we're citing 3 clear areas in order to do that.

The first of which is the on-premise through the super cycle and the challenges that hospitality has had. That has normalized to a point and now we feel there's a huge opportunity to get back in and working with our hospitality partners across the country to build advocacy for our brand.

And secondly, we want to really show up in culture in a much more meaningful way. So experiential will be important, as well as making sure that the brands are culturally relevant on an ongoing basis. So that's in a brand building sense.

On a commercial sense then it's really leveraging all the insights and data capabilities that we're getting and making sure that that execution at the point of purchase is informed by data and is being driven against the standardized set of KPIs as we bring greater discipline to our executional endeavors across the country.

So that's what I mean when I say, I wish to see greater focus on execution. It's the translation of the good work to date brought to bear on much more of what we're doing on a day to day basis. And that linkage with our wholesale partners and our retail partners through the KDPs.

And from a pricing perspective, I mean, ultimately as we've seen, we've taken strong pricing as you know through the last number of years, and we've been one of the leaders in taking those bold prices in the context of the inflationary environment we find ourselves in.

So longer term, we would see more low-single digit pricing than maybe the mid-single digits that have been the order of the day over the last while. And ultimately, it's again back to using the data, the insights that we have to be much more targeted and focused in our revenue growth management intent. So clearly, pulling those levers of promotional activities in a more deliberate way as we try to continue to bring price to bear where we see opportunities within the marketplace.

And finally, the last question was Skrewball. So yes, I mean we now have a number #2 position in flavored whiskey in the U.S. Again, a growing and dynamic category. I think it's a great addition to the portfolio and fully complements the rest of the comprehensive portfolio that we have.

Skrewball, in its transition, has been challenging as we've brought it into the Pernod Ricard network across the country. We have had some issues over the last period of time. And as the transition went through, clearly, we weren't in tune with the cycle of promotional activities that we would normally put in place in support of a brand within the portfolio.

We believe we're coming through that now and we're now in a better position to plan with more clarity as to what we would wish to do with the brand into FY '25. I do think we've got huge capabilities within our own business. We know how to operate in the on-premise, which is such an important channel for Skrewball.

But additionally, we're doing some work now in bringing a new creative platform to bear on the brand and looking to up weight our media investment going forward.

So it's a great brand, it's a really fun brand and I think it's one that we're going to have a lot of success, and obviously, a lot of fun in executing against.

Operator

The next question is from Sanjeet Aujla with UBS.

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

2 questions from me. Firstly, on Jameson, can you just talk a little bit about your medium term growth expectations for the brand? You spoke quite a bit about refocusing on the core, but can you also just talk a little bit about the role of line extensions and to what extent you need to innovate behind the brand to broaden the occasions and demographic there?

And my second question more broadly is, I think, in the past, there's been a great desire to grow in line or ahead of the industry, which has never really come through yet. But as you look at the shape of the portfolio, do you think it's capable of growing at least in line or ahead of the industry once the industry recovers?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

Thanks for the question. Obviously, Jameson, a brand very close to my heart and one that I've had an intimate relationship with in the U.S. over the years. We are still hugely optimistic to the growth opportunity that Jameson has.

If I go through the portfolio specifically in the context of Jameson Original, there is considerable headroom there. We look at the household penetration of Jameson versus its #1 and #2 competitor. And we are at least half of the household penetration of those 2 brands.

So, Jameson has that opportunity to become part of that repertoire that's our competitor and have that household penetration at the levels of our competitor. And that will require us to continue to recruit. And again, it's not a uniform picture across the country.

We have states in the U.S. where we under index versus those where Jameson has had that opportunity become the #1 or #2 competitor -- whiskey against the competitive set. And so we look at the markets like Florida and Texas as 2 markets in which we still believe there's huge headroom for growth as we continue to recruit into the brand.

Our next priority or second priority within the franchise and portfolio is Black Barrel and we will continue to try and get consumer who loves Jameson in its original format to trade up at appropriate moments and make that superlative whiskey, a relevant choice for them, a key selling period throughout the year.

And we do see a role for Orange. And so far as it's the number one on-premise innovation 1 year after launch and the number 2 off premise innovation 1 year after launch within the marketplace. So we're seeing good traction in multicultural and maybe some nontraditional Jameson consumer profiles that the franchise hasn't touched to date. So there's a lot of work we can continue to do in a targeted and focused way.

Then, obviously, we've brought in some of the RTD propositions to ensure that bond and connect moment, which is so synonymous with Jameson has the right convenience proposition to play. But we're clear on the priorities within the portfolio. It's very much centered on Original and the headroom for growth therein. And as I say, a very clear focus on the rest of the portfolio and what each of those will play as we go forward.

To your second question in terms of growth ahead of the industry or growth at least at the level of the industry. I think we have had those headwinds within the portfolio where we've been underexposed to both tequila and RTD that have significantly grown ahead of category over the last number of years.

So we've sorted those in the sense that we've now got the correct propositions within our portfolio. And we now, as to my earlier comments, need to focus on the execution against what we have given ourselves as the challenge and the target. And I think we're set up for success. I think we've done a lot of the foundational work to-date and now with the correct portfolio to hand, those -- the combination of those 2 give us the greatest opportunity we've had from quite some time to close that gap to market and indeed holding to that aspiration to beat the market in the near term.

Operator

The next question is from Sarah Simon with Morgan Stanley.

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

I've got 2 questions. First one was on RTD. Have you done any -- well, I assume you have done specific research into exactly why consumers are buying. Is it just because it's easier to drink, when you go to a spill or something? Or is there something specific about RTD that's driving such outside growth?

And the second one was on the data that you referred to. Where exactly are you getting your data from? Is this from retailers? Are you getting data specifically from consumers directly?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

So just a point of clarification in your data question, the data you referred to is?

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

Well, you've been talking about using the data to improve revenue growth management and kind of execute the portfolio better? I'm just wondering where you're capturing this data from?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

Okay, clear. Let me take the first question then in terms of RTDs. RTDs for us, from the data that we see and how we're reading the market, there is limited cannibalization against spirits. It is an occasion based opportunity that really brings the spirit based RTDs into the realm of occasions that would have been traditionally maybe beer occasions or indeed wine occasions. So as I say, we see limited cannibalization against spirits.

We believe they do have, though, a halo effect back on the mother brand and that's really how we would approach the RTD category. So it's relevant consumer proposition in support of the mother brand. And an obvious example in our portfolio at the moment is Absolut and Ocean Spray, so a cranberry vodka RTD proposition.

Recognizing that Ocean Spray has a sort of 50% plus household penetration in the U.S. market. So 2 beloved brands coming together in a relevant proposition in support of the Absolut mother brand strategy as we go forward.

So rather than taking from spirits, we see it as taking spirits into an occasion that would traditionally have been maybe beer, wine or hard seltzer focus. And we, as I say, are very targeted in how we see that playing in support of the overarching brand strategy by brand.

The data comes from various sources. Obviously, there's syndicated data and obviously, we also have relationships with key partners so that we can get that data into our systems and then our proprietary algorithm work.

And the work that the teams have been doing over the last number of years allows us to position us back to our teams and across our network in an appropriate way that allows them to action against this in a meaningful way and in real time. So it's the combination of those multiple sources of data into something that's actionable in real-time is what we're striving for. And I believe we've made genuinely industry leading progress against that intent over the last period of time.

Operator

The next question is from Trevor Stirling with Bernstein.

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

Trevor here. Conor, at the group level, you've got the 4 must win markets. In your context in the U.S., what would you say are your 4 critical brands to make the transition work? I mean, you've already highlighted the importance of Jameson. What other 2 or 3 brands would you throw in there? Let's say these are the critical elements of success or driving success over the next couple of years?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

Hi Trevor, how are you? I think the way we've structured our portfolio intent going forward is the criticality of Jameson as a locomotive within the portfolio is paramount. And obviously, we need to make sure that, that brand is delivering at the levels that we've traditionally enjoyed.

Beyond that, there are 5 other brands that we clearly need to make the focus of the team in an ongoing day to day basis. And they include obviously Absolut Kahlua, Malibu, and the Glenlivet. And we've included Skrewball in that as a brand of scale that plays to our opportunity to really leverage those top 6 brands in the portfolio with our wholesale partners and ultimately with our retailers towards a clear consumer focus for those 6.

Thereafter, we're putting a focus on 4 other brands that we believe have the growth really potential to be the big brands of the future and the focus there in unsurprisingly are on the 2 acquisitions that we've made off late to round out the portfolio. So Codigo across its full portfolio of expressions and Jefferson's as our super premium bourbon play.

And we believe we've got 2 gems in the portfolio that are unique to our portfolio and really unique in the consumer landscape of the U.S. and that's the Single Pot Still reference Redbreast represents as a super-premium Irish whiskey play. Again, embryonic, early stage in its development, but with huge potential going forward.

And we're calling out Del Maguey as the market leading mezcal in a market in which clearly, there's a curiosity towards tequila and beyond tequila into other agave spirits. And we believe that clearly, Del Maguey has a unique proposition in that regard.

So those 10 will be the priority focus for the whole organization. And again, how we will seek to execute against those will be the dominant questions and challenge that we're putting to our team and also to the rest of the network.

That's not to exclude all the brands within the portfolio as we put structure to how we look to develop our Prestige intent, how we take forward our focus on whiskies and the broader whiskey portfolio that we have or indeed cognac in the context of Martell. But it's really a sharpening of focus on those 10, 4 clear growth relays and the 6 priority focus brands at the initial focus.

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

Okay. And could I just ask one follow-up, Conor? The Sovereign Brands portfolio, that's run completely separately at arm's length, but it is included in your organic growth numbers. Is that right?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

It is, Trevor, yes. But as you rightly say, it's at an arm's length relationship. So that's how we operate at the moment.

Operator

The next question is from Olivier Nicolai with Goldman Sachs.

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

I've got 3 questions if I may. First of all, Pernod set up tools historically to optimize A&P spending, such as Matrix for instance. But your main competitor is also doing something similar and spending more in A&P on absolute and relative basis. So do you believe the cost of doing business in the U.S. is increasing and you might have to step up A&P spend even more in the U.S. going forward, at least as a percentage of sales?

Secondly, in terms of your brand, historically Pernod was able to push 6 to 8 brands at the same time, but obviously with digital capabilities that number has increased. You've been also very active in M&A. So my question is that, is there a limit on how many niche brand you could add and support in your portfolio as your portfolio in the U.S. become richer? And that's been the case over the last 5 years you bought many whiskies, Jefferson's, Texas, Rabbit Hole, Smooth Ambler. You bought 4 brands recently. I'm just wondering is there a limit of how many brands you can really push effectively in your portfolio?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

Thanks, Olivier. Thanks for the question. On the A&P, as we look to the first half of the year, we obviously decided the fact that we increased the A&P to net sales ratio, it's close to 20%, which was somewhat reflective of that O&D that critical O&D period in the year. We would see that moderating back to a more normalized on an annualized basis or whatever around that 18% level, which we believe is sufficient.

It's not just though about the relative percentage, it's also about how we're executing against this. And as you rightly say, what we've done through the KDPs is given our teams a much more granular focus on what parts of the investment choices that they're making are working and how better to optimize those areas that aren't working from an ROI perspective.

So in Matrix at the moment, we have 40% of our total spend is covered. And in a very short period of time, we will raise that to 57% of total A&P. And then as the Matrix algorithm plays back to us, we're seeing recommendations and our adherence to those recommendations rise over time. So we're close to 80% coherence with what Matrix is telling us to do then reflected in how we go spend going forward.

So that's what I say in terms of the progress that we're making in bringing those KDPs into our business and using them effectively to really drive efficiency in that A&P number as we go forward.

So yes, the competitive landscape is considerable and yes, obviously, competitors are investing at a significant level. But I'm reassured that we have sufficient in the totality of the A&P that we have. And even more so, we've got greater efficiency in how we're spending it.

And on your second question in terms of portfolio complexity, as I outlined earlier, not all brands within the portfolio get the same level of focus and prioritization or indeed investment. So our challenge is to take the wonderful and extensive portfolio that we have and ensure that we're making the right seasons and sequential choices in terms of how we're actually investing.

So in the first instance, clearly, we'll put that priority focus on the 10 brands that I mentioned. And then we will look to see how we execute against either consumer opportunities, be that Prestige at a particular end of the market, be that against consumer groups that we know have a love and the desire potentially to round out their whiskey experience by going across the whiskey in the world portfolio that we have. Or indeed, in certain consumer occasions where we see trends starting to emerge such as day drinking or the brunch occasion, providing an opportunity for various parts of the portfolio.

So it's important for us really to make sure that we hone our -- both our focus within the portfolio as well as our route to market execution thereof. But the broader intent is to continue to increase the number of brands that we have the ability within the organization to effectively execute against and that continues to be the objective over time.

Operator

The next question is from Jen Cross, BNP Paribas Exane.

Gen Philip Cross - *BNP Paribas Exane, Research Division - Research Analyst*

My first one is just actually a follow-up on the comments you made about your competitive performance and looking to win in the U.S. market. I just wonder, I mean, do you think that's possible as soon as fiscal year 2025?

And the second question is just on the U.S. market. I'm conscious you don't want to get into near term trends too much, but I did notice that you called out that you expect inventory adjustments to continue in the U.S. market as it remains soft. Just directionally, I wonder if you could comment on whether that has been easing versus H1 or has not really changed too much?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

In terms of the timeframe over which we can close that gap to market, obviously, we are ambitious to do so in the shortest possible time. But realistic to know that the context is challenging. And clearly, the priority focus that we've given to some of those new acquisitions and the work that we will need to do against those will take some time to bear fruit.

So being in this industry as long as I have been, I know that those that immediacy of what we do and the reaction in the marketplace or whatever can sometimes have a lag attendant with it. So we will continue to do the right things, make the right choices and focus on the right areas and genuinely hope that we can close that gap to market in the shortest possible time as I say. So I wouldn't like to put a specific date to it, but be reassured that that's the objective that we share across the company.

And the second question is in relation to -- sorry, if you can remind me, it was the belief as to where we are within the destocking and the inventory adjustment?

Gen Philip Cross - *BNP Paribas Exane, Research Division - Research Analyst*

Yes. Basically, just whether the expectation that inventory adjustments are likely to continue, whether actually there's probably been some sequential improvement versus the first half or actually that effect is not really changed too much?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

Yes. We were all somewhat disappointed in the O&D. It was somewhat softer than we had anticipated. So we would suggest that the retailer destocking is largely complete, but that honestly hasn't necessarily translated into an easing on the wholesaler side of the equation as yet. So it's still difficult to read.

And I suppose what I'm saying to the teams is, I don't honestly believe that this will be a linear progressive improvement over time. I think we're going to have peaks and troughs. I think it's going to be somewhat turbulent as we go forward, if I can phrase it like that, by category and month-on-month, depending on the month that is being cycled and what happens, obviously, in the previous period.

So I would like to hope it will start to get better sooner rather than later, but at the moment there's still a challenging landscape against which we're working.

Operator

(Operator Instructions) The next question is from Celine Pannuti with JPMorgan.

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

I have 2 questions. My first question is on a bit of consumption trends. You talked about the success of RTD. Can you talk about how you see new generation coming into the category? Try to understand a bit their appetite for spirits and whether you have any data you can share with us on that?

And I presume as well as you probably meet with some of your customers, what is the bit of the sense that you get from what customers, distributors, retailers are saying about the potential impact from GLP-1 on your categories?

My second question is on coming back to the question about pricing. You said that probably you should reverse to low-single digit pricing in the industry going forward. But right here, right now, you also mentioned probably more promotion during the U&D season. It seems given some price cuts in the categories and some downtrading that we've seen in some categories as well, that it's a bit more promotional and competitive from a price standpoint.

Would you agree with that point? And is it fair to expect that, that's going to be a bit of, as you said, turbulence as well to navigate going forward?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

In terms of the consumer and the new generation coming through into spirits, I think what the data clearly shows is that even that Gen Z consumer who at this stage is what 25, 26 at the upper tier, so LDA to 25, 26. What we're seeing is that they are coming out of beer and they're coming out of wine and actually their consumption of spirits is holding.

So we do see that consumer as playing into where our strengths lie. They are curious around spirits, they're very into cocktails and the cocktail sociable moment around the cocktail. And so in that sense, I think we have optimism to the future that Gen Z consumer can come with us.

I don't believe that the normalization that's happening in the market or whatever is explained by any of those dynamics. I think it's -- in terms of how the GLP is impacting, I think we don't see again this having a significant impact on the consumer dynamics that we're experiencing, and it's been relatively stable across generations. So I think the challenge is more for our colleagues in wine and indeed for beer.

In terms of pricing, I mean pricing as you as we pointed out earlier, I mean trending towards low-single digits going forward, our sharpening of our focus in terms of our promotional phasing and weight. Pricing is dynamic by nature and the competitive context is one that we have to stay very close to. And obviously, I believe we have a much more robust set of tools and a much more robust internal process to optimize that pricing over time as the competitive landscape stabilizes and the situation becomes more normalized going forward.

So we'll continue to focus on this, we'll continue to put the right resources behind this and make the right calls against the portfolio opportunities that we've defined. But yes, it's going to be a dynamic challenge and one that we're all going to have to face internally within our teams on a monthly basis.

Operator

The next question is a follow-up from Olivier Nicolai, Goldman Sachs.

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

So I got another small batch of questions for you. 2 again. We have an election in the U.S. in November. Are you concerned or how are you preparing for a potential import tariffs? And which brand within your portfolio you would be able to essentially mitigate the impact by potentially bottling locally and shipping in bulk for instance? That's the first question.

And then secondly, wanted to hear your view on the implication short term and also long term for the tequila category of the much, much lower agave price, which is starting to come through?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

On the tariff question, Olivier, I think we would not be surprised to know that we're, obviously, looking at that situation closely and we're assessing how best if this was to come to pass that we could manage that situation. So I'd rather not get into the specifics in terms of some of those mitigation plans and some of that thinking. We are clearly monitoring the situation, and we would hope against hope that, that does not come to pass and that's not a path that is adopted.

So on tequila, clearly, the opportunity is there for us. We are subscale as we clearly know in the tequila category and the opportunity is there for us to invest and take our fair share within that opportunity. And obviously, those COGs tailwinds will be beneficial in how we seek to form that opportunity as we go forward. So that's the approach that we'll be taking.

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

Would you expect even more new brands and new entrants in the category? Or would you expect some down trading towards more like $30 price point? Or --

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Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

I believe Codigo -- now, I believe Codigo is at the sweet spot within the portfolio. I think it's got a unique proposition in its focus on quality and it's additive free proposition. Clearly, there has been some downtrading north of that $100 price point that traditionally was probably somewhat more dynamic.

And if market is coming back into that sort of $50 center point for propositions then, obviously, Codigo can play into with its unique proposition, as I say, and unique variance including the Rosa and the Reposado variance within the range.

So we're hugely optimistic to the Codigo challenge. And I think ultimately, we've got the right brands in the right part of the market going forward.

Operator

The next question is a follow-up from Sanjeet Aujla with UBS.

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

Just a quick follow-up on your earlier comments about a renewed focus on the on-premise channel. Can you just talk a little bit more specifically about what you will be doing differently and which are the kind of priority brands you're focusing on in that channel? And what's the weight of the on-premise of Pernod's portfolio these days as well, please?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

So what will we do differently? I mean, we have always over indexed versus the competitor context in our focus on the on-premise. It's born of a belief, it's all the way back to our founders' belief that making a new friend a day is a cornerstone of how we bring our brands to market. And the best way and one of the greatest ways to do that is in the on-premise environment.

Now that has 2 facets to it. Clearly, one is the gatekeeping role of the bartenders and bartending community who again have been a huge supporter of us across the portfolio over many years, clear prioritization within the Jameson strategy. And so we will be working closely with them, and building more advocacy opportunities, educational opportunities to work with them on all facets of their business, including how we activate our brands. But also some of the sustainability initiatives that we've got in The Bar World of Tomorrow initiative at a global level.

So we would say that, clearly, doing that, that will, obviously, provide us with an opportunity then to present our brands appropriately on menus and in relevant serve profiles that will allow the consumer to really explore the full breadth of the portfolio in relevant serves.

And again, we cite the success of things like the Espresso Martini and the Kahlua Absolut combination as powerful brands against the consumer trend for cocktail that is of the moment. And we believe that, that single-minded approach to bring those superlatives serves to the menus and those impulse purchase occasions in the on-premise, again provides an opportunity given the portfolio that we have.

In terms of how we referenced versus the industry, we'd say we're probably 3 to 5 points above the industry average in terms of our leverage to the on-premise. Hence, the reason I see it as such an important opportunity for us coupled with, obviously, the portfolio that we have.

There's second question Olivier, sorry, remind me if you will.

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

I just got a follow-up on the on-premise as well. Just regarding portfolio management, clearly, you've been a big focus on M&A and plugging some of the portfolio gaps in recent years. But do you see opportunities for divestments of the tail of the portfolio perhaps as well?

Conor McQuaid - *Pernod Ricard SA - CEO of North America (USA & Canada)*

Clearly, dynamic portfolio management is something that we look to and look at on an ongoing basis. And that's both ends of the opportunity, keeping our eyes and ears open for those new opportunities, those new brands that are coming through.

I don't see an obvious gap in the portfolio at the moment, but that's not to say that we're not alive to opportunities as they will present themselves. And likewise, at the other end of the spectrum those brands potentially are underperforming or aren't aligned to consumer needs or consumer dynamics going forward, that's clearly something that together with our colleagues in the M&A team and partners that we look to and look at on an ongoing basis.

Edward Mayle

Great. Well, thank you very much, everybody, then. That concludes today's U.S. market Q&A. Thank you all for your participation. Special thank you, of course, to Conor, and I wish you all a great day.

Operator

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