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PRESENTATION

Operator

Good morning. This is the conference operator, welcome and thank you for joining the Pernod Ricard First Quarter Fiscal Year 2023 Sales Conference Call and Webcast. (Operator Instructions)

At this time, I would like to turn the conference over to Ms. Hélène de Tissot, Group Finance, IT and Operations Director. Please go ahead, madam.

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

Thank you. Hello, ladies and gentlemen, and welcome to Pernod Ricard Q1 FY '23 net sales call. So we're hosted by Hélène this morning. We will take you through the presentation and take your questions thereafter. Hélène, over to you.

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

Thank you, Florence. Good morning, everyone. So let's start with the Exec summary of our Q1 and fiscal '23 year sales.

So this is a dynamic start of the year, with diversified sales growth, growing by 22% on a reported basis and increased 11% organically, with a strong price effect of plus 7%. I must say this is quite a remarkable performance through COVID, with the Q1 organic CAGR growth of circa plus 8% over the last 3 years.

So let's start first with the performance across markets. So strong broad-based performance, with the U.S. that are enjoying strong distributor depletions, with shipments being impacted by phasing. Strong growth in China and India. Travel Retail continues to rebound despite ongoing softness of Chinese travelers. We have as well continued strong dynamism in Europe, which is enhanced by an excellent tourist season, supporting as well the on-trade growth. So strong pricing, with effects of fiscal year '22 increases, along with new increases implemented, notably in the U.S. in the month of September and mainly starting from the 1st of October, with volumes growing across our 3 regions.

If we look now at the performance across our brands, so diversified double-digit growth across all spirits segments. Starting with the Strategic International Brands that are growing at plus 12%, very dynamic growth, which is driven mainly by the Scotch portfolio but as well by Jameson, Absolut, Beefeater and Martell. Our Strategic Local Brands are growing by 13%, mainly driven by strong double-digit growth of Seagram whiskeys in India. Specialty Brands growing very strongly, plus 16%, with continued excellent developments driven by Lillet, by Malfy by Redbreast and as well by our U.S. whiskey, Jefferson's. Strategic Wines at minus 8% with a soft start, notably in the U.S. and in the U.K., with some phasing effects but as well a dynamic start in Canada and India.

So let's start first with our must-win markets. So there is a continued portfolio momentum in those 4 must-win markets, starting with the U.S. So U.S. net sales growth is at plus 2%, but the underlying depletions are growing by mid-single digits. So the softer shipments are entirely due to phasing, with a very strong start of Jameson, The Glenlivet, Malibu and Jefferson's. We have some further price increases that have been implemented as planned. There is as well a very dynamic consumer-centric innovation, in particular with the Jameson Orange. And we have as well a very rapid development of the RTD portfolio.

Moving then to China. So China is growing at plus 9%, with a record sales quarter in China, with strong Mid-Autumn Festival, lapping a very high comparison basis, with positive pricing due to fiscal year '22 price increases, mainly at the end of spring last year. Double-digit growth on Martell despite ongoing COVID-related disruptions. And a continued widening of the market footprint with our Scotch portfolio and with Absolut.

Moving now to Travel Retail. Travel Retail is growing at plus 24%, with a continued recovery outside of China, and we are on track to deliver our profit back to pre-COVID levels, with increased consumer basket size and solid price effects.

Moving now to India. India is growing at plus 21%, very strong growth, continuing with premiumization trends, supported as well by revenue growth management initiatives. So continued very dynamic performance of Royal Stag and Blender's Pride, which is driving favorable mix. And as well excellent growth of our Strategic International Brands, in particular Jameson, the Scotch portfolio and Absolut.

Moving now to other key markets. So broad-based growth as well across all regions, starting with Europe. So Europe is growing at plus 4%, and it's a double-digit growth, if you exclude Russia and Ukraine. France is having a soft start on a high comparison basis but strong growth in the on-trade. Spain is growing double digits, notably driven by gin portfolio but as well as Absolut and whiskey. The on-trade is rebounding in Spain with as well strong tourism while the off-trade remains resilient. Germany had a very strong growth, driven notably by Lillet and Ramazzotti. In the U.K., it's a soft start, notably from wine portfolio and as well a high comparison basis with significant staycation in summer -- fiscal year '22, so summer '21. Eastern Europe is in sharp decline, fully driven by Russia and Ukraine, with a good start in Central Europe.

Americas. Americas is growing by 6%, with Brazil, which is continuing to grow double digits, enhanced by good pricing and strong mix with faster growth of Strategic International Brands. A strong start as well in Mexico with Absolut and Chivas. And Canada is growing high single digits on a low comparison basis driven by Absolut, The Glenlivet and as well the wine performance.

Asia, rest of the world growing at plus 20%. Japan is posting a double-digit growth, notably driven by Ballantine's but as well by Chivas and Perrier-Jouët. We have a strong start in Korea, with a full on-trade recovery driven in particular by the whiskey portfolio. Southeast Asia as well is posting a very strong rebound. Africa and Middle East continued excellent growth of Martell and Jameson in Nigeria, and South Africa is in double-digit growth on a low comparison basis. Turkey is as well growing double digits, both from volume and price, and this is led by Chivas and Ballantine's.

So let's move now to a special focus on our active portfolio management with a very special focus, I would say, on the reinforcing of the U.S. market footprint. I must say I'm very pleased and excited to present that slide today. This is a result of long effort from our team. So U.S., obviously, is the #1 market for Spirits. It is our #1 market and our leading must-win market. This is a market which is structurally dynamic, resilient to downturn with increasing premiumization trends, which is obviously motivating our ambition to reinforce our footprint.

And these 3 investments, as you can see on that slide, are doing exactly that, with a highly attractive premium brands in fast-growing categories. We are starting -- or reinforcing partnership with leading spirits entrepreneur, highly regarded within the industry, I must say. They are bringing their passion, their creativity and entrepreneurship. And these brands are very complementary to our existing comprehensive portfolio in the U.S. So let me say a few words on each of them.

Starting with Sovereign Brands, where we are increasing our stake with an acceleration growth for the exciting superpremium brands, such as the sparkling wine, Luc Belaire and Bumbu Caribbean Rum. As you know, Luc Belaire is already 1 million cases. This is a French sparkling wine, and Bumbu is already around 300,000 cases.

The second investment I would like to highlight is Código, where we are buying a majority stake in Código 1530 Tequila, which is a range of ultra-premium and prestige tequila. So this is obviously going to broaden our agave portfolio in the U.S. market across different price bands and occasion, with a special focus and exposure to the ultra-premium and prestige tequila category, which means that we're going to have a strong portfolio, again across the different price points and occasion. Código has been growing very fast. This is probably getting closer now to 100,000 cases in the calendar year '22, starting last year from 40,000 cases. So you see a very impressive growth.

And I would like as well to highlight Nocheluna, where we are joining forces with Case Lumbre, which is already a strong partner for us. With this newly emerging and highly promising brand in the sotol category, with as well the support of Lenny Kravitz. So these are great illustration, I must say, of the execution of our bolt-on acquisition strategy. I'm talking about illustration, you can see as well on that slide how successful we have been in the integration and scaling up of high-potential premium brands over the recent past.

We have listed here a few examples of the net sales growth that we delivered since acquisition to June '22 on all those brands, which are, I must say, growing quite impressively triple digits. So this is, I think, a very strong illustration of what we want to do with our active portfolio management. By the way, it mirrors, as well, very well the performance of our Specialty Brands portfolio, which has been doubling, as you know, in the space of 3 years. So we are very excited to start our journey with Código and Nocheluna and to accelerate even further with the Sovereign Brands.

Moving now to conclusion and outlook. So for this fiscal year '23, we are confident in delivering diversified, balanced growth. The start of the year is dynamic, with a diversified sales growth of plus 22% reported and plus 11% organic, with the strong pricing effect of plus 7%. Despite what we believe is going to be a persistently volatile context, we remain confident in the resilience of our portfolio, and we continue to expect, for the full year, dynamic, broad-based net sales growth, albeit moderating on a normalizing comparison basis.

We are intensively focusing on revenue growth management and operational efficiency in a high inflationary environment. We are expecting to keep investing A&P in a very dynamic way, with a A&P to ratio -- A&P ratio to net sales at circa 16%, and continuing investment in structure. And we are, as well, expecting a significant positive currency effect for fiscal year '23.

We're going to actively invest for sustainable value creation with 4 priorities that you know: first priority, fueling future growth through strategic inventory and CapEx, with CapEx that should be at circa 7% of our net sales; with as well active portfolio management, which is clearly illustrated with our recent investments, reinforcing our U.S. market footprint; with as well a dividend with payout at circa 50% of the prior year recurring net profit; and with a share buyback program of EUR 500 million to EUR 750 million to be executed during the fiscal year.

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

Thank you very much, Hélène. So now we can turn to your questions. Operator, if you can open the call, and then let's have the first question, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from Edward Mundy with Jefferies.

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

Three questions, please. First of all, on China, you pointed to a strong Mid-Autumn Festival. Was that both on sell-in and sellout? And are inventory levels broadly healthy going into the second quarter?

Second question is on the U.S. Can you provide a bit more color around the phasing in the U.S. versus depletion trends? Is it due to a tough shipment comp from last year? Or is it around phasing ahead of price increases?

And then the third question is Europe, ex Russia, seeing pretty strong performance in Spain but slower growth in both France and the U.K. Are you seeing any change in consumer purchasing patterns, for instance, downtrading or channel shift across Europe?

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

Okay. Ed, thank you very much for those questions. So let's start with China. So indeed, in China, we are delivering a strong performance across Mid-Autumn Festival and National Day, with our value sellout that are growing low double digits. So this is, I would say, quite consistent with the optimism that we mentioned last time we talked 6 weeks ago, which was, at the time, the optimism of the trade earlier in the summer, which was driving the sell-in. And now that we have the sell-out vision, we can confirm this strong performance.

So I would say, first, this performance is both coming from volume and price, in a context which remains a bit disrupted, but with the off-trade, which is growing and more than covering a kind of softness in the on-trade, I must say, knowing that the Mid-Autumn Festival is rather an off-trade occasion. As you know, we were starting that year with a very healthy level of trade inventory everywhere, by the way, but especially in China.

So this is a strong performance, particularly given the fact that the environment is still disrupted. As you know, there's some limited intercity travel, and the on-trade is disrupted, which is probably showing first that consumers are adapting to the environment and that we have built a strong brand in China.

Moving then maybe to your second question on the U.S. So yes, I will take the opportunity of your question to clarify this phasing. I think you alluded to that. This is definitely pure phasing, meaning coming from 2 main drivers: first and foremost, the management of the distributor inventory ahead of the price increase and as well the impact on the Hurricane Ian that has impacted Florida and Georgia at the end of September, with some supply chain disruption. So no -- nothing in terms of weaker underlying consumer demand, and there's absolutely no slowdown. The depletion volumes are growing, and we have as well a strong price effect. So it's purely phasing.

Third question was on Europe. So Europe, as you mentioned, there is -- first, some low comp in Q1, for instance, in Spain, where last year the on-trade was still quite disrupted. But globally, we have a strong start in Europe with a very good summer, a very good tourist season. There is a softer start in France and in the U.K., which is mainly due to the high comp last year. So there is no change in the consumer purchase pattern, and I take the opportunity on that question to clarify that we don't see any change in Europe or anywhere else.

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

Very helpful. Just coming back to the first question on China, just to completely understand it. So your shipments then were plus 9%. Your sellout was low double digits yet low inventories going in to the quarter. And therefore, the inventory picture going into Q2 is also healthy. Is that the right read?

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

Yes, that's the right read.

Operator

The next question is from Andrea Pistacchi with Bank of America.

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

I have 2 questions, please. First one on the buyback. You've reiterated EUR 500 million to EUR 750 million for this year. But if -- I don't think the buyback has been started. If you could provide a reason, please, why it hasn't started and potential timing for that.

The second question I have is on the deals that you were discussing, Sovereign Brands, Código 1530. They've been growing strongly, as you said. What is the potential to really scale these up across your geographies? I mean are there any supply constraints or capacity constraints of any sort, which would prevent you from growing these brands strongly to several hundred thousand potentially over time if demand were there?

And then if I may, sorry, one quick third one. If you could just provide a bit of a granularity on the price increases you have put through and also whether those -- whether you've taken price increase in this sort of second round also in Europe.

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

Okay. Thank you very much. So let's start with the share buyback. So confirmation of this -- the execution of the share buyback before the end of the fiscal year, as I mentioned in the conclusion. You know, I think, very well different financial policy priorities, meaning that we are focusing first on the investments for the organic growth but as well then on M&A and dividends. And I must say this has been a quite active M&A quarter, as you know. So confirmation, the execution will happen before the end of the fiscal year.

For Código and the potential of tequila, obviously, it's very early days. I was flagging the quite impressive growth that Código had over the recent past. We are very excited by this new investment. There will probably be some supply constraints as always with a great, I would say, booming brand that we will handle in due course. But this is obviously a very exciting news for us to add Código to our agave portfolio.

Then on pricing, so I think you nicely summarized what would be the key drivers of pricing, which is the carryforward of last year price increase but as well new price increase in this fiscal year '23, which is, as I said, already starting with the U.S. So maybe let me just clarify what is the current pricing impact across geographies.

So for the total Q1, it's plus 7%. In the U.S., it's mid-single digits. In China, it's probably more high single digits. For EMEA, Lat Am, it's probably more high single digit to low double digit. And I would say circa mid-single digit in other geographies like Global Travel Retail and India. So this is the Q1 impact in terms of net sales growth. And again, this is going to be a key focus for us in the coming months to keep implementing a new price increase and to, obviously, focus as well on the quality of the execution of the price increase, which I must say, so far, has been quite strong, fully in line with our expectations.

Operator

The next question is from Simon Hales with Citi.

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

Three quick ones for me as well, please. Firstly, Hélène, just coming back to the U.S. shipment phasing and sort of comments that you were making. I just wanted to confirm that, as we look into Q2, we should expect shipments really to be running ahead of depletions as we see some normalization from those Q1 headwinds. And just to clarify with that, you're not -- you're saying you're not seeing any wholesaler destocking in the U.S. That's the first one.

Secondly, just coming back to the timing of the potential share buyback. Are we really waiting for the AGM statement? Do you need to get the shareholder approval before you can actually start executing in the market? So that's the second question.

And thirdly, obviously, lots of bolt-on M&A deals you've been doing of late. I know you haven't disclosed the cost individually of those deals. But can you give us any idea of the amount you've spent in total year-to-date on M&A?

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

Okay. So I hope you will -- I apologize, but I'm going to answer your 2 last questions quite far, so to say.

So timing on the share buyback, I think, I made it clear and that this will be executed by the end of the fiscal year, and there is no constraint linked to the shareholders' meeting.

On the cost of the different investments, I'm not going to share that with you today.

And then moving to the first question on the U.S. So again, I think the phasing is very clearly linked to the inventory management ahead of price increase, and the price increases are happening 1st of October, so meaning Q2 will be benefiting from the pricing increase. We are not going to comment what could be Q2 performance right now. And as you know, obviously, this is a very important quarter with OND. So we are focusing our efforts to make that quarter a very good one, with as well some strong brand activation.

So -- and then I think your last question was on destocking of the wholesalers. As I mentioned, the depletion are growing mid-single digit.

Operator

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*

So my question is coming back on Europe. You mentioned the strong growth ex Russia and Ukraine -- to know whether you've seen any change throughout the quarter because obviously, we had a strong summer tourist season and whether there was any September weakening there. Still on Europe, you didn't mention pricing. So can you tell us what is the pricing like in Europe, please -- are you going to implement it going forward?

Second question would be on cost inflation, which you mentioned. Can you give us an idea of where we are in terms of the different moving parts? I presume the shipping rates are weakening, salary probably increasing and whether you -- how you are dealing with glass ahead.

And then maybe lastly, just to -- what you just said about the U.S. So you said pricing in the U.S. in Q1 was mid-single digit -- effect on top of that, the new pricing in Q2. Did I understand that correctly?

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

Okay. So I hope I'm not going to miss any of the questions. I start with the last one.

So pricing, your understanding is correct. So it's mid-single digit in the U.S. in Q1, and we are implementing new price increase starting 1st of October.

Your second question is Europe in terms of any weakening in September. So the answer is no. We don't see any change in the consumer purchase pattern, as I said at the introduction, and this is relevant for Europe and for all the other geographies. Pricing in Europe, I mentioned EMEA Lat Am, it's low double digits.

And finally, your question on curves and the inflation. So let me spend a bit more time on this one. So as you know, inflation remains quite elevated. And I must say it's more impacting us in this beginning of fiscal year than it did last year because it impacted us mainly in H2 last year. So we are, right now, let's say, lapping low comparison basis in terms of cost evolution last year. This is driven largely -- the inflation is driven largely by the impact of energy prices across our costs, meaning across dry goods mainly, as well freight and wet goods.

So dry goods, this is especially true for the glass cost, which is increasing significantly because of high energy costs. So we are impacted by double-digit inflation on glass. Freight, I mean, you mentioned some more positive trend in terms of freight. I must say it's not yet our case, especially because we are exporting mainly from Europe, I would say, to the U.S. And on that flow, there's no significant improvements. Last year was obviously quite exceptional in terms of very high increase of the freight cost, but it remains quite elevated as we speak, I must say.

I think your last question was on the way we manage the security of supply. So this is obviously a very strong focus on our team. We are very carefully managing the supply of commodity to really minimize any risk in our ability to production. So this is very true for the cereals availability, where we have long-term contracts to secure the supply. And this will protect us for the fiscal '23 production. We are as well obviously very carefully managing the supply of glass, and this is a high priority, and we are as well managing what could be a potential tension in terms of gas supply by, for instance, optimizing management of our plant to really anticipate everything we can ahead of winter.

There are, as well, some, I would say, good news in terms of gas supply. For instance, in some countries, there is some protection coming from the, I would say, the state policy, which is, for instance, what's happening in Sweden, where we should be protected for as an industry.

Operator

The next question is from Olivier Nicolai with Goldman Sachs.

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

Got 3 questions, please. First of all, I just wanted to clarify something on the U.S. So you mentioned mid-single-digit growth in terms of depletion. Can you give us an idea in terms of volumes versus price versus mix? I think you mentioned price is mid-single digits. So I was just wondering if both of the components are flat or if there's one positive, one negative. Just going back to the price increase, again, that you have implemented in the U.S., you mentioned mid-single-digit price increase. I understand -- if I understand correctly, you increased prices early in February. So should we essentially 2 price increases overlapping for the next 5, 6 months period?

Secondly, on China, really good to see that you had a strong Mid-Autumn Festival. Do you have any depletion data already for Golden Week, which was earlier this month? And should we expect a boost to your shipments considering that Chinese New Year is on the 22nd of January this year -- or next year, so earlier than in 2022?

And then just lastly on -- going back to your acquisitions. (inaudible) I see, obviously, you've been strengthening tequila quite strongly. Just going back to the Sovereign Brands acquisition, what does a brand like Luc Belaire brings to your portfolio that your current wine and champagne portfolio could not do? And then on Bumbu Rum, do you see the premium category -- premium rum category finally picking up, notably in the U.S.?

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

Okay. A very long list of questions, I must say. Hopefully, I will not miss any of those. So I'll start with the U.S.

So just to clarify, in the U.S., so the depletion which are growing mid-single digits, it's both coming from volume and price. Price in the U.S., as you mentioned, and we had increased our price twice in fiscal year '22, in October -- starting in October, so in October 2021, and more significantly in February 2022 across most of the portfolio. And now we are taking more price, which is from mid-single digit to high single digit across portfolio.

For China, the comments I was mentioning in terms of strong performance is, of course, Mid-Autumn Festival and National Day. Then for the Chinese New Year timing, you're right, this is going to be earlier. This year, Chinese New Year is going to happen on 22nd of Jan. It was the 1st of February last year. So in theory, this should have indeed a favorable phasing impact in H1. I must say it's a bit too early to tell. As you know, this is, as well, quite depending on the distributor anticipation for Chinese New Year.

And then Sovereign Brands, I would say, first, as you know, this company has been very well known for building very successful, innovative and creative brands. So not only the one you were referring to that are Luc Belaire and Bumbu but as well in the past. So we are very happy to partner with the Berish brothers. So Luc Belaire, it's a very fast-growing French sparkling wine and quite well positioned in terms of pricing. This is a superpremium plus price positioning, with pricing which is above $30 a bottle. It's mainly in the U.S. It's 90% in the U.S.

And I would like to say, when you -- your question was referring to champagne. This is, for us, a very clear illustration on the consumer centricity. Consumers in the U.S., obviously, they like champagne, and so do we. But they like many other things, including Luc Belaire, which has a very impressive success in the recent past. There's room, for sure, for those very exciting brands. And I will tell you the same thing for Bumbu. So this is a very fast-growing brand. There's 3 core SKUs as well in the superpremium plus space, with RSP which is above $35 a bottle.

It's mainly in the U.S. but not only the -- non-U.S. market probably accounting for something close to 40% of the performance of those brands, which means as well that this is going to give us the opportunity to accelerate the distribution of Bumbu outside the U.S. So this is quite exciting for us.

Operator

The next question is from Laurence Whyatt with Barclays.

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

Three from me, please. In China, could you give us a bit more detail on where the growth in Martell is coming from, particularly if it's coming from Noblige, Cordon Bleu or any of the other SKUs there? And also why whiskeys potentially slowed down if Cordon Bleu's doing double digits and China at 9% and where's -- what's slowing down? Is anything going negative?

Secondly, on your tequila acquisition. Back in June at the Capital Markets Day, (inaudible) insisted that you didn't need any additional tequilas to maintain growth in the U.S. and you're going to invest in Jameson as well as the existing tequila brands in the portfolio. Given the recent acquisition, what changed in your strategy there?

And finally, on Slide 5, you have detailed a number of small but very fast-growing brands across the U.S. portfolio. I guess, historically, the growth generally came from Jameson and maybe with some smaller brands, like Martell, Avión, Altos supporting the growth. But now with the portfolio much more fragmented, why are you so confident that you can give each brand the required attention to allow it to mature and maintain the high growth that they're currently enjoying?

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

Thank you. So starting with China. So first, Martell performance is quite strong across the different quality. And you were referring to the whiskey performance, so maybe let me come back to that. So Scotch in China, first, starting with The Glenlivet. The Glenlivet is in double-digit growth. And I must say it has doubled in size in each of the past 2 years. So it's quite impressive. For Chivas, the performance is a bit different because it's negatively impacted by the on-trade exposure. As you know, Chivas is very exposed to the on-trade, and this is still quite disrupted in China as we speak. So that's the reason for Chivas' more negative performance in that specific context.

On tequila, I think what we are aiming at is beating the market in the U.S. And when we had the discussion late spring, what we mentioned is that we want to beat the market with our current portfolio. But let's be quite honest, if we had the acceleration of fantastic brands that we manage to integrate through our active portfolio management, this is obviously going to accelerate and boost our ambition to deliver that performance in the U.S. market. So that's, again, great news.

Your question about the number of brands that we can activate, thank you for asking that question. This is a very important point for us. We want really to accelerate as well in terms of diversification of growth across our different market, starting with the U.S. And this is exactly what the Conviviality Platform is going to deliver for us in -- an amplification of our performance across the markets and, obviously, starting with the #1 market in the U.S. So we'll have the ability to and this is deployed, as you know, as we speak, to activate more brands so that we can be even more consumer-centric, capturing the different opportunity across categories and moments of consumption, which is giving us confidence to be able to manage different brands, probably more brands than we did in the past.

Having said that, maybe a point of clarification on Slide 5, what we mentioned in terms of performance of the brands on the left-hand side of the brand is not specific to the U.S. I include the full performance of those brands across the markets, even if, obviously, for Del Maguey and the U.S. whiskey, it's mainly coming from the performance in the U.S. But for Monkey and Malfy, the performance is extremely strong in many of our geographies.

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

So I'm going to take our 2 last questions -- 2 last callers, sorry.

Operator

The next question is from Trevor Stirling with Bernstein.

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

Three questions from my side if there's time for it. First one, Travel Retail, very strong, Hélène. Is that coming across the board in terms of regions? Is it being driven by the recovery in Asia ex China? Maybe a little bit of color there would be great. And a little bit of color on the strength in India would also be super.

And then finally, just coming back to the U.S., you've talked about mid-single-digit value depletions in the U.S. I think last year, you were at 8% sales growth in the U.S. Does that imply a little bit of a marginal slowdown in the U.S.?

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

Okay. Can you just repeat your question on Travel Retail? I get it in terms of region, but I think you mentioned India. I'm not sure I understand the question.

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

Second question was on India. Again, a very strong performance out of India. Are there any particular brands or regions that is driving that strength in India?

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

Okay. Thank you. So let's start with India. You're right. We didn't talk yet about India, which is obviously a key market for us, one of our key must-win markets performing extremely strongly in this first half, with the continued premiumization trend, and to be fair, that's exactly what's happening in the Strategic Local Brands space. With the strong performance of Royal Stag and Blender's Pride, which is coming with a very favorable mix. And as well a strong acceleration and excellent performance of our Strategic International Brands.

I must say the environment in India is very strong, and the consumer confidence is increasing. It's probably at an all-time high, despite inflation. And we continue to benefit from favorable long-term demographics, with the continuing growth of upper and middle class and as well the urbanization. So very, very strong performance there.

So Travel Retail. Travel Retail, I mean, it's mainly coming from a strong recovery, I would say, everywhere except North Asia.

And your last question was on the U.S. Yes, so the U.S., as you know, we believe that the market is obviously very exciting and dynamic, but we expect some normalization, meaning being back to what was pre-COVID market trend, which is around mid-single digits. So we are performing mid-single digits. So this is probably quite consistent with a view of normalization.

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

We're going to take our last question.

Operator

The last question is from Jeff Stent with BNP Paribas.

Jeffrey Patrick Stent - *BNP Paribas Exane, Research Division - Research Analyst*

I'm not sure whether you can necessarily add much to the subject matter, but I'd just be grateful for your latest thoughts on sort of U.S. -- sorry, Indian tariffs and sort of trade negotiations. It sounded that both yourselves and Diageo were quite optimistic recently on that. Just what are your thoughts now?

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

Thank you. So well, obviously, we strongly support negotiation that are happening between U.K. and India to get high-quality free-trade agreements. As I was mentioning, India is very important for us. It's the world's largest whiskey market by volume already, and it's becoming one of the biggest by value. So with the growth of middle class, this is obviously very, very promising. So it seems that there's strong willingness on both sides of the table, I would say, between U.K. and India to reach a deal, but nothing has been signed so far. So let's see. It's obviously much too early to think about what could be the concrete implication. But again, we are strongly supporting the negotiations.

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

Thank you very much, Hélène, and thank you very much all. So this is concluding our call. We wish you a very good day, and speak to you soon.

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

Thank you very much.

Operator

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