



Financial press release

2019 first-half revenue: €87 million Adjusted income from continuing operations* up 11.8%

Reims, 12 September 2019

Vranken-Pommery Monopole's Board of Directors met on 12 September 2019, chaired by Paul-François Vranken and in the presence of the statutory auditors, to approve the group's financial statements for the first half of 2019.

Published				Adjusted*			
<i>Consolidated data in millions of euro</i>	06/2019	06/2018	Change	06/2019	06/2018	Change	%
Revenue	87.0	94.8	-7.8	87.0	94.8	-7.8	-8.2%
<i>Revenue like-for-like (**)</i>	<i>87.0</i>	<i>94.2</i>	<i>-7.2</i>	<i>87.0</i>	<i>94.2</i>	<i>-7.2</i>	<i>-7.6%</i>
Income from continuing operations	2.9	5.9	-3.0	3.8	3.4	+0.4	+11.8%
EBIT	1.5	4.7	-3.2	2.3	2.2	+0.1	+4.5%
Financial income	-9.7	-9.9	+0.2	-9.7	-9.9	+0.2	2.0%
Net income	-6.6	-3.9	-2.7	-6.0	-5.8	(0.2)	-3.4%
<i>Attributable to equity holders of the parent</i>	<i>-6.6</i>	<i>-3.9</i>	<i>-2.7</i>	<i>-6.0</i>	<i>-5.8</i>	<i>(0.2)</i>	<i>-3.4%</i>

(*) Excluding the impact of the renegotiation of agreements governing the allocation of medical expenses.

(**) Last Listel contracts deconsolidated in July 2017.

Revenue

Vranken-Pommery Monopole's consolidated revenue in the first half of 2019 came to €87 million, down 7.6% like-for-like. Sales in France were impacted by the Egalim Act, which profoundly changes retailing operations by regulating promotions and strongly increases the activity's seasonal nature to the benefit of the second half of the year, particularly for champagnes.

The group's foreign subsidiaries are gaining clout. Exports were up by 4.2% and represented 56.5% of consolidated revenue in the first half of 2019.

Impact of completion of negotiations on the payment of medical expenses

As part of its cost control policy, on 14 May 2019 the group signed the new labour agreements on the payment of medical expenses. The completion of these negotiations led to a revision of the assumptions used in the 2018 closing.

The impacts on the half-year financial statements are as follows:

- In the first half of 2018, termination of the agreements and revision of the assumptions used to calculate the provisions for employee benefit commitments, on the basis of available best estimates, resulted in a €2.5 million provision reversal.
- In the first half of 2019, completion of the negotiations led to a revision of the assumptions used in the 2018 closing and recognition of a €0.8 million provision.

The net result was a €1.7 million reduction in the Vranken-Pommery Monopole group's commitments compared with the end of 2017.

Analysis of adjusted results

The group presents the following adjusted results for the purposes of comparing the half-year financial statements like-for-like, excluding the impact of the completion of the negotiations described above:

- Adjusted income from continuing operations of €3.8 million, up 11.8%;
- Adjusted margin of 4.4% of revenue in the first half of 2019, compared with 3.6% in the first half of 2018;
- Adjusted EBIT of €2.3 million, up 4.5%;
- Stable adjusted net income attributable to equity holders of the parent, with a loss of €6 million reflecting the highly seasonal nature of champagne sales (intensified by the Egalim law), more than two-thirds of which are generated in the second half of the year.

The improvement in adjusted income from continuing operations reflects the success of the champagne branch's premiumisation strategy and the development of its export sales, the strong growth in sales of rosé wines and the increase in sales of sparkling wines.

Financial structure

During the first half of the year, the group successfully completed its €145 million bond issue, split into three tranches (€50 million at three years, €50 million at five years and €45 million at seven years). This transaction enabled Vranken-Pommery Monopole to refinance on favourable terms its bond issue that matured in June 2019.

The average maturity of the group's debt is improving, increasing from 2.45 years at 1 January 2019 to 2.70 years at 30 June 2019 and 3.08 years at the end of July 2019, after the renewal of its "ageing loans".

The group's net financial debt stood at €754 million at 30 June 2019, including an impact of €23 million related to the application of IFRS 16. Excluding the seasonal effect at 30 June, net financial debt is generally covered by inventories which, for the champagne activity alone, represent 3.4 years of sales.

Equity amounted to €361 million at 30 June 2019.

Outlook

Harvests

Champagne yields have been set at 10,200 kg per hectare. While only just under way, the 2019 harvests look to be as promising as those of 2018.

In Provence, Château la Gordonne is nearing the end of exceptional harvests in both quantity and quality terms. The 2019 vintage produced by the remarkable Pierrefeu terroir will stand Château la Gordonne in excellent stead for commercial growth overseas.

In the Camargue, the heat waves and lack of water reduced yields compared to 2018. These negative impacts were mitigated by vineyard investments. The vintage promises to be of high quality.

In the Douro Valley, by contrast with 2018, the yield on the 2019 harvest is very satisfactory and the quality equally remarkable.

Sales

In the second half of 2019, the major international champagne brands will continue to assert themselves in the markets. Pommery & Greno and Heidsieck & Co Monopole will benefit from this momentum.

The development of markets will continue for the Vranken champagnes, with particular emphasis on Cuvée Demoiselle.

Developments in the global economy are a source of opportunities that augur well for results in the champagne segment. As a leader in the production of rosé wines, Vranken-Pommery Monopole plans to significantly expand its product listings and thereby outperform a market already seeing robust growth.

Sales of Douro wines are particularly upbeat in their domestic market.

Next release

Publication of 2019 full-year revenue: 28 January 2020

About Vranken-Pommery Monopole

Vranken-Pommery Monopole manages 2,600 hectares of land, owned outright or under lease and spread over four vineyards in Champagne, Provence, Camargue and Douro. The group's wine-making activities range from production to marketing, with a strong commitment to the promotion of terroirs, sustainable wine-growing and environmental conservation.

Its brand portfolio includes:

- the Vranken, Pommery & Greno, Heidsieck & Co Monopole, Charles Lafitte and Bissinger & Co champagnes;
- the Rozès and Sao Pédro port wines and the Terras do Grifo Douro wines;
- the Domaine Royal de Jarras and Pink Flamingo Camargue wines and the Château La Gordonne Provence wine;
- the Sparkling wines, the Louis Pommery California, Louis Pommery England, Brut de France and Pink Flamingo sparkling wines.

Vranken-Pommery Monopole is listed on NYSE Euronext (Paris and Brussels).

(Codes "VRAP" (Paris), and "VRAB" (Brussels); ISIN: FR0000062796).

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