

Rating object	Rating information	
Long-Term Local Currency Senior Unsecured Issues Type of issues: Long-term local currency senior unsecured issues Home Market: Euronext Paris Issuer: Pernod Ricard S.A. Guarantor: --	Corporate Issuer Rating: BBB / stable	Typ: Initial rating Unsolicited
	LT LC Senior Unsecured Issues: BBB	Other: n.r.
	Rating Date: 09 October 2018 Monitoring until: withdrawal of the rating Publication Date: 16 October 2018 Rating methodology: CRA „Corporate Issue Ratings“ Rating history: www.creditreform-rating.de	

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Transaction summary

Object of this unsolicited corporate issue rating are the long-term (“LT”) local currency (“LC”) senior unsecured bonds issued by Pernod Ricard S.A. (“Pernod Ricard” or “Issuer”) which are included in the list of ECB-eligible marketable assets. This ECB list of eligible marketable assets can be found on its website. At the time of the rating, this issue comprised four separate bonds with a total volume of EUR 2.6 billion.

The rating of BBB represents a highly satisfactory level of credit quality with a low to medium investment risk.

In line with the rating methodology of Creditreform Rating AG, the unsolicited corporate issue rating of the bonds under review is based on the unsolicited corporate issuer rating for Pernod Ricard S.A. (Group) released on 28 March 2017 (initial rating) which has since been subjected to a process of continuous monitoring. The original rating of BBB / stable has not been changed or adjusted.

Issue rating details

Issuer

With a comprehensive and well-diversified product portfolio, Pernod Ricard S.A. is a leading player on the global market for wines and spirits. The Group is domiciled in Paris and has a worldwide headcount of approx. 18,500 employees.

The following table shows some key financials of Pernod Ricard for the last 2 years.

Table 1: Financials of Pernod Ricard | Source: Pernod Ricard consolidated financial statements 17/18, standardized by CRA

Financial ratios ¹ extract Basis: consolidated financial statements per 30.06 (IFRS)	CRA standardized figures	
	2016/2017	2017/2018
Revenues	EUR 9.0 billion	EUR 9.0 billion
EBITDA	EUR 2.4 billion	EUR 2.5 billion
EBIT	EUR 2.2 billion	EUR 2.3 billion
EAT	EUR 1.4 billion	EUR 1.6 billion
Total assets adj.	EUR 22.4 billion	EUR 22.7 billion
Equity ratio adj.	43.8 %	46.6 %
Capital lock-up period	74.0 days	79.2 days
Short-term capital lock-up	25.2 %	18.3 %
Return on investment	8.0 %	8.4 %
Net debt / EBITDA adj.	4.9	4.5
Ratio of interest expenses to debt	3.4 %	3.1 %

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Over the course of the full business year 2017/2018, the Group generated sales revenues of EUR 9.0 billion and an EAT of EUR 1.6 billion. Sales revenues fell by 0.3 % in comparison with the previous business year, mainly reflecting negative currency effects. On a like-for-like basis in comparison to the prior business year, Pernod Ricard's sales revenues increased by 6 %, supported to a large extent by strong corporate growth in China and India. Despite the negative currency effects, the EAT increased by a robust 13 % year-on-year, due to a significant reduction of financing costs and other operating expenses. In light of the positive development of the business, which is reflected by an increase of the free cash flow and a decrease of total debt, we have not identified any need to modify our previous assessments of Pernod Ricard S.A. (Group) either in terms of the rating (BBB) or the outlook (stable).

For further details concerning the Issuer's structural risks, business risks and financial risks as well as other rating-relevant factors, please see the report about the unsolicited corporate issuer rating of Pernod Ricard S.A. from 28 March 2017 and the information that have since been released by Pernod Ricard S.A.

Rating object

This rating exclusively assesses the Euro-denominated long-term senior unsecured bonds that were issued by Pernod Ricard S.A., which are included in the list of ECB-eligible marketable assets. This ECB list of eligible marketable assets can be found on the website of the ECB.

The bonds create uncollateralized and non-subordinate liabilities of the issuer that have parity with each other and with all other uncollateralized and non-subordinate liabilities of the issuer, unless otherwise specified by compulsory legal regulations. The four existing Euro-denominated bonds of Pernod Ricard S.A. with a total volume of EUR 2.6 billion are of different sizes and have been issued with different terms and different interest rates. Their structure, however, is identical, and conditions include a negative pledge of the Issuer as well as change of control and cross-default clauses. The Issuer also has the option of terminating and redeeming each of the four separate bonds prematurely (against the payment of a surcharge). The terms and conditions of the bonds do not contain any financial covenants.

In addition to the bonds under review, Pernod Ricard S.A. has also issued bonds that are denominated in USD. These bonds, however, are expressly not included in the scope of this rating.

Rating result

We assign a rating of BBB to the long-term local currency senior unsecured debt securities issued by Pernod Ricard S.A. The decision is derived from the unsolicited corporate issuer rating and its outlook as well as of the final terms of the bonds listed in the Table 3.

The following table gives an overview of the ratings attributed by CRA.

Table 2: Summary of CRA ratings | Source: CRA

Rating objects	Detail information	
	Date	Rating
Pernod Ricard S.A. (Issuer)	28.03.2017	BBB / stable
Long-term local currency senior unsecured issues	09.10.2018	BBB
Other	--	n.r.

At the time of the rating, the following EUR-Notes are rated by Creditreform Rating AG:

Table 3: Unsolicited ratings of Pernod Ricard's long-term local currency senior unsecured issues | Source: Pernod Ricard

ISIN	EUR Volume	Issue date	Maturity	Unsolicited rating
FR0011798115	850,000,000	20.03.2014	22.06.2020	BBB
FR0012968931	500,000,000	28.09.2015	28.09.2023	BBB
FR0012173862	650,000,000	29.09.2014	27.09.2024	BBB
FR0013172939	600,000,000	17.05.2016	18.05.2026	BBB

All future LT LC senior unsecured Notes that will be issued by Pernod Ricard denominated in euro and be included in the list of ECB-eligible marketable assets, will, until further notice, receive the same ratings than the current LT LC senior unsecured Notes. Notes issued in another currency than euro or other types of debt instruments (i.e. undated deeply subordinated fixed rate resettable notes or social bonds) have not been rated by CRA so far. The current ratings and information about the issuer and / or its issues can be found on the website of Creditreform Rating AG.

Best-case scenario

Best-case scenario: BBB

Worst-case scenario: BBB-

Note:

The scenarios are based on the information available at the time of the rating. Within the forecast horizon, some circumstances could occur that would lead to a rating change out of the indicated range.

In our best-case scenario for one year, we assume a rating of BBB. As the rating of the debt securities is linked to the rating of the issuer, we refer to the unsolicited corporate issuer rating of Pernod Ricard S.A. as of 28 March 2017 (BBB / stable).

Worst-case scenario

In our worst-case scenario for one year, we assume a rating of BBB-. As the rating of the debt securities is linked to the rating of the issuer, we refer to the unsolicited corporate issuer rating of Pernod Ricard S.A. as of 28 March 2017 (BBB / stable).

Appendix

Rating history

Corporate issuer rating Pernod Ricard S.A.

Event	Rating date	Publication date	Monitoring period until	Result
Initialrating	28.03.2017	30.03.2017	Withdrawal of the rating	BBB / stable

LT LC senior unsecured issues issued by Pernod Ricard S.A.

Event	Rating date	Publication date	Monitoring period until	Result
Initial rating	09.10.2018	16.10.2018	Withdrawal of the rating	BBB

Regulatory and legal disclosures

The present rating is an unsolicited rating. Creditreform Rating AG was not commissioned by the issuer with the preparation of the rating. The present analysis was prepared on a voluntary basis.

The rating is based on the analysis of published information and on internal evaluation factors. The quantitative analysis is primarily based on the last annual report of the issuer, the base prospectus and on press releases of the company. The information and documents meet the requirements and are in accordance with the published Creditreform Rating AG's rating methodology.

The rating was conducted on the basis of Creditreform Rating's "Corporate Issue Ratings" methodology. A complete description of Creditreform Rating's rating methodologies is published on the following internet page: www.creditreform-rating.de.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodology. A complete description of Creditreform Rating's rating methodologies and Creditreform's basic document "Rating Criteria and Definitions" is published on the following internet page:

www.creditreform-rating.de/en/regulatory-requirements/

This rating was carried out by analysts Artur Kapica and Marie Watelet, both located in Neuss, Germany. A management meeting did not take place.

The rating was presented to the rating committee on 09 October 2018. The company examined the rating report prior to publication and was given at least one full working day to appeal the rating committee's decision and to provide additional information. The rating decision was not amended following this examination.

The rating will be monitored until CRA removes the rating and sets it to not-rated (n.r.).

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Please note:

This report has been prepared in an English version only.

Conflict of interest

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our 'Rating Committee' policy, all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the CRA website. Furthermore, CRA considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The 'Basic Data' information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the 'Basic Data' card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within 'Basic Data' information card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website:

<https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

An explanatory statement of the meaning of Creditreform's default rates are available in the credit rating methodologies disclosed on the website. Further information can also be found on the CRA website in the document "Rating Criteria and Definitions".

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