



Paris, 6<sup>th</sup> February 2018

## FY 2017 Net Sales and EBITDA Outlook

- FY 2017 Net Sales down -0.4% to €428.9m
- Q4 2017 Net Sales: €104.9m, -14.1% vs YAG due primarily to our businesses in Poland
- New General Manager in Poland
- First positive signs in the US and France from action plans put in place in Q3 2017
- MBWS expects FY 2017 EBITDA on the order of €-6.5m<sup>1</sup>, eroded primarily by the business in Poland

Marie Brizard Wine and Spirits (Euronext: MBWS), today announced its unaudited consolidated net sales for Q4 and FY 2017. Net sales totalled €428.9m for the full-year 2017, and €104.9m for Q4 2017, -0.4% and -14.1% respectively compared to the year ago periods.<sup>2</sup>

Jean-Noël Reynaud, CEO of MBWS commented, *“Our Polish subsidiaries have faced significant difficulties. Some of these challenges were identified previously and led to the establishment of corrective action plans in Q3 2017, as announced last November. Market conditions in Poland have led to a sharp increase in trade support and to the discovery of deficient internal processes for committing to and controlling trade support. A new General Manager has been put in place in Poland, with the main objective of overhauling and executing the business plan of our Polish subsidiaries.*

Mr. Reynaud continued, *“These difficulties lead us to expect a 2017 EBITDA on the order of €-6.5m, largely impacted by the performance of MBWS’ Polish businesses. The objectives as set forth in the BiG strategic plan are under evaluation in light of the Group’s performance in Poland, and will be addressed in the press release to discuss FY 2017 results.*

*“Some of the measures disclosed in November have begun to drive encouraging progress, particularly in the United States, with the Americas cluster reporting +10.8% net sales growth in Q4, and in France where our pillar brands continue to gain market share,” concluded Mr. Reynaud.*

<sup>1</sup> Non-audited figures; subject to change based on audit in process

<sup>2</sup> All sales growth rates in this press release are expressed in organic, like-for-like terms, and exclude the impact of foreign exchange unless otherwise stated.



### Q4 2017 Net Sales by cluster

<i>in € mn</i>	2016 Restated*	Organic growth	Currency impact	2017	Organic growth (excl. currency impact)	Organic growth (incl. currency impact)
<u>Branded Business</u>						
<b>Western Europe &amp; MEA</b>	<b>36.1</b>	<b>-0.3</b>	<b>0.0</b>	<b>35.8</b>	<b>-0.9%</b>	<b>-0.9%</b>
France	28.6	0.0	0.0	28.6	0.0%	0.0%
Rest of WEMEA	7.6	-0.4	0.0	7.2	-4.7%	-4.7%
<b>Central &amp; Eastern Europe</b>	<b>31.6</b>	<b>-16.7</b>	<b>0.3</b>	<b>15.2</b>	<b>-52.9%</b>	<b>-52.0%</b>
Poland	22.9	-17.0	0.3	6.1	-74.4%	-73.2%
Rest of CEE	8.7	0.3	0.0	9.0	3.2%	3.2%
<b>Americas</b>	<b>10.3</b>	<b>1.1</b>	<b>-0.5</b>	<b>10.9</b>	<b>10.8%</b>	<b>6.2%</b>
<b>Asia Pacific</b>	<b>1.7</b>	<b>0.1</b>	<b>0.0</b>	<b>1.8</b>	<b>7.5%</b>	<b>6.6%</b>
<b>Sub-Total Branded Business</b>	<b>79.7</b>	<b>-15.8</b>	<b>-0.2</b>	<b>63.7</b>	<b>-19.8%</b>	<b>-20.1%</b>
<u>Other Businesses</u>						
Sobieski Trade	24.8	-0.6	0.8	25.1	-2.5%	0.9%
Private Label	16.9	-0.6	0.0	16.2	-3.8%	-3.8%
<b>Sub-Total Other Businesses</b>	<b>41.7</b>	<b>-1.3</b>	<b>0.8</b>	<b>41.3</b>	<b>-3.0%</b>	<b>-1.0%</b>
<b>TOTAL MBWS</b>	<b>121.4</b>	<b>-17.1</b>	<b>0.6</b>	<b>104.9</b>	<b>-14.1%</b>	<b>-13.5%</b>

### Full-year 2017 Net sales by cluster

<i>in € mn</i>	2016 Restated*	Organic growth	Currency impact	2017	Organic growth (excl. currency impact)	Organic growth (incl. currency impact)
<u>Branded Business</u>						
<b>Western Europe &amp; MEA</b>	<b>137.4</b>	<b>-4.2</b>	<b>0.0</b>	<b>133.3</b>	<b>-3.0%</b>	<b>-3.0%</b>
France	112.0	-2.6	0.0	109.4	-2.3%	-2.3%
Rest of WEMEA	25.4	-1.6	0.0	23.8	-6.2%	-6.2%
<b>Central &amp; Eastern Europe</b>	<b>93.5</b>	<b>-15.0</b>	<b>1.2</b>	<b>79.7</b>	<b>-16.0%</b>	<b>-14.8%</b>
Poland	64.0	-18.1	1.2	47.1	-28.3%	-26.5%
Rest of CEE	29.5	3.1	0.0	32.6	10.6%	10.6%
<b>Americas</b>	<b>28.1</b>	<b>-1.4</b>	<b>-0.2</b>	<b>26.5</b>	<b>-5.1%</b>	<b>-5.7%</b>
<b>Asia Pacific</b>	<b>3.8</b>	<b>0.6</b>	<b>0.0</b>	<b>4.4</b>	<b>17.0%</b>	<b>16.6%</b>
<b>Sub-Total Branded Business</b>	<b>262.8</b>	<b>-20.0</b>	<b>1.0</b>	<b>243.8</b>	<b>-7.6%</b>	<b>-7.2%</b>
<u>Other Businesses</u>						
Sobieski Trade	86.3	12.4	2.5	101.2	14.4%	17.3%
Private Label	78.0	5.9	0.0	83.9	7.5%	7.5%
<b>Sub-Total Other Businesses</b>	<b>164.3</b>	<b>18.3</b>	<b>2.5</b>	<b>185.1</b>	<b>11.1%</b>	<b>12.6%</b>
<b>TOTAL MBWS</b>	<b>427.1</b>	<b>-1.7</b>	<b>3.4</b>	<b>428.9</b>	<b>-0.4%</b>	<b>0.4%</b>

\* Net sales for FY 2016 and Q4 2016 have been restated to enable an accurate comparison to the figures reported for FY 2017 and Q4 2017. Restated revenue reflects the end of the Mateus and Ferreira distribution contracts in the WEMEA cluster, reclassification of the Pulco contract in Spain to Private Label, and the sale of Augustowianka in Poland.



## Central and Eastern Europe

The Central and Eastern Europe (CEE) cluster reported Q4 2017 net sales of €15.2m, a -52.9% decrease versus year-ago. In FY 2017, the CEE cluster reported net sales of €79.7m, a -16.0% decrease.

In Poland, net sales decreased sharply in Q4 2017, to €6.1m, a -74.4% decline compared to the previous year. For the full year, net sales totalled €47.1m, a decrease of -28.3% in 2017.

### 1. Sharp net sales decrease in Poland due to:

#### a. Sales under-performance of distribution agreements

The various distribution agreements, put in place at year-end 2016, have not met the agreed sales objectives. This under-performance is evident in the volume decrease, particularly in Q4 2017. MBWS-Polska has initiated a process in order to ensure that its distributors respect their contractual obligations, and might resort to other measures if necessary.

#### b. Escalation of price war in the clear vodka market in Poland in H2 2017

The very strong pricing pressure in the clear vodka market in Poland, ongoing over the past 24 months, escalated in the second half of 2017. Irrational price levels and commercial practices on the part of some players in the market led to a slowdown in MBWS Poland's sales, of roughly 15% in volume.

#### c. Sharp increase in trade support

This price war and the determination of the sales force to deal with these market conditions led MBWS-Polska's sales team to commit to high levels of trade support. The amount of these trade support expenditures is roughly €9m above their budgeted level.

#### d. Deficient internal processes for committing to and controlling trade support

These expenditures, in excess of what was budgeted and forecast, were not registered in the accounting system on a timely basis, and were not submitted to MBWS-Polska management for approval, thus bringing to light the procedural shortcomings in the control process for authorizing the commitment of these resources by the company's sales staff. Management did not become aware of these expenditures until the beginning of 2018.

### 2. Expected impact on EBITDA

The combination of the decrease in volume and the significant increase in trade support directly impacted the Branded Business EBITDA in Poland, which is expected to decrease approximately €15m compared to 2016.

### 3. Business audit and change of local management:

The financial impact of the trade support was registered in Q4 2017. A thorough audit of the sales and accounting processes has been initiated. The results of this audit will determine the phasing of this expenditure over the course of the preceding quarters. Consequently, the prior quarterly net sales in Poland, and therefore at the Company level, could be restated.



Additionally, MBWS decided to hire a new General Manager, Ania Jakubowski, for its Polish subsidiaries. Ms. Jakubowski is at the helm of MBWS-Polska since early January 2018. A seasoned professional with extensive senior management experience at multi-national FMCG companies, she was previously General Manager of The Coca-Cola Company in Poland. One of her objectives is to establish new sales practices at MBWS-Polska, in keeping with the conclusions that result from the audit currently taking place. The audit should clearly lead to a review of the underlying assumptions of the business plan in Poland. The conclusions of this review will be published along with the FY 2017 Results.

The flavored versions account for most of the profitability of the vodka market in Poland. As regards Krupnik, the flavored version of the brand increased by +15.5% in 2017. William Peel also performed well with volume growth of +13.8% for the year.

	Change in Volumes vs. 2016		Market Share	
	Market	MBWS	MBWS	Chge
<b>POLAND</b>				
Krupnik Clear	-0.8%	-7.6%	14.5%	-1.1 pts
Krupnik Flavored	+9.1%	+15.5%	4.9%	+0.3 pts
Krupnik Total Brand	+1.5%	-5.7%	12.0%	-0.9 pts

Source : Nielsen YTD P12 2017

The results in Poland were partially offset by the performance of the rest of the CEE cluster, which grew sales by 10.6% for the full year 2017 to €32.6m, and increased by 3.2% in Q4, to €9.0m, driven by the ongoing strength of the Lithuanian vodka portfolio.

### Western Europe, Middle East and Africa

The WEMEA cluster reported Q4 2017 net sales of €35.8m, a decrease of -0.9% versus the previous year. For the full year, net sales in WEMEA decreased -3.0% versus the year ago period, to €133.3m.

The business in France, registered a sequential improvement as net sales were flat in Q4 2017 versus the previous year, totalling €28.6m for the quarter. For FY 2017, net sales decreased -2.3% to €109.4m.



	Change in Volumes vs. 2016		Market Share	
	Market	MBWS	MBWS	Change
<u>France</u>				
William Peel	-1.5%	-0.1%	24.5%	+0.3 pt
Sobieski	+2.2%	+8.3%	15.5%	+0.9 pt
Fruits and Wine	-10.0%	-6.8%	29.9%	+1.0 pt

Source : Nielsen YTD P13 2017; IRI YTD P13 2017

William Peel outperformed the scotch whisky market in France and consolidated its category leadership with a market share of 24.5%.

Sobieski's dynamism continued, with volume growth of +8.3% for the year, and a market share of 15.5% representing a +0.9 point gain.

Fruits and Wine gained a point of market share during the year to 29.9%, out-performing the fruit-flavored wine category. Fruits and Wine volume decreased -6.8% compared to a volume decline of -10.0% for the category.

MBWS' positive performance in the on-trade channel in 2017 was driven primarily by the success of Marie Brizard.

Commercial excellence constitutes a priority among the action plans in France, announced in November 2017. MBWS is executing on an action and the sales force is being re-deployed to store formats with greater potential for growth of MBWS brands.

The rest of WEMEA generated net sales of €7.2m in Q4 2017 and €23.8m for FY 2017, respectively representing decreases of -4.7% and -6.2%. These results are due primarily to MBWS' reorganized activities, and negative performance of Marie Brizard in Spain. The various initiatives presented in November 2017 are being carried out in that market.

## Americas

Net sales in the Americas cluster increased +10.8% in Q4 2017 to €10.9m. For the full year, net sales decreased -5.1% to €26.5m.

In the United States, MBWS saw early evidence of results of the action plan put in place during the 3<sup>rd</sup> quarter. Growing distribution led Sobieski to out-perform the market, with a volume increase of +2.8% in control states in 2017 (through the month of November), versus +2.3% growth for the total vodka market over the same period (NABCA).

Marie Brizard and Cognac Gautier also turned in positive performances in the US during the year.

Although the underlying positive trends for Sobieski are expected to continue, the launch of Sobieski's new bottle in the United States during Q2 2018 may cause a sell-in delay during the first quarter of the year due to the phasing out of the old Sobieski bottle.



## Asia Pacific

The Asia Pacific cluster generated net sales of €1.8m in Q4 2017 and of €4.4m in FY 2017, respectively increasing +7.5% and +17.0%. Sales were driven primarily by William Peel and Cognac Gautier in China, by Fruits and Wine in Japan, and by Marie Brizard across the Asia Pacific region.

## Q4 2017 Pillar Brand Performance

	Full Year 2017	
	Volume Growth	Net Sales Growth
William Peel	+3.5%	+1.2%
Sobieski	-1.0%	-5.1%
Krupnik	-15.6%	-29.9%
Cognac Gautier	+52.5%	+33.9%
Marie Brizard	+2.6%	+1.7%
Fruits and Wine	-9.3%	-13.9%
<b>Total Pillar Brands</b>	<b>-6.2%</b>	<b>-8.4%</b>

## Other Businesses

MBWS' Other Businesses, comprised of Sobieski Trade and Private Label activities, reported FY 2017 sales of €185.1m, an increase of +11.1% versus the previous year, and Q4 net sales of €41.3m, a decrease of -3.0%.

The full-year net sales increase was driven by Sobieski Trade, which grew sales +14.4% in 2017. Private Label net sales increased by 7.5% to €83.9m for the year.

However, the price war in the vodka market in Poland has led to the erosion of distributors' profit margins, in particular those of Sobieski Trade, with an expected FY 2017 EBITDA on the order of €-3.5m. The profitability of the Private Label business also suffered a downturn in 2017, due to the impact of bottling contracts, and should also lead to a slightly negative EBITDA.

## Outlook

MBWS expects to report FY 2017 EBITDA on the order of €-6.5m<sup>3</sup>, due primarily to the challenges faced by its businesses in Poland, including an escalating price war in the clear vodka market and a significant over-spend in trade support.

MBWS should begin to see a gradual improvement in the Polish market, driven by: 1) the first signs of a price increase in the vodka market; and 2) the kick-off in production of the Company's new distillery in Lancut during Q1 2018, which should lead to margin expansion.

<sup>3</sup>.Non-audited figures; subject to change based on audit in process



The objectives to 2020 as set forth in the BiG strategic plan are under evaluation in light of the Group's performance in Poland, and will be addressed in the press release to discuss FY 2017 results. MBWS reiterates its commitment to a mainstream business model, despite the difficulties encountered in Poland during 2017.

**Marie Brizard Wine & Spirits** produces and sells a range of wine and spirits across four geographic clusters: Western Europe, Middle East & Africa, Central and Eastern Europe, the Americas, and Asia-Pacific. MBWS has distinguished itself for its know-how, the range of its brands, and a long tradition and history of innovation. From the inception of Maison Marie Brizard in Bordeaux, France in 1755, to the launch of Fruits and Wine in 2010, MBWS has successfully developed and adapted its brands to make them contemporary while respecting their origins. MBWS is committed to providing value by offering its customers bold, trustworthy, flavorful and experiential brands. The company has a broad portfolio of leading brands in their respective market segments, most notably William Peel scotch whisky, Sobieski vodka, Krupnik vodka, Fruits and Wine flavored wine, Marie Brizard liqueurs and Cognac Gautier. MBWS is listed on the regulated market of Euronext Paris, Compartment B (ISIN code FR0000060873, ticker MBWS) and is included in the EnterNext® PEA-PME 150 index, among others.



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