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FOOD AND BEVERAGE

Pernod Ricard faces pressure from activist investor

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Pernod Ricard's portfolio of brands. Image credit: Pernod Ricard

By STAFF REPORTS

An activist investor is taking on spirits group Pernod Ricard over its financial performance, calling for changes at the company to bring it more in line with its peers.

U.S.-based hedge fund Elliott Advisors, which now holds more than a 2.5 percent interest in France's Pernod Ricard, issued a statement that attributed Pernod Ricard's underperformance to lack of outside input and "inadequate corporate governance." Responding to Elliott's claims, Pernod Ricard reiterated its interest in shareholder input while standing behind its strategic moves.

Pernod under pressure

Pernod Ricard has a portfolio that includes Chivas Regal, Glenlivet and Perrier-Jout, and is globally the second largest beverage company.

Per Elliott, Pernod Ricard has fallen behind its peers in operating margin and shareholder return, and it has lost market share in a number of categories. Elliott also voiced its displeasure at the 2008 acquisition of Absolut.

"Pernod's journey from a small local niche player to an iconic French multinational leader has been impressive, and the Ricard family deserves credit for supporting the company's growth over the years," Elliott wrote in its statement. "Elliott believes operational and governance improvements would allow Pernod to unlock much of the value that the company is capable of delivering, improving the strength and sustainability of the company for all stakeholders."

Elliott said it had met with Pernod Ricard CEO Alexandre Ricard, and that it had also written the company's board.

While Pernod Ricard did not confirm a meeting between Mr. Ricard and Elliott, it did admit to senior executives having discussions with the shareholder in recent weeks.

The Glenlivet distillery. Image credit: The Glenlivet

The company's statement argued that it has made financial progress due to its existing strategy, which revolves around a consumer-centric approach, digital innovation and a premium portfolio. Pernod Ricard also took aim at the idea that it needed new and outside leadership by noting that its board is comprised of individuals with a variety of backgrounds.

Pernod Ricard's revenues and profits have each grown 6 percent from 2017 to 2018, with stronger year-over-year growth than was seen in 2017.

"We are a group with strong family values committed to long-term value creation," Mr. Ricard said in a statement. "Over the past three years, we have created more than 11 billion euros of value and our share price has increased by 37.7 percent, significantly outperforming the CAC40 index and the Eurostoxx Food & Beverage index.

"That being said, long-term value creation is not measured by share price performance alone but by taking into account the interests of all stakeholders: our shareholders, our 19,000 employees, our consumers, our partners and suppliers," he said. "Our strategy is working and is the right one combining short-term profitability and sustainable, profitable and responsible growth under a consistent and long-term roadmap."

Similarly to Pernod Ricard, Saks Fifth Avenue parent company Hudson's Bay Company is facing pressure from its investor Land & Buildings to sell the luxury retailer to boost its share price.

In a letter signed by Land & Buildings' founder and CIO Jonathan Litt sent to shareholders, the investor argues that HBC's shares are undervalued, calling for measures to create shareholder value. Land & Buildings has previously taken on HBC over its real estate holdings, and it has renewed its push to sell Saks' flagship in New York as part of its latest statement (see story).