



UNITED SPIRITS

A DIAGEO Group Company

F18 FULL YEAR RESULTS ROADSHOW

29 MAY 2018

A bottle of Black Dog Centenary Black Reserve whisky and a glass of whisky in front of a bookshelf. The bottle is dark with a gold and black label. The glass is a simple tumbler. The background is a blurred bookshelf filled with books.

ANAND KRIPALU

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

WHAT WE WILL COVER TODAY

FY18 REVIEW

PROGRESS WE HAVE MADE ON OUR STRATEGIC PRIORITIES

F18 FINANCIAL PERFORMANCE

CONFIDENCE IN THE FUTURE



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F18 - A YEAR FRAUGHT WITH EXTERNAL HEADWINDS

Underlying* net sales
Up 1%



Slowdown in economy due to demonetisation

Prestige & Above
underlying* net sales
Up 4%



Supreme Court judgment on alcohol sale
and service near national and state highways

Gross margin **47.5%**
Up 465 bps



Effect of GST on input costs

EBITDA margin **12.5%**
Up 114 bps



Route to market changes in West Bengal, Jharkhand,
Chhattisgarh

Profit after tax **562 Cr**
Up 231%



Anticipated route to market changes in Haryana & Punjab



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OUR STRATEGIC PRIORITIES

**To be one of the best performing, most trusted and respected
consumer goods company in India**



5 Strategic Priorities

**Strengthen
& accelerate
core brands**

**Evolve route to
consumer**

**Drive
productivity to
invest in growth**

**Corporate
citizenship**

**Winning
organization**

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- 
- ✓ Focus on Prestige & above segment
 - ✓ Fit for purpose operating model in Popular segment

FOCUS ON PRESTIGE & ABOVE SEGMENT

| Consumer prices* | Focus brands | | |
|------------------|--|--|--------|
| | | Affluent | Luxury |
| >2,000 |  |  | |
| 1,000 – 2,000 |  | | |
| |  |  | |
| 400 - 850 |  |  | |

*Average consumer prices in India, 750ml bottle, Consumer prices in rupees

BY LEVERAGING THE FOLLOWING PILLARS

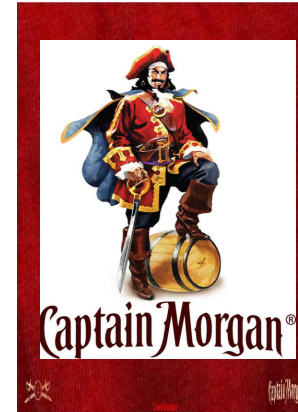
Invest in “Power Brands”



Purpose-led marketing campaigns



Innovation



Up-weighted marketing investment by 18% in FY18

INVEST IN “POWER BRANDS” - MCDOWELL’S NO. 1 – YAARI JAM



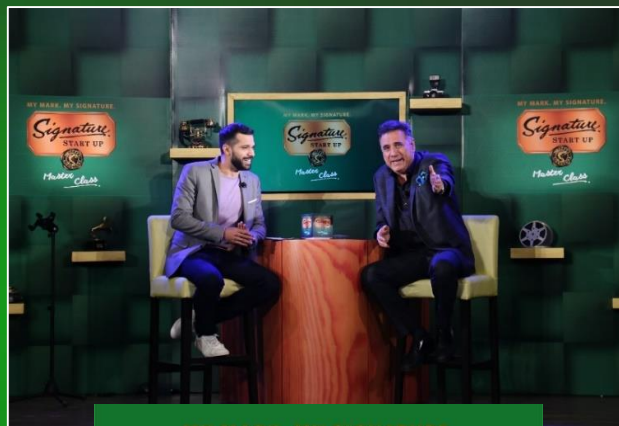
No 1 Yaari Jam –a music platform in collaboration with Salim and Sulaiman

[Video](#)

PURPOSE-LED MARKETING CAMPAIGNS - SIGNATURE MASTERCLASS

BRINGING TO LIFE OUR BRAND PURPOSE IN POPULAR CULTURE

EVENINGS OF INSPIRATION WITH MASTERS WHO CONVERTED THEIR PASSION TO A PAYCHECK



14 STORIES ACROSS A 14 CITY TOUR

• North – 6 • West – 4 • East – 2 • South 2

EXTENSIVE REGIONAL MEDIA AMPLIFICATION

- Outdoor in 50 cities covering 5L sft
- Supported by Radio/Print/Digital

I&A + CONTENT TIE-UP

YOUR STORY | INSPIRE
INNOVATE
IGNITE

the quint

terribly tiny tales™

MY MARK. MY SIGNATURE.



INNOVATION – A NEW OFFERING IN RUM SEGMENT



Launch activities



Trials at mass on-premise outlets



Brand building through “Hijack”



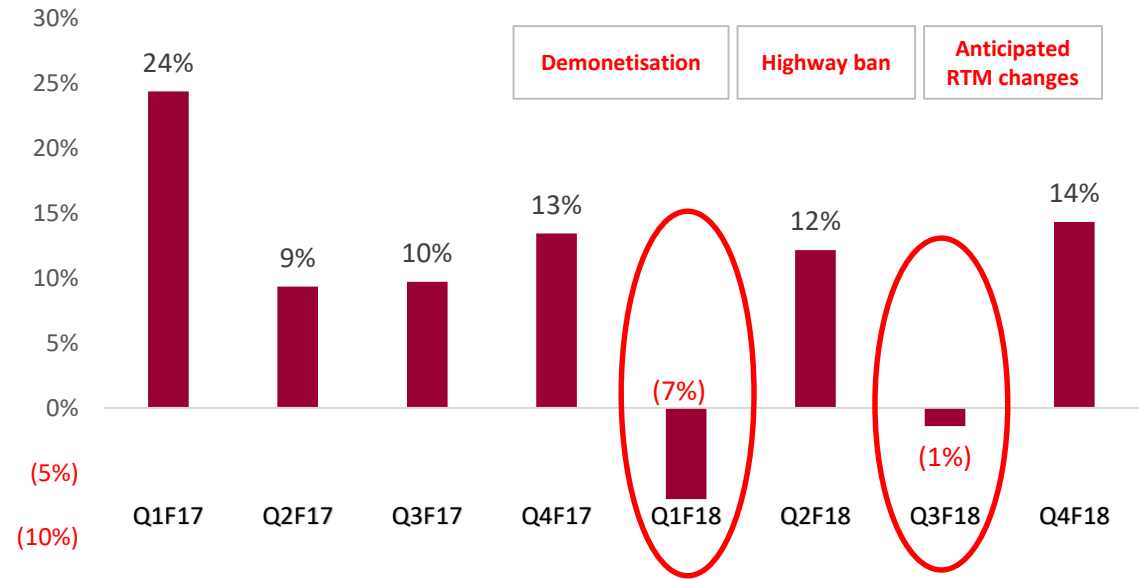
In-shop display



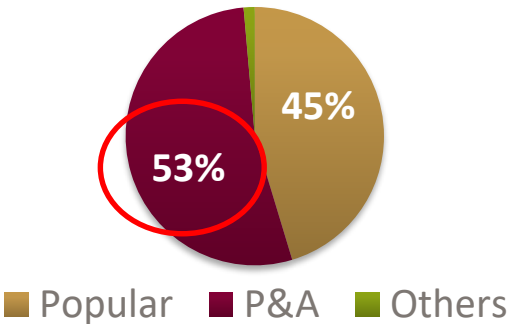
External visibility

AND OUR EFFORTS TO DRIVE PREMIUMIZATION HAVE RESULTED IN

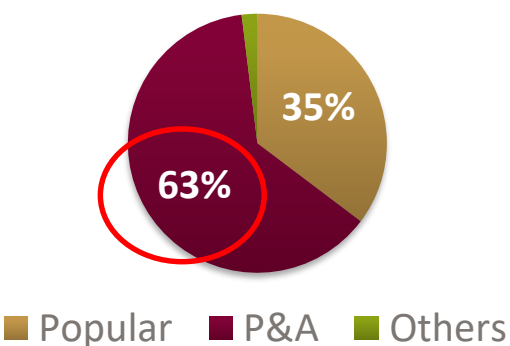
P&A underlying NSV growth by quarter



Net Sales FY16



Net Sales FY18





FIT FOR PURPOSE OPERATING MODEL IN POPULAR SEGMENT

Operating in Popular segment through franchise model in 13 states

Popular segment in 9 states successfully franchised in FY18

Franchise income on track in FY18

Out of retained Popular business, the priority states grew net sales by 2% during FY18

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ROUTE TO CONSUMER: KEY FOCUS AREAS

Leverage **Digital as an engine of growth**

Collaborate with start-ups
Greater investment in digital media




Build extensive **brand imagery**

On-premise/off-premise channels
Other mediums

Direct consumer reach through events

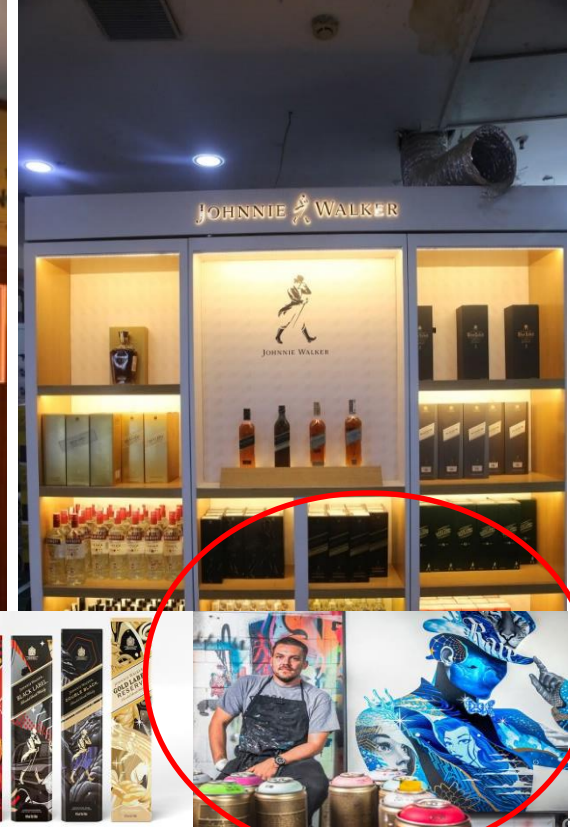
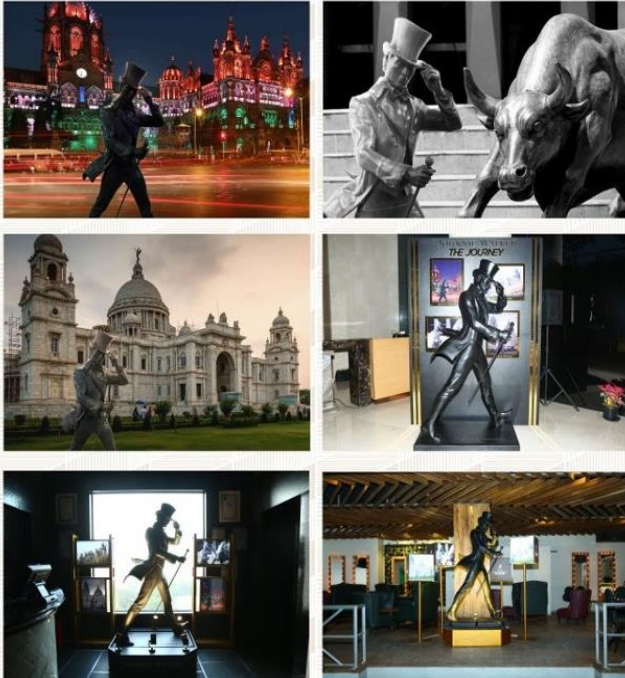
Bespoke consumer winning activations

DIGITAL : AS AN ENGINE OF GROWTH

| Key areas | Collaborate with START UPS to unlock growth opportunities | Higher spends on digital media to get greater REACH | Party & Night-Life CONTENT eco-system |
|-----------|---|--|---|
| Outcome | <p>Identify & nurture start-ups for strategic partnerships</p> <div data-bbox="382 762 772 922">  </div> | <p>Higher proportion of media spends on digital platforms</p> <div data-bbox="855 816 1294 966">  </div> | <p>www.liveinstyle.com A brand agnostic content hub with 620 F&B partners</p> <div data-bbox="1348 808 1787 944">  </div> |
| Examples | | | |

EXTENSIVE BRAND IMAGERY #JW PAINT THE WORLD BLACK

THE STRIDING MAN *Takes A Walk Across India*



EXTENSIVE BRAND IMAGERY #JW PAINT THE WORLD BLACK



Johnnie Walker house - Mumbai

DIRECT CONSUMER REACH THROUGH EVENTS



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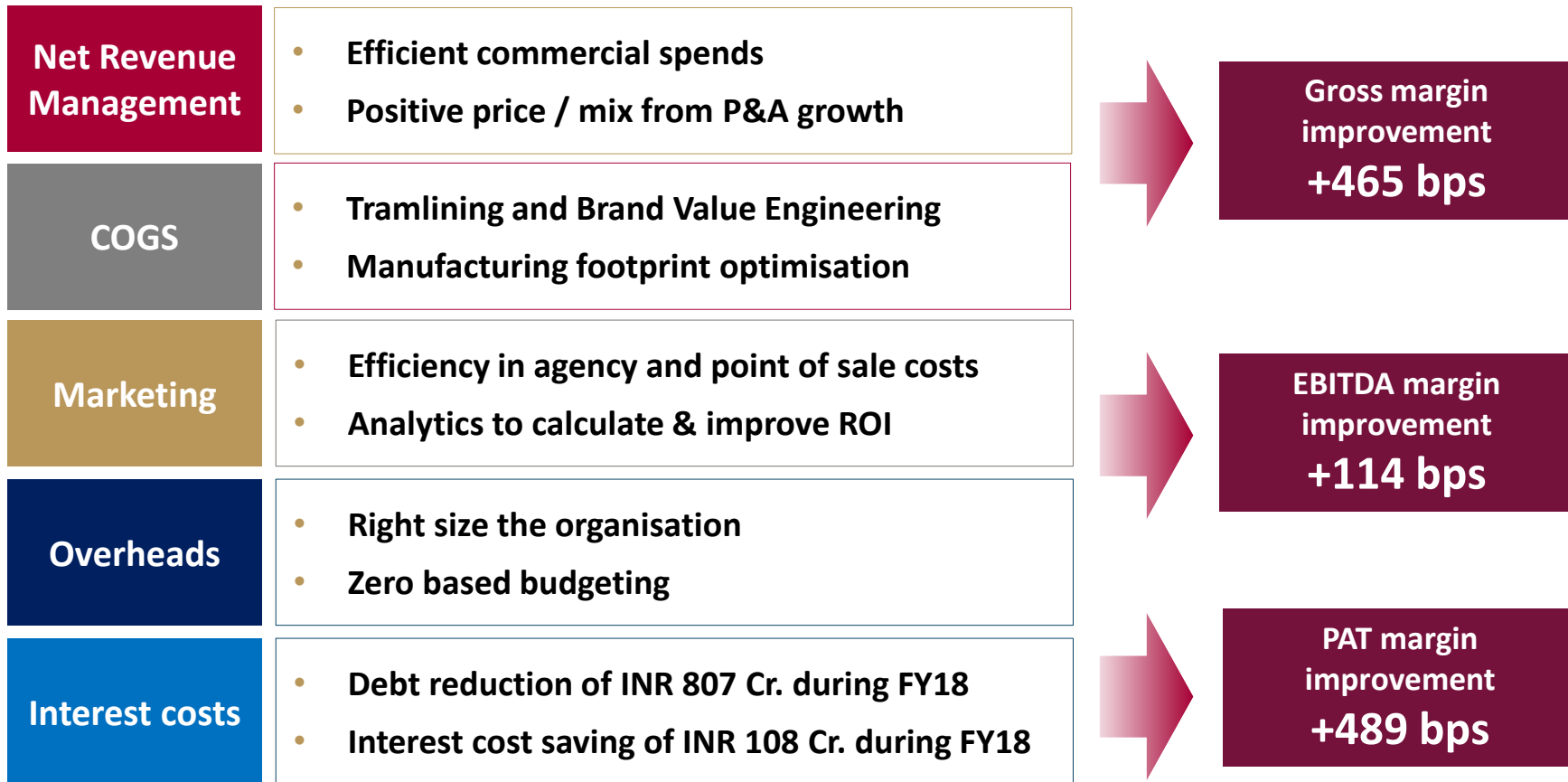
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DRIVING PRODUCTIVITY ACROSS ALL LINES



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CORPORATE CITIZENSHIP

Leadership role in shaping the regulatory landscape

Highest compliance and governance standards

Building thriving communities

Alcohol in Society



DON'T DRINK AND DRIVE CAMPAIGNS

IRTE Event –Kolkata Traffic Police



OUR MANIFESTO

Everyone at Diageo can be part of what we do to help people Drink Positive.

Drink Positive means drinking better, not more. It means being proud of how our products are made, marketed, and most of all, the enjoyment they bring. Sometimes it may mean choosing not to drink at all.

Drink Positive makes sense for our communities and it makes good business sense for Diageo.

HOW DO YOU HELP PEOPLE TO #DrinkPositive?

Celebrating life, every day, everywhere.

DIAGEO

DRINKIQ.com

1ST DIAGEO BRAND
TO SUCCESSFULLY ACTIVATE
THE DRINK RESPONSIBLY
CAMPAIGN AT SCALE IN INDIA

CONTRIBUTED OVER 2 MILLION PLEDGES - HIGHEST EVER
CONTRIBUTION FROM A SINGLE MARKET TO THE GLOBAL #JOINTHEPACT
TARGET SINCE INCEPTION

TOTAL
PLEDGES **2,036,848**

14,575,526

Reach

74,544,437

Impressions

10,299,025

Coverage in top print
channels with PR
value worth



2 CITIES, 20 DAYS,
2 MILLION PLEDGES

THE ROAD
WELL TAKEN

#JOINTHEPACT

NEVER DRINK AND DRIVE



*Total pledges include Likes, Shares on social and Button Clicks on US page
Delta as on 15th November, 2017
Reach numbers only include JWD social handles

BUILDING THRIVING COMMUNITIES



- **10 Water ATMs**
- **10 Villages of Nagpur**
- **150 Women Self Help Groups**
- **12,500 litres/hour**
- **Rs. 5 for 20 litres**
- **Serving 1,14,608 people**

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CREATING A WINNING ORGANISATION

Automation and simplification across systems and processes

Enhanced capabilities in Digital, Corporate Relations, Legal & Compliance

Investment in talent & diversity

Shared Service Centre

Integration with Diageo



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SANJEEV CHURIWALA

EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER

29 MAY 2018

F18 – DELIVERY ACROSS ALL LINES OF THE P&L

Underlying* net sales up 1%

Prestige & Above underlying* net sales up 4%

Gross margin expansion 465 bps

EBITDA margin expansion 114 bps

Interest cost reduction 29%

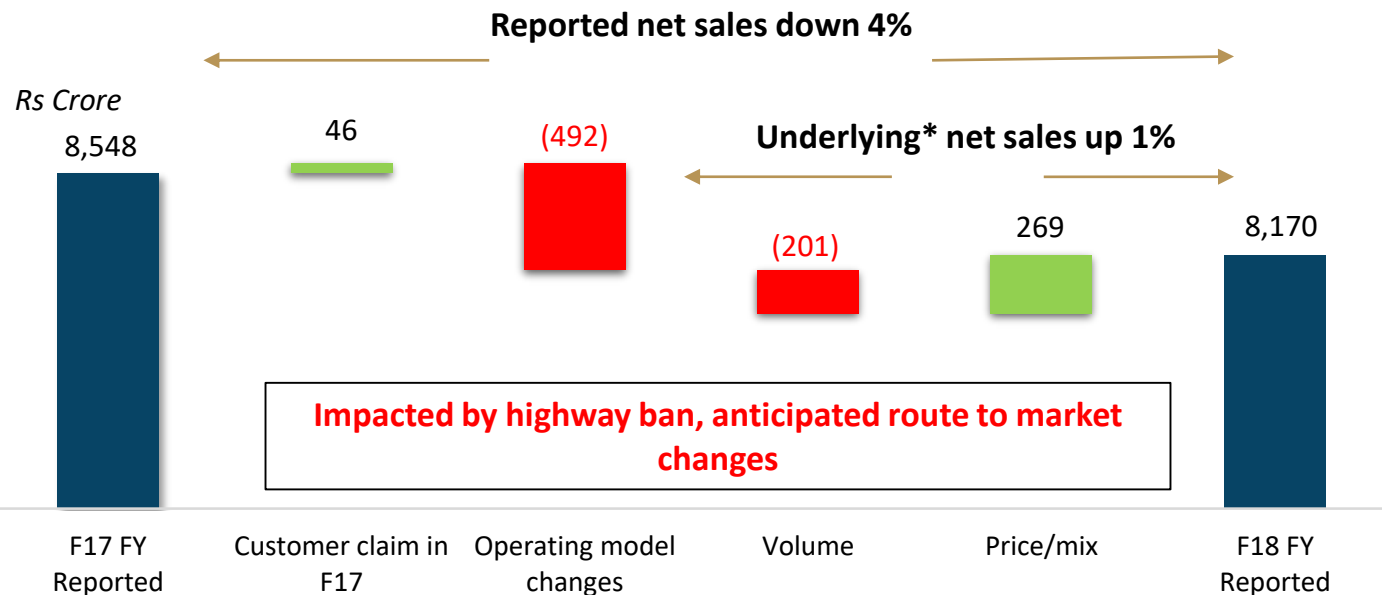
Profit after tax 562 Cr

EPS Rs. 38.7 per share, up 231%



** Underlying movement excludes the one off impact of operating model changes & one-offs*

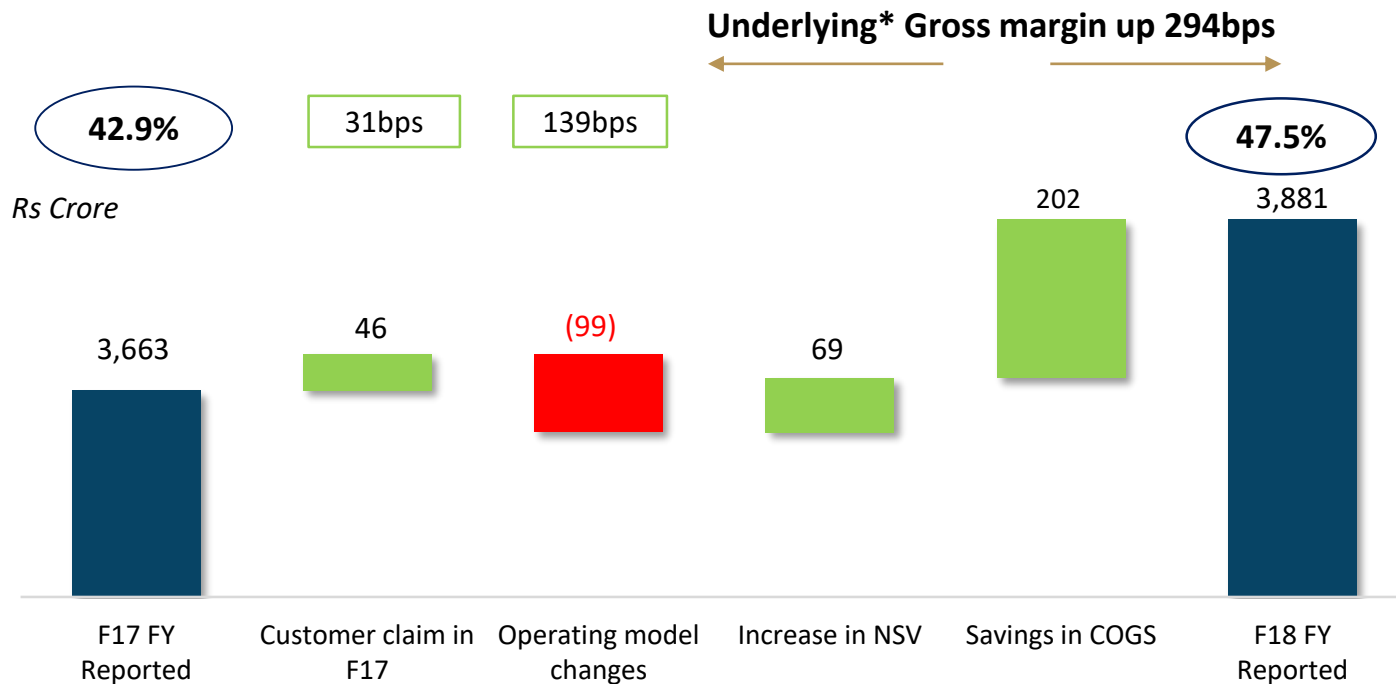
UNDERLYING* NET SALES GROWTH OF 1%



| | Reported net sales % FY18 | Underlying* net sales % FY18 | Underlying* net sales % Q4F18 |
|--------------------|------------------------------|---------------------------------|----------------------------------|
| Prestige and Above | 3 | 4 | 14 |
| Popular | (16) | (4) | 2 |
| Total | (4) | 1 | 9 |

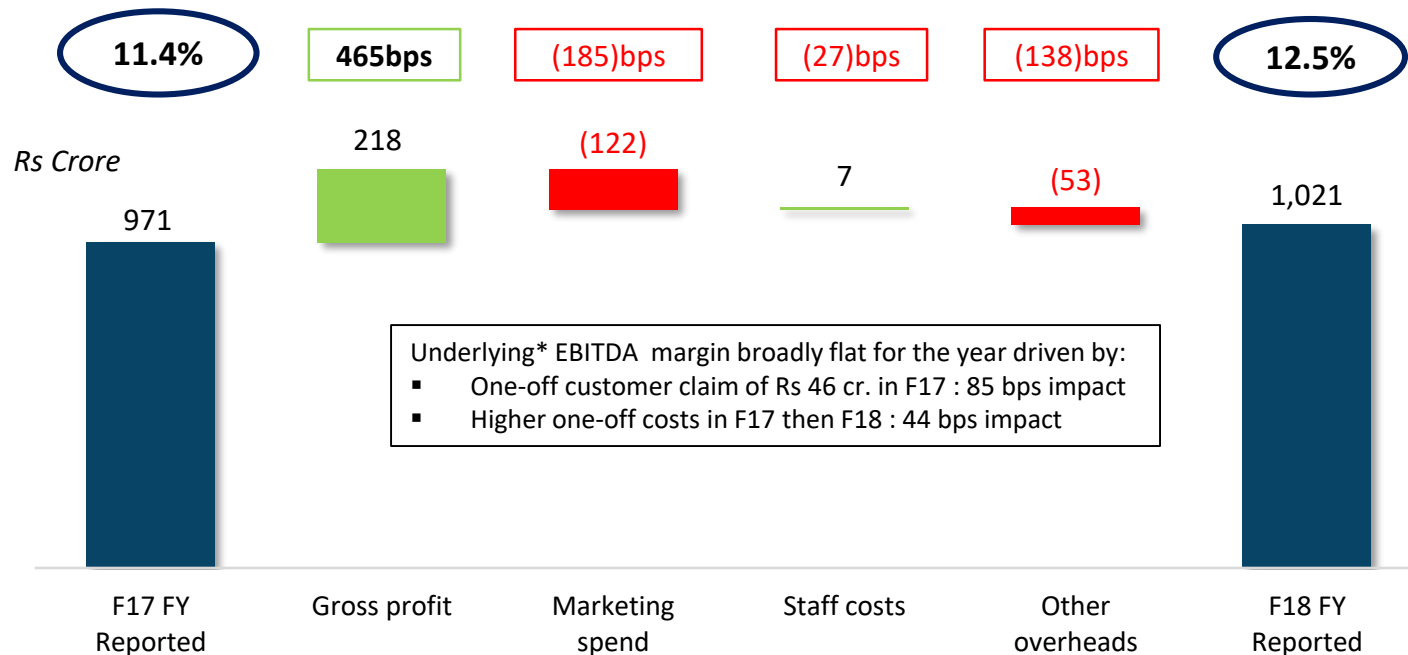
* Underlying movement excludes the one off impact of operating model changes & one-off customer claim last year

GROSS PROFIT GROWTH OF 6%, GROSS MARGIN EXPANSION OF 465BPS



* Underlying movement excludes the one off impact of operating model changes, customer claim arising out of legacy commercial terms last year and restructuring costs.

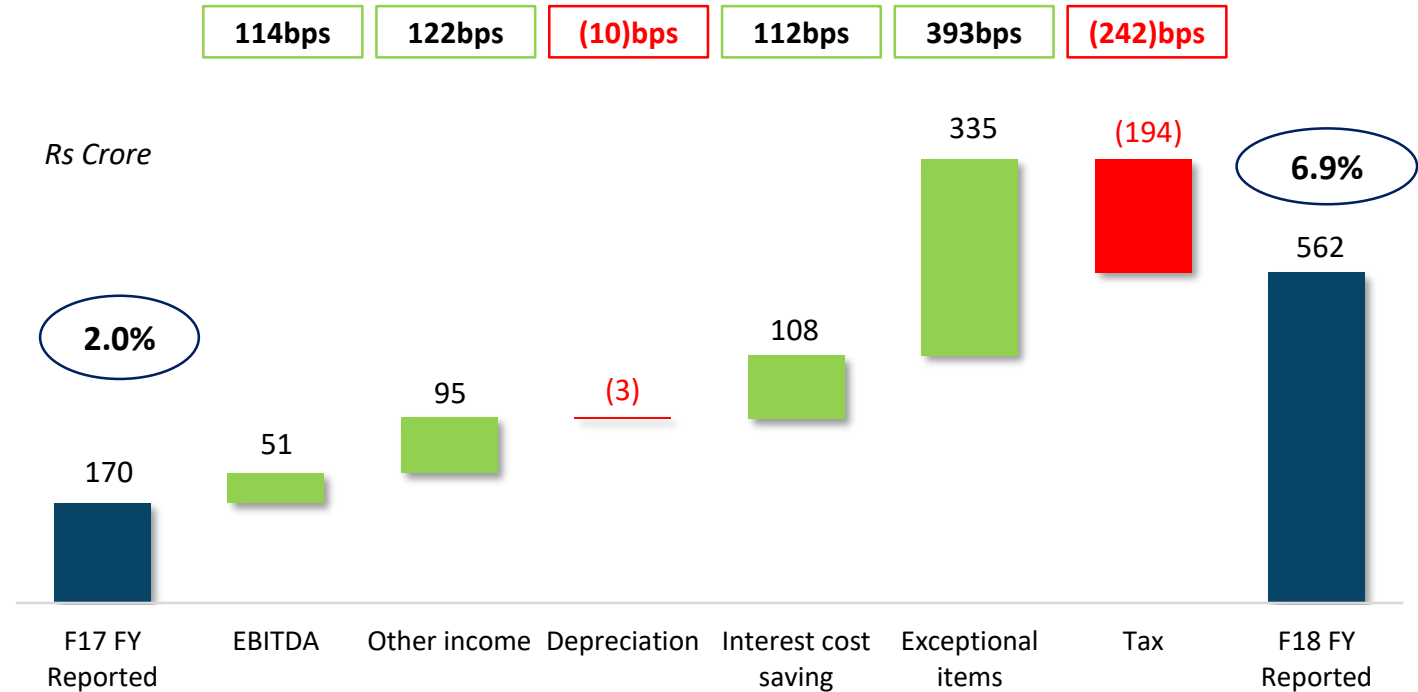
EBITDA GROWTH OF 5%, EBITDA MARGIN EXPANSION OF 114BPS; AS WE REINVEST IN OUR BRANDS



* Underlying movement excludes the one off impact of operating model changes, customer claim arising out of legacy commercial terms last year and restructuring costs.



PAT GROWTH OF 231%, PAT MARGIN IMPROVEMENT OF 489BPS

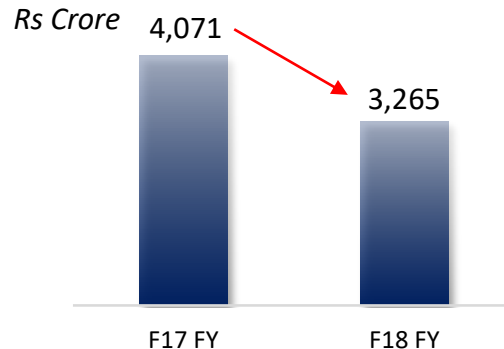




FURTHER DELEVERAGING THE BALANCE SHEET

Net debt

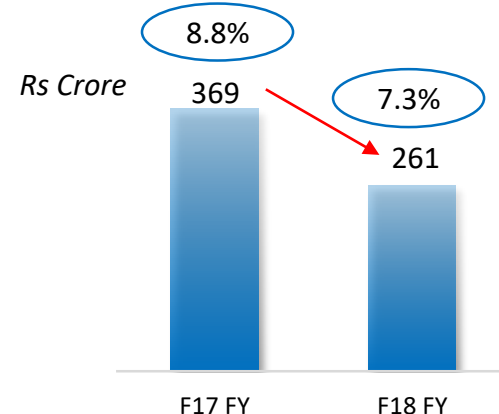
Reduction of Rs. 807 Cr.



**Long-Term credit rating upgrade to
AA+ by CRISIL and ICRA**

Interest

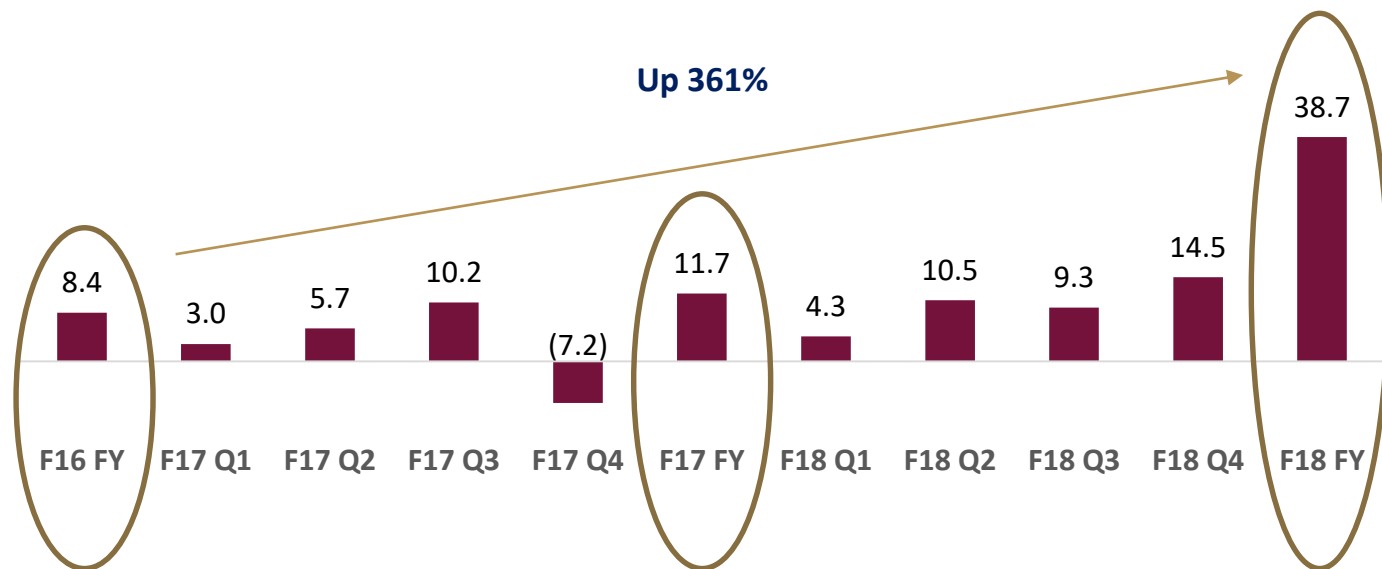
Interest cost saving of Rs. 108 Cr.



Maiden NCD issuance in December 2017
Competitive rates & diversification of funding sources

EPS ON THE RIGHT TRAJECTORY

EPS Rs/share (not annualized)





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CONFIDENCE IN THE FUTURE

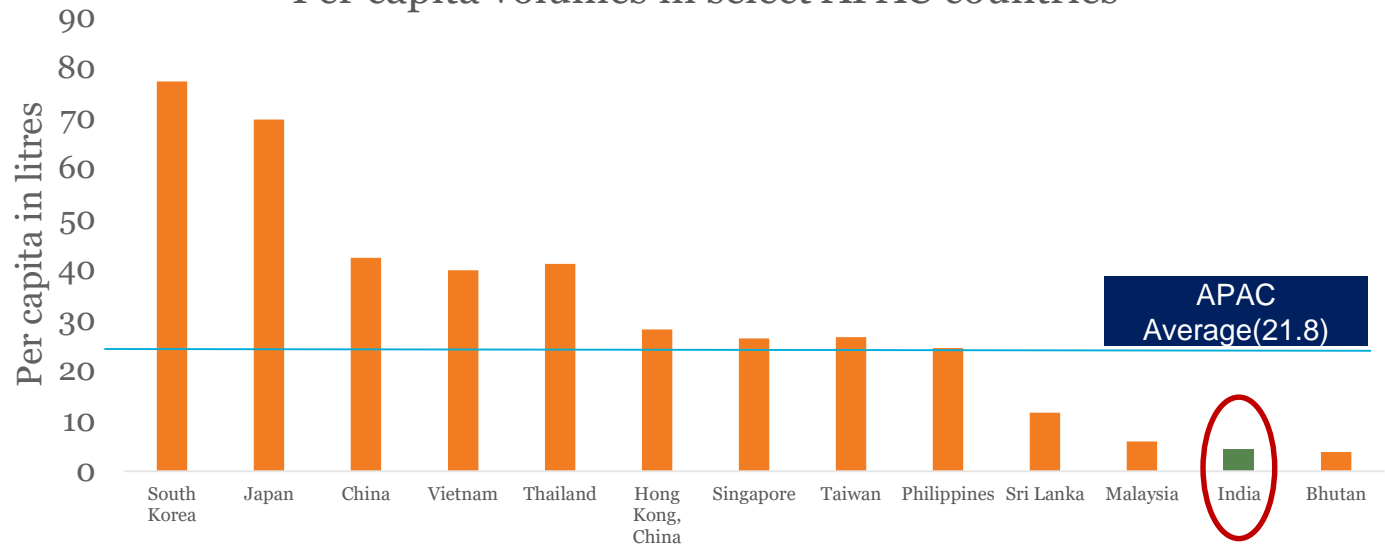
Attractive long term fundamentals

Our evolution in line with the consumer landscape

Progress and delivery of our strategy even while transforming the company

INDIA'S PER CAPITA CONSUMPTION IS ONE OF THE LOWEST IN ASIA PACIFIC

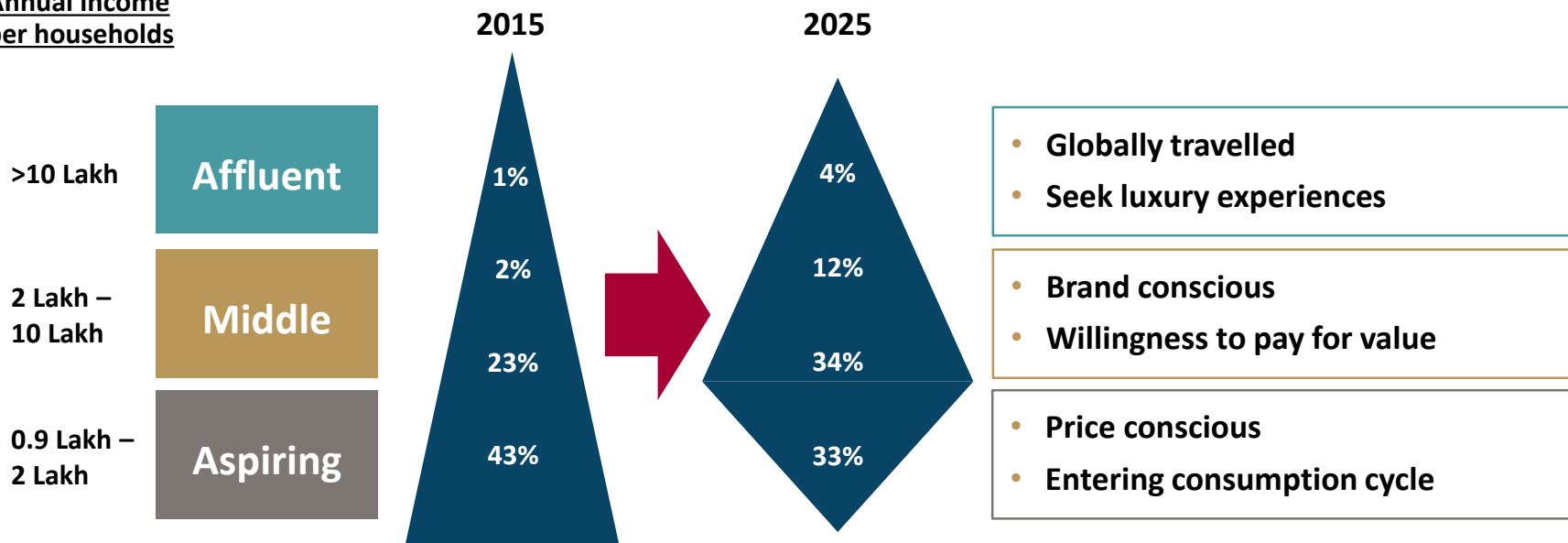
Per capita volumes in select APAC countries



Source: Euromonitor, 2017

RISING INCOME LEVELS ARE RE-SHAPING THE CONSUMER LANDSCAPE

Annual income
per households



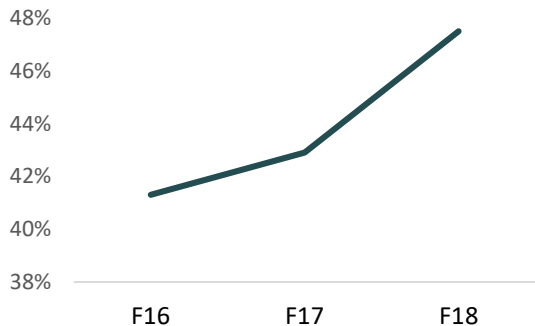
Salience of households

Evolving consumer landscape

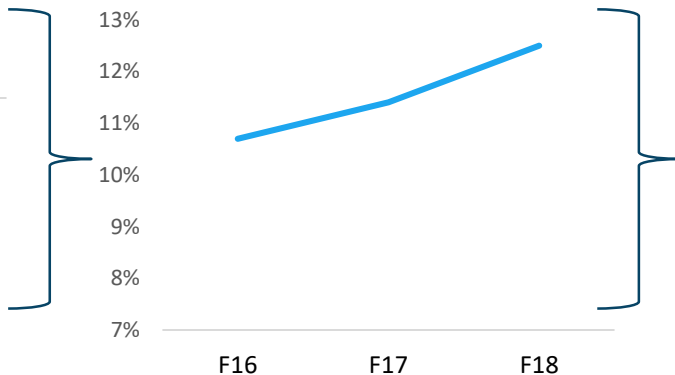
- High % of millennials
- Changing attitudes leading to higher spending habits

DELIVERY OF OUR STRATEGY- ALL LINES OF OUR P&L ARE MOVING IN THE RIGHT DIRECTION

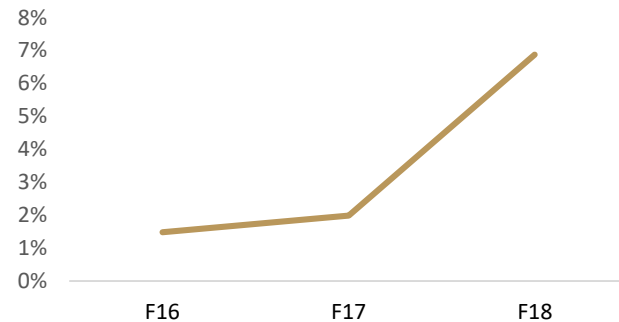
Gross Margin



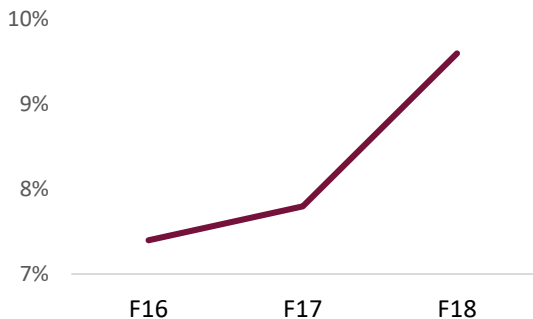
EBITDA margin



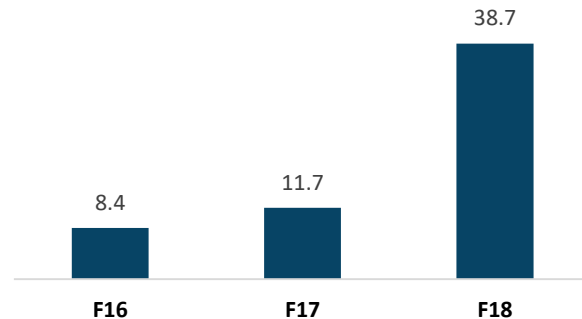
PAT margin



A&P (% of Sales)



EPS (Rs/share)



DIAGEO

**CELEBRATING LIFE,
EVERY DAY, EVERYWHERE**