

UNITED SPIRITS LIMITED

PRESS RELEASE

Audited financial results for the quarter and financial year ended 31 March 2022
(Standalone only)



Steady performance in a challenging environment
Fourth quarter performance highlights

- Net sales increased 9.5% lapping a strong prior year comparator driven by resilient consumer demand in off trade and gradual on trade recovery.
- Prestige & Above net sales grew 15.3% benefitting from premiumisation, on-going portfolio renovation and accelerated momentum in states with route to market unlock.
- Popular net sales grew 1.1% while Priority states were broadly flat.
- Gross margin was 41.7%, down 220bps; impacted by rising inflation partly offset by favourable product mix and productivity savings.
- EBITDA was Rs. 427 Crores, up 3.6%. EBITDA margin was 17.5%, down 99 bps, driven by the gross margin decline partially offset by leverage on operating costs. Marketing reinvestment rate during the quarter was 5.4% of net sales.
- Interest cost of Rs. 13 Crores is a non-debt related expense
- Exceptional items include (a) impairment of an inter-company loan provided to Pioneer Distilleries Ltd., together with interest, (b) impairment of fixed assets in certain operationally closed manufacturing units, (c) accelerated charge pertaining to unamortized brand/ license fee
- Profit after tax was Rs. 136 Crores and PAT margin was 5.6%.

Full year performance highlights

- Reported net sales increased 18.9%. Growth was underpinned by strong consumer demand in the off trade, premiumisation, recovery in on-trade and lapping soft comparators. Underlying net sales increased 18.4%, excluding the one-off sale of bulk scotch.
- Prestige & Above net sales increased 23.6%, primarily benefitting from favourable product mix.
- Popular net sales increased 8.2%, while the priority states increased 7.1%.
- Gross margin was 43.6%, up 25bps, primarily driven by favourable product mix, productivity savings from everyday cost efficiencies and lapping a one-off inventory provision.
- Marketing investment at 7.3% of reported net sales. It was up 25.7% to support brand building activities while lapping a prior year reduction due to COVID-19.
- Reported EBITDA was Rs. 1,511 Crores, up 53%. Reported EBITDA margin was 16.1%, up 358 bps primarily driven by fixed cost operating leverage and lapping one-off costs in the prior year. Excluding the one-off items, underlying EBITDA was up 276 bps.
- Reported interest cost was Rs.65 Crores, down 60.9% driven by debt repayment, interest rate reduction and a non-debt related charge.
- Exceptional items include (a) impairment of an inter-company loan provided to Pioneer Distilleries Ltd., together with interest, (b) impairment of fixed assets in certain operationally closed manufacturing units, (c) accelerated charge pertaining to unamortized brand/ license fee, (d) a one-off provision towards an additional demand in relation to a historical customer dispute.
- Tax includes a one-off reversal of 19.2 Crores.
- Profit after tax was Rs. 770 Crores, up 148.1% and PAT margin was 8.2%.

Ms Hina Nagarajan,CEO, commenting on the results said:

"We have delivered another quarter of consistent top-line and resilient EBITDA performance. The broad-based growth in the Prestige & Above segment demonstrates resilient consumer demand, the strength of our portfolio and focused execution of the strategy by the team. Strong cash flow generation is enabling re-investment in sustainable long-term growth.

In line with our strategy of continued portfolio premiumisation, innovation and commitment to sustainability, we launched 'Godawan', an artisanal single malt whisky. Godawan, translates to the Great Indian Bustard, now nearing extinction and we are aiding in the conservation of the species and restoring natural water resources in Rajasthan. We also acquired a strategic minority stake in Nao Spirits & Beverages Private Limited, an emerging craft gin company in India, with award-winning brands 'Greater Than' and 'Hapusa'. The investment provides us with an opportunity to strengthen participation in the fast-growing premium gin segment in India.

We have just concluded the strategic review of the select Popular brands and the Board has approved the sale and franchising of this portfolio to an unrelated third party. This is a significant move to enable sharpened focus on 'Prestige & Above' and reshape our portfolio to help deliver our growth mission.

Looking ahead, while we see macroeconomic uncertainty persisting in the near term driven by inflationary headwinds and geopolitical factors, we remain confident in the medium to long-term prospects of our industry. We remain focused on driving productivity and increasing the intensity of our engagement with states on price increases while remaining disciplined in the execution of our strategic priorities, to drive sustainable profitable growth and value for all our stakeholders."

KEY FINANCIAL INFORMATION
Key quarterly performance indicators

		F22 Q4	F22 Q3	F22 Q2	F22 Q1	F22 FY
Net sales	<i>Rs. Crores</i>	2435	2,885	2,447	1,615	9382
Reported Turnover growth	%	9.5	15.9	14.0	56.8	18.9
Gross profit margin	%	41.7	44.1	44.2	44.6	43.6
EBITDA margin	%	17.5	17.0	17.4	10.4	16.1
PAT margin	%	5.6	10.1	11.2	4.3	8.2

For the year ended 31 March 2022
Summary financial information

		F22 FY	F21 FY	Movement %
Volume	<i>000 cases</i>	79,148	70719	11.9
Net sales	<i>Rs. Crores</i>	9,382²	7889	18.9
COGS	<i>Rs. Crores</i>	(5290)	(4468)	18.4
Gross profit	<i>Rs. Crores</i>	4091³	3421	19.6
Staff cost	<i>Rs. Crores</i>	(634)	(540)	17.2
Marketing spends	<i>Rs. Crores</i>	(689)	(548) ¹	25.7
Other Overheads	<i>Rs. Crores</i>	(1258)	(1345) ¹	(6.4)
EBITDA	<i>Rs. Crores</i>	1511	988	53.0
Other Income	<i>Rs. Crores</i>	42	48	(13.2)
Depreciation	<i>Rs. Crores</i>	(254)	(249)	2.0
EBIT	<i>Rs. Crores</i>	1298	786	65.1
Interest	<i>Rs. Crores</i>	(65)	(166)	(60.9)
PBT before exceptional items	<i>Rs. Crores</i>	1233	620	98.8
Exceptional items	<i>Rs. Crores</i>	(209)	(151)	38.1
PBT	<i>Rs. Crores</i>	1024	469	118.3
Tax	<i>Rs. Crores</i>	(254)	(159)	(60.2)
PAT	<i>Rs. Crores</i>	770	310	148.1

Key performance indicators as a % of net sales (reported):

		F22 FY	F21 FY	Movement Bps
Gross profit	%	43.6	43.4	25
Staff cost	%	(6.8)	(6.8)	10
Marketing spends	%	(7.3)	(7.0)	(39)
Other Overheads	%	(13.4)	(17.0)	363
EBITDA	%	16.1	12.5	358
PAT	%	8.2	3.9	427
Basic earnings per share	<i>rupees</i>	10.6	4.3	6.3
Earnings per share before exceptional items	<i>rupees</i>	13.5	6.4	7.1

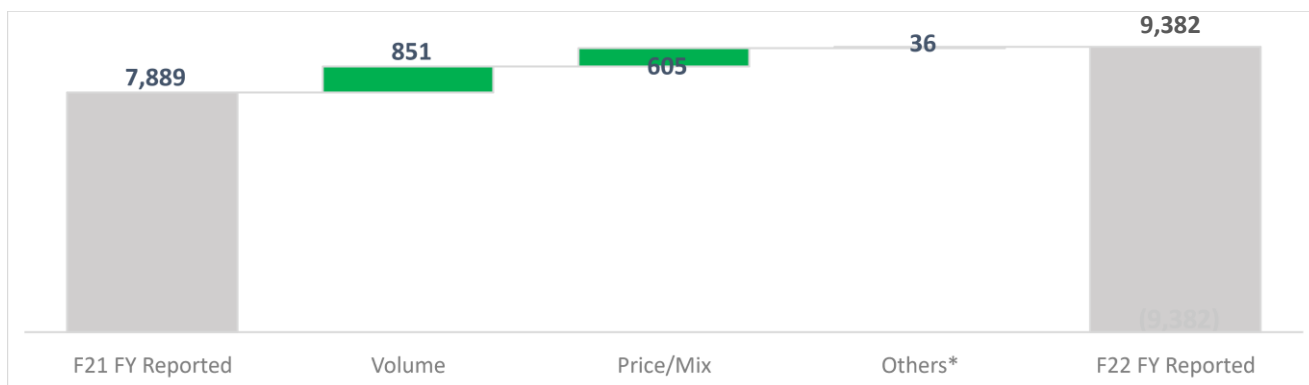
The company in compliance with Schedule III of the Companies Act, 2013 has reported revenue from operations inclusive of excise duty.

¹Marketing spends amounting ~INR 23.2 crores for the twelve months ended March 31, 2021 have been reclassified to Other expenses to conform with the current period's presentation and to enhance the comparability of the results..

²Includes a one-time bulk scotch sale of ~Rs. 40 Crores.

³Includes a one-time Gross Profit from bulk scotch sale of ~Rs. 13 Crores

Net sales (Rs. Crores)



* Others include primarily non IMFL sale including one off sale of bulk scotch

Reported net sales increased 18.9% in the full financial year. This double-digit top line growth reflects strong consumer demand in off trade and excellent execution, active portfolio management by pivoting to the channels and occasions most relevant to consumers and continuous recovery of on-trade. Excluding the one-off sale of bulk scotch, underlying net sales increased 18.4%. Net sales of Prestige & Above segment increased 23.6% while net sales of Popular segment increased 8.2%.

Overall volume increased 11.9% with growth of 14.6% in the Prestige & Above segment, outpacing the Popular volume expansion of 9.0%. Underlying price/mix for the year was favourable 6.5%, mainly due to favourable product mix.

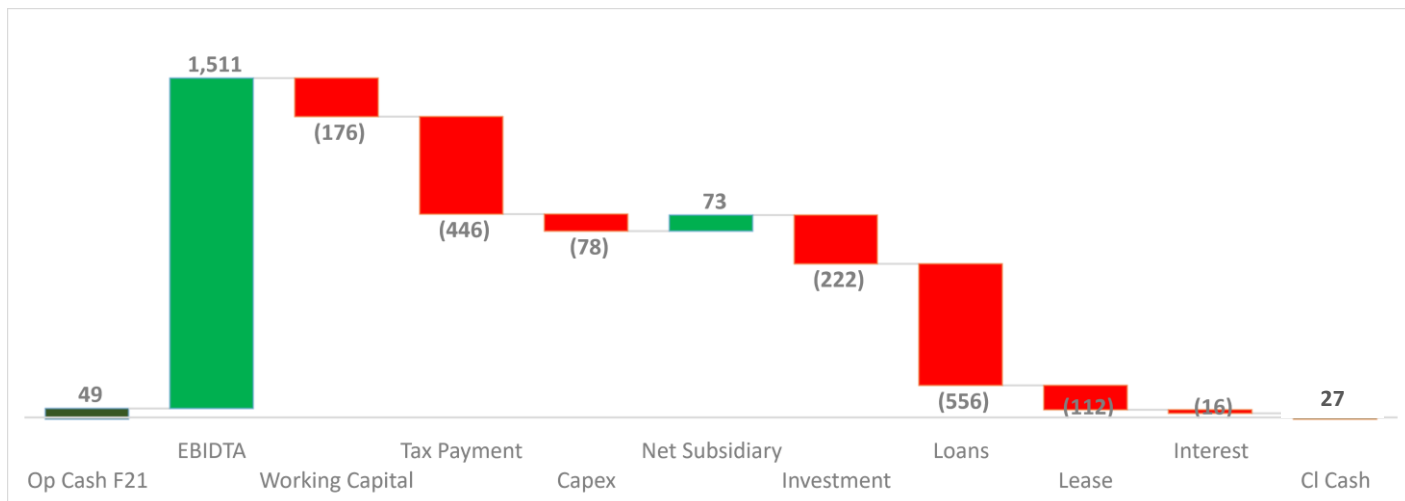
EBITDA (Rs. Crores, %, bps)



Reported EBITDA (Rs.1,511 Crores) increased 53% for the full financial year and margin increased by 358bps.

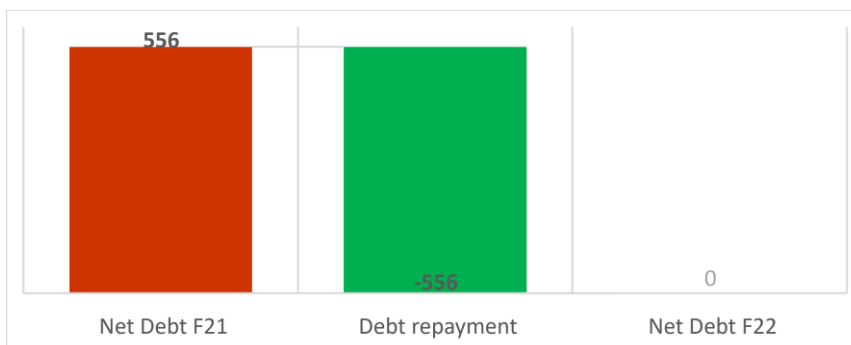
Gross profit increase of Rs. 670 Crores was predominantly volume and mix led, supported by productivity savings, and lapping the Covid wave 1 led decline in the comparator period. On a reported basis, staff costs were 6.8% of sales, down 10bps. Other overheads were 13.4% of reported sales, down 363bps due to improved operating leverage on fixed costs, everyday efficiency savings and lapping one-off expense in the prior year. We invested efficiently behind marketing and growth initiatives to accelerate portfolio performance and our marketing investment for full year was at 7.3% of sales.

Movement in cash (Rs. Crores)



Cash closed at Rs. 27 Crores. Increased net cash from operating activities was driven by growth in operating profit. This was utilised towards repayment of Rs. 556 Crores of debt and Rs. 222 crores were invested in varying mutual funds. There was increased working capital use to support organic growth. Capex investment was primarily to support productivity, core growth, health & safety and on asset care projects.

Movement in debt (Rs. Crores)



Closing net debt was nil. The free cash flow which stood generated from operating activities was utilised to repay Rs. 556 crores of debt during the year.

Interest cost savings of Rs. 101 Cr. is primarily due to debt repayment together with reduced interest rate.

SEGMENT AND BRAND REVIEW
 For the quarter and financial year ended 31 March 2022

Key segments:

For the Year ended 31 March 2022

	Volume				Net Sales			
	F22 FY	F21 FY	Reported	Underlying	F22 FY	F21 FY	Reported	Underlying
	Reported	Reported	movement	movement	Reported	Reported	movement	movement
	'000 cs	'000 cs	%	%	Rs. Cr.	Rs. Cr.	%	%
P&A	42,656	37,233	14.6	14.6	6805	5504	23.6	23.6
Popular	36,492	33,486	9.0	9.0	2458	2272	8.2	8.2
Other					119 ¹	114	4.7	(30.8)
TOTAL	79,148	70,719	11.9	11.9	9382¹	7889	18.9	18.4

¹ Includes bulk Scotch sale of ~Rs. 40 cr.

For the quarter ended 31 March 2022

	Volume				Net Sales			
	F22 Q4	F21 Q4	Reported	Underlying	F22 Q4	F21 Q4	Reported	Underlying
	Reported	Reported	movement	movement	Reported	Reported	movement	movement
	'000 cs	'000 cs	%	%	Rs. Cr.	Rs. Cr.	%	%
P&A	10,922	10,040	8.8	8.8	1766	1532	15.3	15.3
Popular	9,808	9,708	1.0	1.0	664	657	1.1	1.1
Other					5	36	(85.9)	(85.9)
TOTAL	20,731	19,748	5.0	5.0	2435	2224	9.5	9.5

- The **Prestige & Above segment** accounted for 72.5% of net sales during the financial year, up 2.8ppts compared to the same period last year. Prestige & Above segment net sales increased 23.6% during the year due to improved product mix and weak prior period comparators. During the year, Premium and Luxury portfolio grew faster than the Prestige portfolio led by our premiumisation drive. Within the Scotch portfolio, Johnnie Walker, Black & White, Black Dog and J&B delivered strong double-digit growth.
- The **Popular segment** accounted for 26.2% of net sales during the financial year, down 2.6ppt compared to the same period last year. The Popular segment net sales grew 8.2% during the year. Net sales of the Popular segment in priority states grew 7.1% during this period.

Cautionary statement concerning forward-looking statements

This document contains 'forward-looking' statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to United Spirits Limited ("USL"), anticipated cost savings or synergies, expected investments, the completion of USL's strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside USL's control. USL neither intends, nor assumes any obligation, to update or revise these forward-looking statements in the light of any developments which may differ from those anticipated.

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FY22 Results Presentation Webcast

The Company will host its F22 FY results presentation & annual investor meeting by way of a **webcast** on **Monday, 30th May 2022** at **10:00 am (IST time)**. The event will begin at 10:00 am IST with a presentation by Ms. Hina Nagarajan, Managing Director and Chief Executive Officer and Mr. Pradeep Jain, Chief Financial Officer. The presentation will be followed by a live Q&A session and the event will finish no later than 11:30 am IST

You could use the link below to view the presentation and listen to the webcast **or alternatively** use the dial-in details for a listen-only option. **You can submit your questions via chat option on the webcast or ask them over the phone.** Please refrain from joining simultaneously over both the mediums to avoid any quality issues.

Conference Joining Information

Option 1

Connect to the webcast to view the presentation and listen to the audio without having to wait for an operator. It's easy, It's convenient, It's effective. Please do so 15 minutes prior to the conference schedule to ensure that you are connected in time.

Express Join with DiamondPass™ No Wait Time

<https://services.choruscall.in/DiamondPassRegistration/register?confirmationNumber=3801664&linkSecurityString=1057344140>

Participant Link

<https://links.ccwebcast.com/?EventId=UNL300522>

(Link to be accessed by the participants to connect to the event)

Option 2

When using dial-in numbers mentioned below please do so 10 minutes prior to the conference schedule to ensure that you are connected to your call in time.

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