

Diageo 2023 Scotch Presentation

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Debra Crew

Welcome and thank you for all attending our session here and on the Webcast. I am Debra Crew, Chief Operating Officer at Diageo, and I'm delighted to be here today to have the chance to introduce myself to many of you who may not know me yet.

But first, here are our regulatory statements. Very easy to read. Now, a bit about me. I have spent my career working in the consumer products industry. I was president and CEO of Reynolds American, and before that had roles at PepsiCo, Kraft, Nestle and Mars.

I joined the board of Diageo four years ago, serving as a non executive director, and was truly impressed by what I saw. So when Ivan, our current CEO offered me the opportunity to become more involved in the company I jumped at it. I became president of Diageo's North American Business in July 2020 and assumed the role of Chief Operating Officer last October. In recent weeks, I've been enjoying a CEO transition experience, continuing to immerse myself in the business across our regions, our supply chain, customers, and key stakeholders worldwide.

It's deepened my understanding of what, in my opinion, makes Diageo one of the best brand builders in the world. As I meet Diageo team members across the globe, I'm both humbled and proud to lead such a talented and dedicated group of people who have delivered throughout a challenging operating environment over the past three years.

They give me valuable advice. Along the way, I've tasted a couple of our products for the first time, including Buchanan's Piña and Johnnie Walker Umami, which I highly recommend. Both are in the category that is the focus of today's conversation and presentation, Scotch, which is at the heart of our business.

For those unfamiliar with our company, Diageo is a global leader in beverage alcohol, with over 200 brands, including Johnnie Walker and Guinness. We sell our products in over in more than 180 countries and we're proud of our progress against our performance ambition, which you see on the screen. Our business is 36% bigger than it was pre COVID. That's a four year organic net sales CAGR of 8% and here is why we are confident in our ability to deliver quality, sustainable, long term growth.

Our industry total beverage alcohol, or TBA as we call it, is large, around \$1.2 trillion globally, and it's growing. Favourable market demographics and strong premiumization trends are driving that growth and I believe within TBA, we have the best assets plus an advantaged portfolio and geographic footprint. So today I will discuss our leadership position and performance in our largest category, Scotch.

We live in exciting times for the Scotch whisky category. It is large and growing ahead of TBA. Over the next hour, you will also hear from Cristina Diezhandino, our Chief Marketing Officer, about how we are recruiting consumers into

Scotch and driving new occasions as the consumer landscape is rapidly changing.

That's exciting because when you have an extensive and differentiated portfolio of brands that Diageo has, there are many opportunities to go after. Alvaro Cardenas, our Regional President for Latin America, will bring to life how our growth algorithm is driving our Scotch performance in Latin America, where we recruit from TBA and specifically premium beer.

Throughout this discussion, you will also see how our Scotch brands are helping create a more sustainable world. Finally, along with Lavanya Chandrashekar, our Chief Financial Officer, we will take questions from those of you who are here in person.

But first, I will start with the hot off the press IWSR data for calendar year 2022. International spirits continue to accelerate in total beverage alcohol, and while international whisky and Scotch are both thriving, it was a fantastic year for Diageo Scotch.

We gained 121 basis points of international whisky share, and Johnnie Walker, our iconic Scotch whisky brand, extended its lead in international spirits by 34 basis points. But more on that later. So first, let's back up and look at the category.

Scotch is the second largest international spirits category, delivering 14% of the total spirits category value. Scotch has grown ahead of TBA, supported by strong premiumization trends, and the category has emerged stronger from the pandemic and is forecasted to continue growing at plus 6% CAGR.

This growth is underpinned by the category broadening its consumer base as it recruits the next generation of Scotch consumers. People are continuing to love the flavours, craftsmanship, and aspirational experience of drinking Scotch.

Every region makes a meaningful contribution to scotch sales, and its geographic footprint is balanced across emerging and developed markets, and this is in comparison to other spirit categories which are more geographically concentrated.

Think gin in Europe or tequila in North America. Scotch is the most premium international spirits category, with premium plus Scotch worth \$21 billion annually. That's \$7 billion bigger than the next biggest category, cognac.

So now let's look at Diageo's portfolio. Scotch is Diageo's largest category, representing almost 25% of our total net sales in fiscal 22 and more than £3.7 billion in net sales. Our Scotch business has grown at a 9% value CAGR in the last four years, with volume growing at 4% CAGR.

This is very impressive in a category of the scale and maturity, and it demonstrates resilience in performance. (And) Our Scotch business is highly profitable, with a gross margin that is meaningfully above the group's average as we continue to premiumise the portfolio. We have a global portfolio of over 40 Scotch brands. Our leading brand is Johnnie Walker, the world's bestselling Scotch, and our portfolio contains other desirable brands such as Buchanan's, the Singleton, Lagavulin, and Mortlach.

Diageo is the largest international whisky manufacturer, with 25% share and an advantaged position with 1.6 relative market share. We have clear leadership position in Scotch, with 39% of Scotch retail sales value and a 1.9 relative market share.

In 2022, the total international whisky category grew by 12% in retail sales value, and Diageo Scotch is disproportionately fuelling that growth. We delivered 30% of total category growth in 2022. We currently hold a 17.8% market share and have gained 80 basis points in the last twelve months.

Over the last three years, we've gained 320 basis points of share. Our strong Scotch performance in the first half of fiscal 23 demonstrates our advantaged portfolio and the broad geographic footprint in action.

Every region drove strong growth in Diageo Scotch over the past four years, and you can see it here on the map. North America a CAGR of 5%, Europe 6%, APAC 10%, Africa 6% and Latin America 15%. And we are increasing the NSV delivered by our premium plus Scotch portfolio from 67% in fiscal 21 to 70% in fiscal 23, and within this, super premium plus Scotch delivered 30% of Diageo Scotch NSV. I'm pleased that in half one fiscal 23, 76% of our overall Scotch portfolio growth was driven by premium plus price tiers.

So on to Johnnie Walker, which currently holds a 9.2% share of international whiskies and it has contributed 23% total international whisky category growth in the last twelve months. The brand has delivered strong growth over the last three years with value and volume growth across all price tiers.

The fastest growth has been on Blue Label, demonstrating our commitment and ability to premiumise the brand. As Cristina will discuss, this brand masterfully evolves with the times, maintaining its resonance with contemporary consumers, all while preserving the integrity of the illustrious heritage.

In our largest market, the US we've gained over 300 basis points of category value share for two consecutive years and this growth has been broad based, led by Johnnie Walker, Buchanan's and our single malt portfolio.

Despite our long-term growth trajectory, where we will be distilling and maturing more liquid, we have an ambitious goal to ensure all of our distilleries are net zero by 2030. We aim for a 50% absolute reduction in our scope three carbon

emissions also by 2030, alongside improving our water efficiency by 30%.

With Johnnie Walker leading the way, we have the ambition to lead a bold transformation of international whiskies and Scotch towards a low carbon world, but more on that from Cristina later. Cristina will discuss how the consumer landscape in Scotch category is evolving.

Continuing to build our brands in the right markets has never been more critical. We're committed to investing consistently in Scotch to ensure we support future growth of our iconic brands. We have steadily increased the absolute amount of AMP in our Scotch business and have maintained the reinvestment rate in Scotch over the last few years.

Our investment in the Scotch supply infrastructure means we can continue to expand and enhance our Scotch distillation, maturation and warehousing facilities to secure the long-term growth of our Scotch business.

We're also investing in Scotch tourism, enhancing distillery visitor centres across Scotland and offering this unmissable experience here at Johnnie Walker Princes Street. Finally, investing in our environmental sustainability is a key commitment as we look to lead the category to a lower carbon future.

Cristina Diezhandino

Hello and it's my pleasure to be here with you at Princes Street and taking you through the consumer lens and the brand lens on what we think is a phenomenal trajectory for Scotch, as Debra just mentioned earlier.

But before we go forward and I tell you about how the landscape is shaping and how we're leveraging that change, I would like to take you backwards for a minute and refer to the very rich history of Scotch, which I think is really enlightening.

As you know well, the Scotch category has been present for, actually centuries and if we were to simplify that story and what happened, we can distinguish fundamentally four big portions or four big chapters of history that can have relevance even today.

So, in simple words, in the, say, the pre 1900s, we call it the area of discovery. That's the time where the founders of these brands including John Walker, of course, were playing with liquids and ways of producing this liquid. As you will hear here in Princes Street, John Walker himself started to blend the whisky because he had been trained in blending tea and the idea of flavours and creating magnificent flavours was present from that very early age.

Moving on in the earliest part of the 20th century and even to the 60s, I'm sorry, in the 1900s as I said, it was a distribution time, 1920, 1930 and in that time again, that entrepreneurial spirit was present and certainly if I used the brand Johnnie Walker as an example, the family decided to create the square bottles such that they could travel better on boats and that was a very visionary perspective if you imagine those years.

In fact, Johnnie Walker left the port of Glasgow to go to Sydney. That was the first faraway place that the brand went to and from then expanded very quickly throughout the world and it became a symbol of status and a symbol of the progressive nature that the brand had ever had.

Later on in the second part of the 20th century, the 60s, the 70s, the 80s that was the time that we call diversification because there was a real explosion of different brands. Single malts became more available. In fact, there was some booms and busts, some distilleries actually closed in the 80s.

But during that time the category kept expanding itself in the world and truly widening its footprint from more lower end kind of products to much more expensive ones that we still see these days. (And) Following that from the end of 1999, 2000 and of course until now we call this the area of desire and I'll speak about the area of desire in a minute because it really captures what Debra was talking about that fundamentally has fuelled this further ignition of the category for the new consumer.

So if I were to talk a little bit more about the edge of desire and what that consists of really is the idea that Scotch is playing very powerfully and meaningfully in what consumers today regard as a luxury experience.

If you think about what decodes a luxury experience, people will talk about the idea of what's craft. People will talk about the idea of exploration, flavour exploration in particular. People will value the people behind the brands and the fact that there's a human face and a lot of artistry behind those brands and all of those elements are very present in Scotch. And in fact, you will hear from some of our brands, Johnnie Walker and certainly the extent of our portfolio really can lean on into that space very successfully.

In fact, Scotch is really well placed to benefit from what we call these consumer macro trends that have to do with how much people value the idea of treating themselves. Even in tough times, in volatile times, people will say and acknowledge that treating myself will help me go through whatever circumstances live around me.

That idea of treating yourself to an experience, treating yourself to a more expensive product once in a while plays very favourably to what we are doing and again, I'll bring that to life in the work.

I couldn't just fail to mention that the liquids that are behind all of that success, the numbers that you have heard, the trends that have actually taken place throughout that very extensive period is the amazing liquids that are within those bottles. (And) These are just a few of the medals that we won in the most recent period. In total, our portfolio in the last year or so has won about 126 different accolades from the most prestigious industry forums and the brand Johnnie Walker alone has had 64 of those.

This is just a proof point and a testament of how the experts value these phenomenal liquids, which of course then are in turn valued by consumers. (And) So what's behind those liquids? I refer to John Walker already the founders and the heritage of those founders and that craftsmanship that has happened and was actually being developed throughout the years is now in the hands of the case of Johnnie Walker, of this lady, Emma Walker, the first female master blender of Johnnie Walker.

Indeed she brings a legacy of tremendous knowledge. She was in fact an apprentice of the iconic Jim Beverage, you may have heard about him. He's hugely reputed in the industry and Emma worked with him for many years and in fact she has now succeeded him in the work.

Indeed she brings her own ideas of flavour exploration and how she thinks about engaging new generation of Scotch drinkers and is a phenomenal person to engage with and hear how she thinks about the creations that you will experience, I'm sure, throughout your visit to Princes Street today.

The other big element in the engagement with consumers and the success of the category that I would like to reference is our relationship with this hugely important community, the bartender community. You will have heard that spirits brands are fundamentally engaged with consumers in various forms, but one of them that is very important is certainly the on-trade. In the on-trade that is bars and restaurants, the bartender and the mixologist becomes a really important person. Many people will agree with the question of would you take a recommendation from a bartender.

I'm sure each one of us can relate to that question and answer yes, I would. Certainly at the higher end, the more this actually is the case. We have various programs that have been working with the agile brands for several years.

One of them is World Class. World Class is our bartender competition. It has been running for now 14 years. So we have developed a tremendous amount of relationships throughout the world. The competition takes place first in 55 countries at country level.

Each country will select the winning mixologist and in turn the winning mixologists will attend a final that happens in different places throughout the years. This year we will host it in Sao Paulo, Alvaro's home.

Not home, but Latin America that is. We'll be delighted to enjoy that. It's a fabulous community. The production of the actual creations that they do are fundamental. Scotch plays a big role within that competition as you can imagine and Johnnie Walker is hugely featured. In addition to World Class, we have also developed another community hosting asset. We call it the Diageo Bar Academy. It lives in (different) analogue forms, one, as a training program for bartenders.

It also lives in a digital form. We have a site that has a very large amount of traffic every year. In that, and you can follow it on Instagram, if you have Instagram, you can see what kind of content is in there.

It's actually very agile, it's very modern and contemporary. It talks about the history, it talks about the liquids, it talks about the cocktails, it talks about bartending tricks and it talks about the running of a bar, the business of bars.

So in that sense, we have managed to create and to put forward really important content for this important community. I would now like to talk about some of our brands. As Debra mentioned, they are plentiful. We have a very large portfolio of Scotch, fabulous brands. Today we don't have to time to talk about all of them, but I will want to highlight two - Johnnie Walker and the Singleton. Let me start with Johnnie Walker first. I think you've heard already some statistics, but I'm going to just share or repeat a couple as a bit of context. It is the world number one international spirit and that is again defined by RWSR 2022 as of the 1 June. In fiscal 22, we surpassed a net sales value of 2 billion pounds with this brand.

This brand has 9% share of international whisky and I think interestingly or more importantly, every month 400 million consumers choose to drink Scotch. Of those 400 million consumers that choose to drink Scotch every month, 95 million choose Johnnie Walker.

That speaks to the relevance of the brand and the penetration.

On Johnnie Walker there's two main aspects that I would love to share. One is the relevance and importance of Keep Walking. I'm sure you're familiar with these two words. They were first connected to the brand at the end of the 90s and so as a platform, it's a very long standing platform.

For a brand to be connected to a platform for so long is actually very important. The platform, however, has evolved tremendously. The fundamentals of what it means to be progressive, what it means to be special, what it means to leverage and connect with the idea of status, of what status actually means for consumers today versus what it did when it was first created, that has changed.

The expression of it has changed, but what's at the heart of it has remained, and hence that is its power. The second big pillar that I want to talk about is premiumization. Again, Debra has referenced the growth of Johnnie Walker Blue Label,

the importance of the Johnnie Walker Black Label and above portfolio and I will talk about that.

So I should say that as the CMO of the company, I'm really proud of some of those marketing accolades that you saw in the slides that we've won for multiple, in different areas both for creativity as well as for marketing effectiveness. So very proud of that.

Speaking about premiumization, these are some of the numbers of the progress that has been made on Johnnie Walker over the last few years and as you can see in that slide that to date, in a fiscal 22, 72% of the net sales value of the brand is actually Black Label and above.

That has been a progression actually created by the work that you have seen from fiscal 24 [CORRECTION: 14] when it was only 65. That 72 of fiscal 22 is in the context of total Scotch category being 59. Some of the aspects that really evolve, certainly Johnnie Walker Blue Label and the whole story of premiumization that I think are really important is the idea of how that represents or engages with luxury consumers.

I mentioned that earlier. This image here comes from a global travel execution where we have been able to actually showcase in retail form how the brand engages with consumers in a way that is experiential and actually takes inspiration from any luxury brands.

Now I want to turn us to another brand, the Singleton. Changing gears, Singleton is a single malt brand and in fact, not just any single malt brand. Let me show you a couple of statistics here. It is the fastest growing single malt globally.

It's the number one [CORRECTION: two] international brand in its lead market, Taiwan. Taiwan is actually one of the largest markets for single malts in the world. It was the market where the brand was first launched. Today, so even though it was launched first in Taiwan and expanded more broadly in Asia, today is the number one driver of most value growth in Europe.

So the brand is actually expanding more geographically. I want to show you a couple of examples of how this brand, which is fast growing, is also creating more innovation. And I have two different examples of how a single malt is creating innovation to expand its footprint more widely, in two aspects.

Aspect number one has to do with having the brand be accessible and desirable by a wider group of consumers. (And) Indeed, this is an entry single malt, meaning its flavour is very accessible to people.

That makes some innovation like this very possible and very natural for the brand. It's called Golden Tresor. It's finished in ex-wine casks and for that reason the liquid is slightly sweeter.

You can see how the proposed serve is in those kind of wine glasses served with ice. So, it's a delicious liquid. It's a brand that speaks a lot about the flavours in its liquid. Again, this is widening the footprint.

Singleton 40 year old is at a very different price point, much higher up.

As I said, this sells in the thousands of pounds, actually. It's an example of how a brand like the Singleton is expanding footprint, being attractive to more consumers, including more female consumers, as well as premiumising and able to participate at that very high end of what we call luxury and rare whiskies.

That's just two examples within our portfolio. Of course there's more. Alvaro is going to talk about the left-hand side of that slide briefly, Buchanan's and Old Parr, two fabulous blended whiskies, Scotch whiskeys, which are very important in Latin America. On the other side, I've got a couple of pictures on some other single malt brands like Lagavulin and Talisker, these two brands from the islands.

One is from Skye, the other one is from Isla. If you ever have a chance, I encourage you to visit these distilleries. They're beautiful and the liquid is fantastic. A little bit harder if you are not trained in single malts, they're a lot more peaty, so for a different kind of taste profile, and perhaps a bit more of an acquired taste.

Thinking about moving ahead and what lies ahead, I wanted to share with you three aspects of how we are shaping the future of Scotch.

One is experiences. (And) We are in the perfect place to talk about experiences in Johnnie Walker Princes Street. The next one is innovation. Although I have referred to innovation already, I'll make a couple more comments around that.

Third, and importantly, sustainability and how it really matters when it comes to consumers and how we are engaging in this topic already. So on experiences, as Debra mentioned as well, we have invested recently in whisky tourism in Scotland, and this is actually the location of some of the visitor centers that we have created on the distilleries, for the most part, with the exception of Johnnie Walker Princes Street.

The rest are our distilleries and their visitor centers. They're a fabulous place where people can actually see where's the provenance, how the whisky is made. In the case of Singleton, you will understand that the stills are larger so that the liquid can have a longer conversation with the copper and that in turn, provides a fresher taste profile.

I mentioned the islands. They're beautiful, a little bit harder to get to. But certainly gives you this sense and the actual connectivity with why that liquid tasting that way.

The people at the distillery will be able to engage with you and explain what lies behind that particular taste profile. Speaking about Princes Street, and very quickly - you're going to have the full experience so I won't dwell too much on it - but just to say we opened the doors in 2021 and it's been a phenomenal success both in terms of visitors.

We have welcomed 500,000 visitors already. They have engaged with us in the journey of flavour that you will go through so I won't reveal any secrets.

Importantly, through this experience, we're opening the doors to, again more people. We're receiving people who are not Scotch drinkers and having them enjoy the drinks and they go on to say that they are intending to repeat that purchase, and also a wider public. A very balanced gender mix in terms of our visitors, more so than it is currently the penetration in males and females.

So it really does expand that footprint. I wanted to share this example. Some version of these you will actually experience, but you may be aware that in 2021 we also acquired Vivanda. Vivanda is the company that was behind a product called FlavourPrint.

We had worked with this company and FlavourPrint through a program that we had called What's Your Whisky? And effectively it's an algorithm and has a proprietary database of taste and flavours. (And) The proprietary algorithm can also connect the choices on those tastes and flavours that each one of us will agree to into a recommendation of what whisky is the one that you will likely enjoy more.

We use it in Princes Street to direct the journey throughout the experience and you will have, depending on your answers to the questions, you will experience different liquids throughout your journey.

We are now in the process of bringing this product into some of the other consumer touch points, including some of our D2C sites. So we're excited about that and the future that it brings to us.

On innovation. Innovation, there's so much to talk about. You will see some of these products on display there, but I wanted to show you two examples on different aspects or different parts of the trademark on Johnnie Walker. Blonde is a liquid that is very accessible.

Flavour wise it's really conceived for the new generation and it's appealing to more female consumers. Alvaro will talk more about that because we launched it more importantly in Latin America.

This is an example of Blue Label, and how do we innovate on Blue Label. We have various forms, but one is every year we create what we call a City Edition collection. This year, we partnered with an artist. His name is Luke Halls. You might want to look him up.

He's a visual artist. He does a lot of work for opera production, theatre production. Very visual, very digital. (And) He created these designs and experiences, so when you engage with this product, you will also be able to engage with what is his vision is for the cities of the next 200 years.

It's a futuristic view, very entertaining, very beautiful. My last point is sustainability. I just wanted to bring to life the fact that we have indeed very ambitious goals for 2030 in our spirit of progress.

But we are acting on it already, generally speaking, and in particular through Scotch. We have been focusing a lot on packaging, because packaging creates an important part of our carbon footprint indeed.

We have a number of initiatives around packaging. The first one has to do with making sure that our glass is better, meaning more recycled content and lighter. Today in Black Label, our Johnnie Walker Black Label bottle already contains 42% recycled content.

Our goal is to take that to 60%. But we are already at 42%, so we have already made a lot of progress to date. Lightweighting bottles means the bottle, the actual glass, will weigh less and White Horse was our first lightweighted bottle that we have already sent to Latin America.

We are also reducing and removing excess packaging. We have removed 183,000,000 cardboard boxes from our Scotch portfolio, and we are intending to look at what else to remove from excess packaging. We will also transition to new materials, moving from glass to other materials, sometimes existing materials like aluminium, where that's appropriate.

We are also looking to innovate in materials that currently are not being used for Scotch brands. So, there's a lot of work in this area. Some of the examples that have already seen the light of day and they're really intended to engage in a conversation with consumers and bring this subject to life in a way that is compelling is this project, is called Air Inc.

You have some of the bottles on display there. You can have a look at it them. They're beautiful ceramic bottles and they have been worked in collaboration with artists.

Artists that are based in different cities in the world. The black ink that you see is actually ink that has been extracted from the atmosphere and the artist then will create an image of the city with that particular ink.

It's a small edition. We have created 2500 bottles per city. They were sold at three times the price of Black Label and they sold out very fast, the minute we put them out in the market. (And) My last example and actually my last slide is another perspective of a different thing I mentioned earlier, recycled content.

I told you that we aim to achieve 60% recycled glass in our bottles and that Johnnie Walker Black Label is at 42%. We had a project with Talisker and Parley which is a company that works with environmental causes and we created this product that has, this beautiful bottle which is made of 100% recycled glass.

So it's just a proof point for us that premium single malts and premium products can actually be made of 100% recycled content and it places the start of what is possible. It's an inspiration for further innovation. So with that, I will just hand over to my colleague, Alvaro Cardenas. Thank you very much. I hope you'll agree with me that the category is exciting, the brands are exciting and the future is ours to shape.

Alvaro Cardenas

Hi everybody. It's a real pleasure to be here with all of you today, especially talking about Scotch, which I have to acknowledge is a passion point for me, the idea during the next few minutes is for you to have a view around what execution looks like in a market and in this case in Latin American markets.

During the presentation, you will also will virtually meet the great talent that we have already in market. We have some of our people telling and bringing to life through examples how we are executing our strategy and our ambition.

I do hope that through the examples, you will see how cool and vibrant the Scotch category is, how we are recruiting consumers, younger consumers and diverse consumers and actually bringing consumers out of international spirits directly into Scotch.

You will see how premium Scotch is and is it still premiumising. Also you will see that there is a still headroom for growth. So, without further ado, let's do a quick intro around what is Latin America.

So we are a young and vibrant and yes, volatile region. You know, you always have fun in Latin America. With more than 300 million LPA consumers, legal purchasing age consumers, and just as a reference, US is 160,000,000, so there is a

large consumer base.

50% of our consumers are under 30 years old. Again, as a reference, 50% of consumers in Europe are over 45 years old. We have an energizing and thriving middle class segment that moved from 22% to 38% during the last 15 years and it still is expanding.

As LAC, we represent almost one third of total Diageo Scotch. We are relevant for Diageo and we have an unparalleled portfolio because we have the perfect blend between global giants like Johnnie Walker and local jewels like Buchanan's and Oldpar that I have to say that feel like Latin American brands to the world.

So let's start our immersion about our vibrant Scotch category in Latin America. For that, let me introduce Paula Rey. Paula is our managing director in Colombia.

She has been in Diageo for 23 years and her first role was barrel manager of Jonnie Walker, so she has seen how the category has evolved during the last two decades. So let's hear from Paula.

Paula Rey

We are reigniting Scotch at its core, disrupting key consumer occasions to recruit based on satisfying consumer needs better than anybody else, as opposed to relying on accessibility as the key driver.

We are truly making Scotch stand out, driving attention, talkability and winning over consumers minds and hearts through colossal advertising.

In fact, we have taken over an entire city. This, in combination with innovative presence in the out-of-trade is helping us create a new generation of Scotch consumers. This isn't a utopia - it is happening now.

The Scotch drinkers of the future are here, and they represent an increasingly growing part of our consumer base. They are young and lively, outgoing, sociable. They're digital natives that love technology and creating special bonds with authentic purposeful brands.

We're executing with passion and flair in a consumer centric way. Our external radar is on. We have become obsessed with being culturally relevant and creating conversations where our consumers actually are. Harnessing their attention, interest and ultimately their love.

Shifting from traditional brand out advertising, this wave of growth has proved the power cultural relevance has. Adventuring into the out of trade to bring consumers in can achieve vast media reach and drive content to connect better with them.

We have decoded how to make Scotch relevant and vibrant. It's time to turn the volume up and continue making this the most valued and aspirational category.

Alvaro Cardenas

So let's start with a deep dive, a quick snapshot about Scotch as a category in Latin America.

As a category, it has outperformed TBA, and I think this is quite an important point. It's not just TBA, it's local, international spirits, locally produced spirits and beer - especially during the last three years. It's premium and it's above average compared versus out-of-region as a category.

That has been a big evolution during the last three years because that was not the case three years ago. The category has really evolved into a more premium category. (And) In the context of TBA it is still tiny, it's still a category that represents 4%.

That's why we believe there is still so much headroom for growth as a category in Latin America. If we move now to Diageo, basically we are leaders in Scotch in every single market across the region.

When you think about the classification, about what are the number one, number two and number three, brand, the number one is Johnnie Walker, the number two is Buchanan's and the number three is Oldparr across Scotch in Latin America, so we have 70% of market share in Scotch.

In blended Scotch, which is 95% of total Scotch, we have 73% of market share. And, in premium plus and above, we have 74% of market share.

We have a really strong competitive position across the region. There is clear water between us and the next company. Relative market share versus the next competitor is 3.6 and you can see in different markets that in a market like Mexico where it is 5.5.

So again, that just continues reinforcing how solid our position is in the markets that we operate. So, what has been at the core of this transformation? It's our relentless focus behind two jobs.

Job number one is about recruitment and job number two is about premiumization. I will spend a bit more time in the recruitment aspect of what our brands are doing. There has been a big reframe especially in Latin America and this brand that recruitment is not just because of pricing accessibility. Actually, what we have been doing during within the last three years is bringing consumers directly, new consumers directly into premium and premium plus Scotch brands.

This is an example of Brazil. In Brazil for Johnnie Walker Black Label and for Oldparr, 52% of the growth of Johnnie Walker Black Label in Brazil are drinkers new to the whisky category and in the case of Oldparr it is 66%.

This just continues validating the fact that we are bringing consumers directly from out of international experience directly into premium plus categories. Why is that possible? Is because as Paula said in the video, we are really addressing and very clear about what are the consumer needs, what is the consumers intension, and we are addressing those consumer needs and intensions and we are very clear around what consumer occasions do we want to disrupt.

Whisky in Latin America is directly associated with status and aspiration. The consumer wants to show know they are successful, they want to show that they know how to appreciate quality and they want complexity and intensity in flavours.

All of that basically is Scotch. That's why Scotch is thriving in Latin America. Moving into one of the most exciting things for me at least, which has been the big change, especially that I have seen in the category, is that it's recruiting a wider range of consumers right now.

So 25% of the past four weeks consumer drinkers are women and 65% of past four weeks drinkers are under 34 years old. So young and diverse. Now we have been decoding what happened in order to understand what are the success factors and, how can we replicate this and continue consistently executing the strategy?

There have been three success factors. One is around staying top of mind in culture, building brands in culture and I'm going to elaborate a bit more on that later in the presentation. The second one is around if you want to be a TBA player, you must have brilliant execution, at scale, in the on and in the off premise, it's paramount.

That being the second pillar. (And) The third one is about purposeful innovation with the consumer at the center, with the intent to recruit and premiumise. Let's talk about the success factor number one, which is staying atop of mind through culture.

I'm going to virtually invite Patty Borges, who is our director in Brazil, to bring to life how we are using digital to really insert brands in live consumer conversations. That is driving different a level of talkability and really a different impact

from a consumer perspective, so let's hear from Patty.

Patricia Borges

We believe that the more our business becomes about digital and data, the more it becomes about people. Sure, technology, tools and platforms are important enablers, but the beauty of digital is that it allows us to build one on one relationships with consumers at scale to connect with them where they are, entertaining rather than interrupting.

We are so excited in LAC, to be piloting some disruptive digital initiatives that are driving growth for our business. For starters, we have transformed how we run the bar. As a result, we host its biggest operation for the Diageo worldwide.

Thanks to our unique multiplatform omnichannel approach that combines online and physical flagship stores, brand experiences, direct to consumer, CRM, and analytics. Digital has also led us to adopt a new mindset of experimentation and simplicity.

Why work as six isolated markets fragmented across Latin America when we can focus on our commonalities rather than our differences when you can foster cooperation and speed to escalate growth? That's exactly why we've created Diageo's first digital hub in sourcing breakthrough talent throughout the region that works together on scalable, multimarket plans.

Our ambition is to be one step ahead, exploring new rules of brand building and transforming our brands into storytellers, because brands that don't become content creators will eventually compete with content creators that will become brands.

In our office in Brazil, we are pioneering a content laboratory of brand conversations run by a team of creators who monitor everything that consumers are talking about, searching for, listening to, sharing or engaging with and all of that in real time.

We are evolving from precision marketing to predictive marketing, anticipating consumers trends and desires. The content lab is a complete shift in communication dynamics as we take the power away from the industry and pass it on to the communities.

We are challenging the notions of traditional marketing. Communication is no longer made from brands to consumers, but actually from consumer to consumer about a brand, becoming much more engaging and connected to cultures.

Alvaro Cardenas

I hope that this video and what Patty brought to life around digital transformation is not about implementing tools, it's

about delighting consumers and making sure that we know what is the conversation that is happening and we insert our brands into that conversation to make our brands relevant and to being part of the culture of the society.

In Brazil, historically, Johnnie Walker Black has lagged Jack Daniels in talkability. Due to these type of innovations, now Johnnie Walker Black is leading in talkability in the marketplace and that has been in a very short period of time, so it really shows the power of digital as a service to the consumer.

The other important point on building brands in culture is about experiences, and how we are creating unique and bespoke experiences for our consumers.

There are two examples here that are in Colombia. One is Johnnie Walker Blue and the other one is Singleton. Let's start with Johnnie Walker blue. During November and December of the last calendar year, the team implemented - in a hotspot in city in Colombia - a unique interactive experience of Johnnie Walker Blue for the consumers to engage differently with the brand, to co create with the intent to generate real amplification in impacting consumers.

With that initiative, we reached 16 million consumers in two months and the Johnnie Walker Blue market share increased by 21%. That just showed the scale of these type of experiences where they connect directly with the consumer.

The other example is with Singleton where again, this is a brand where we are seeing a massive potential due to what we are seeing in single malts in a market like Colombia. Once again, a real experience to influence the influencer, to bring the right people.

There was a party, a social event with an attendance of 1500 people and the amplification of that event was around 10 million consumers. I think these unique experiences are not that much about what's happening at the moment, but it's about the amplification and the aftereffects which we are taking really advantage of.

Now focusing on the success factor number three, which is innovation. In innovation I'm showing two examples.

One is Johnnie Walker Blonde, which is the fun and latest innovation in Johnnie Walker that we launched in Brazil, Mexico and Chile. Let's see the video and then I will share with you some of the early results that we are seeing from a consumer perspective.

We launched, as I said, in Brazil, in Mexico and in Chile a bit longer than a year ago and these are the early results and outcomes that we are seeing. More than half of Blonde consumers are new into Scotch.

Disproportionately there are more women. 56% of consumers in Brazil are women and 69% in Chile, 69%. Recruiting new consumers - new consumers 53% are under 34 years old. The intent was to disrupt and recruit and what we are seeing as a result, and it's still early stages, but it's really encouraging and supporting the reason why we launched the brand.

The other example is Buchanan's Two Souls, which is a blended Scotch finished in Don Julio and tequila barrels. We launched this originally in Mexico and now we have Mexico, Colombia, Central America and Caribbean. Again, very, very encouraging results in the short term. Similarly, 50% of consumers are women, 40% are new to Scotch, more than 70% who try it, repeat it and it's recruiting from tequila, beer and vodka.

I hope these two examples of innovation really bring to life the role that we are seeing innovation playing in the portfolio, especially playing for the categories of Scotch as a category as well.

Now that I just shared with you the framework of the learnings and the success factors behind this transformation, let me get into our simple but mighty flywheel and growth flywheel in Scotch.

Let me start with the most important thing - fuelling and investing behind our brands. (And) It's not just about investing, it's about the right wave of investing behind the brands. Two thirds of our AMP are behind Scotch and are behind these three brands that I mentioned Johnnie Walker, Black, Old Parr, and Buchanan's.

50% of that investment is behind brand building, consumer facing initiatives, which was not the case three or four years ago. We were about 35 or 40%. 57% is good progress, but I think we need to continue progressing that even further, but it's real progress.

As a consequence of that investment we are seeing real brand strength and brand equity results. In Whisky in Brazil, we have the number one brand from a brand strength perspective, which is Johnnie Walker.

In Mexico, we have the number one and number two, Buchanan's and Johnnie Walker and in Colombia, Old Parr, Buchanan's and Johnnie Walker. So the number one, two and three. That investment is driving the right equity in our brand, which is fundamental in order to continue supporting our pricing agenda in the marketplace, in the different markets that we are operating.

Investing in our brand equity to have a balanced gross top line equation.

We want to drive volume because we want to recruit. We want to drive mix because we want to premiumise and we want to drive pricing because we want to continue expanding our gross margin, which takes me to the gross margin part.

Today our Scotch portfolio is accretive to LAC and is accretive to the edge. It's very important to continue focusing on that gross margin conversation because at the end, it's what creates capacity for us to keep investing behind the brand.

This is a virtual cycle that we have been consistently executing during the last three years and we do believe that is going to be a fundamental part on how we will continue unlocking growth in Scotch in Latin America.

This takes me to the last slide that I have, which again, is just a summary of what we have heard so far and I think you heard from Debra, you heard from Cristina, and during my presentation as well - We are obsessed with recruiting consumers.

We want to continue premiumising. We want Scotch to feel cool and vibrant. For that, if you want to be a TBA player, you need to really understand that execution, you need to be one of the most important enablers of your strategy.

Alvaro Cardenas

That was what I wanted to share with all of you. With that, I will hand you back to Debra.

Debra Crew

I think we're at the point of Q&A.

Andrea Pistacchi - Bank of America

Andrea Pistacchi from Bank Of America. Question on Scotch. Scotch has historically been quite cyclical in emerging

markets and in Latin America and about ten years ago, maybe a little bit less, you were focusing also on some primary Scotch brands, Black and White, White Horse, et cetera.

You haven't mentioned them today so I was wondering how you're managing cyclicalities today in Latin America in Scotch and sort of connected also to the cyclicalities aspect and another point has been historically distributors destocking or stocking up, depending on the cycle.

I know you're more focused on the sellout culture, but just sort of update on what the stock level is across your main markets in Scotch?

Debra Crew

Okay, so I'll take the second one, but why don't you go ahead, Alvaro, and start with the first one?

Alvaro Cardenas

So primaries and standard will continue to play a role as part of our portfolio in Latin America. The reason why we are focusing, especially today, on the conversation around more in premium and premium class, is because it's when we are seeing the fundamental transformation.

But that doesn't mean that we don't have a role for the rest of our portfolio. I think that's the magic that we have in Latin America from a Scotch portfolio perspective, but actually in Diageo overall. We are being more selective in how we are playing with the rest of the portfolio in a way that everything that we are doing needs to be accretive.

I think one of the biggest and most transformational changes that we have been driving in Scotch and in our portfolio is this foundation about gross margin which at the end is what is allowing us to continue investing in the part of the portfolio that we want to exponentially grow.

But to your point, to your question, it's cyclical and it's not because we are deprioritizing, we are being more selective in how we are playing with the rest of the portfolio.

Debra Crew

Your second question just about retailer stock. We are seeing coming off of this, remembering that as Diageo we're 36% bigger than what we were pre COVID and in markets like Alvaro's, I think you're something like 70%, it's a big number.

So, as we come off the super cycle we are seeing normalization across multiple markets. The US of course being the most prominent and probably really what you want to know about.

Look, I mean, we've talked a little bit about this part of normalization so it really is about the consumer and that's where we're really trying to focus and we are seeing the consumer really normalize.

Actually if you look at the industry overall, we're feeling pretty good about how it's normalizing out. It really is getting back toward mid-single digits. If you look at the latest Nielsen results, the latest Nielsen had the industry at almost 5%.

It was plus 4.8% I think, so we are starting to see the industry really come back to that mid-single digits. It's being driven by importantly this super premium plus part of the category. So, luxury, the growth is moderating there, although still growing.

Below premium, there is a lot of price competition and that's really where you're seeing this sort of weaker consumer environment. But remember, most of our portfolio really is about this super premium plus area. So that's what we're staying very close to.

We feel very good about that kind of normalizing back toward what we would expect. Part of normalization though isn't just about the consumer, it really is about the supply chain as well. That is some of the things you're mentioning, we've talked a lot about that last year if you remember.

We finished the year and shipments were ahead of depletions and a lot of that was restocking from out of stocks driven by glass shortages and that type of thing. So, we had restocked last year and got into a pretty good position and hence the reason shipments were higher than depletions.

Clearly that's going to normalize. We've talked less about retailer, but certainly others have talked a little bit about what you're seeing in Nielsen - some retailers the consumption is higher than the depletions that they're seeing.

We're seeing some of that as well, not across all retailers, but certainly some chains. You see consumption outstripping and so there's a couple of things we believe going on there. Very much last year if you remember, big inflation environment, a lot of people taking price increases, potentially retailers bought in against that and so therefore they're lapping also a big buy in from last year.

It also could be the interest rate environment. We're certainly staying close to it and we're watching that. But that is part of this normalization process that we're seeing. Like I said, the US is probably the most pronounced, but certainly Latin

America seen some of that as well.

So hopefully that gets at your question.

Alvaro Cardenas

If I may, just to compliment something, and I think you're right, one of the things that in the past was problematic was around the level of concentration in few customers. So, for example, in the case of Mexico, there was a lot of concentration in just a few wholesalers. One of the things that we have been working on during the last three years is also to eliminate that concentration by really expanding our road to consumer into different commercial partners and more allies to avoid that level of concentration that at the end, don't give you the flexibility to react.

Debra Crew

This is the sell out culture that he's referencing, but really, I think compared to some of the boom bust things in the past, staying really close to sell out in this environment is really critical.

I don't know, Lavanya, if you wanted to add anything to that?

Lavanya Chandrashekar

No, I'd just say that a lot of what you explained, Debra, is not just the story of what's happening in North America but it's everywhere.

The thing that we are extremely cognizant of is that as we ended last year, we ended the half at very reasonable inventory levels.

That is something that we are very proud of. It's part of our culture to be really driven by sell out and not focused on selling and so that is something that we watch very carefully. It is part of our operating rhythm to review it and we make sure that we will continue with where we have been at the end of last year and at the end of the half to keep inventory levels at normal levels.

Sanjeev - Credit Suisse

Hey, thanks, Sanjeev from Credit Suisse. One for Alvaro and a follow up for Debra in the US. Alvaro, can you just talk a bit about how the channel mix has evolved in your Scotch business over the last few years and through the pandemic?

I recall it was a category that was very much on premise skewed. Have you seen much higher off premise step up since the pandemic and how sticky has that been? That's my first question, and then just to follow up on the US please, Debra,

I think you alluded to Nielsen stabilizing around mid single digits. Is that your kind of sense of where you think the whole category across all channels is today and how do you think Diageo is performing relative to that? Thanks.

Alvaro Cardenas

Okay. So, yes, one of the things that we saw in the short term after the Pandemic, as was the same as many other industries, was a real explosion of digital channels on direct to consumer or B2B channels.

Now we are seeing a more normalized situation in which what is happening is that the on-trade in Latin America is booming, I would say, and it's even higher than pre COVID at this moment in time.

I think that the other evolution that we are seeing is third spaces. All that is experiences and events - it's disproportionately growing versus not even versus pre COVID, actually its gaining so much momentum that has taken all of us by surprise due to the level of activity that we are seeing right there. I think that's the channel that I'm seeing creating more disruption in a good way, because you can build brands in that channel, create the right level of experiences and really engage consumers differently.

Cristina Diezhandino

If I may just add a little on that. This point around post COVID and the times and the consumers reaction, they have expressed in multiple forms and we have checked with various sentiment studies, et cetera, some more qualitative, some more quantitative, but the desire to be close to friends and family and celebrate with people has increased.

I think it has to do with the experience, the traumatic experience that everyone has suffered during the Pandemic. In that context, therefore, we have seen, despite the volatility and despite the concerns around the economic circumstances around the world, there has been a growth in the on-trade.

In fact, if you were to measure on-trade and off-trade, on-trade 2022 versus prior year grew. I'm sure we have all experienced, certainly when you think about more affluent consumers at the higher end on the on-trade, the degree to which that on-trade is pre booked is unprecedented.

We see that truly throughout the world. Hence our reflections on premiumization and how this idea of premium experiences, the choice of treats and something that makes me feel special, it's an aspect of consumer sentiment that we are observing fundamentally through 22 and 23 broadly.

Debra Crew

Just continuing on that theme. On premise is one of the areas that and while not tracked as much clearly, Nielsen doesn't have it, but you can certainly see it in NABCA and if you look at things like Sipsource etc, on premise is actually

doing quite well in the US and it is already at that mid single digits. Where we expect it to be is really, over time, we're going to get back to that mid single digits. I mean, I was giving you a Nielsen number of one month - so one month does not make the trend for the year.

We do see it returning back to mid single digits over time. It's because the fundamentals haven't changed as far as number of drinkers, when you think about that, when you think about some of the premiumization trends, when you think about the pricing, the kind of historic levels of pricing that has gone in, it does feel like the fundamentals are really there to get back.

That being said, I know there's a lot of noise because all of the supply chain stuff does sort of not only play into what ultimately happens with depletions and shipments et cetera - but fundamentally the consumer, which is where we really try to focus on you have seen this as you're looking at Scotch.

These are long term commitments and investments that you need to make. If you think about our portfolio, and when we talk about super premium plus Scotch, this is Scotch that has been aged. So more of our portfolio is aged and has been aging for ten years plus.

It is really important that we stay focused on where this is going to be over time and that's really where we do see it returning to this sort of mid-single digit level.

Lawrence White - Barclays

Thank you. It's Lawrence White here at Barclays. Perhaps a question for you Christina, although you all may have a view. Generally speaking, we expect the marketing to add to sales, but of course, there are some topics that are fairly incendiary amongst some of your customers.

I guess you as individuals, or Diageo as a company, may have a view on what progress looks like in society. But of course, we can see that some customers have a very different view on that progress.

How do you navigate this more polarized customer environment when it comes to your marketing?

Cristina Diezhandino

Can you say more about the question? Can you explain more of the question, please? What do you mean?

Lawrence White - Barclays

There are certain topics in society where there are very different views, particularly amongst different political grounds.

Cristina Diezhandino

I see where you're going.

Lawrence White - Barclays

There are types of marketing or topics that you could include in your marketing that may upset or put off customers.

Cristina Diezhandino

I think I got you. I'm sure my colleagues have a point of view, but the reality for me and when you think about the marketing of our brands, we've been really guided throughout time and I've worked long in the company by the idea of, what is this our business really concentrated on? What are we here for? That idea of our business being the business of celebration has really helped us guide what are the topics that are relevant and what are the topics that are out of scope for us.

In that context our marketing, I think, is well served. To guide us even further we have, of course, in marketing, certainly our Diageo marketing code, which has been, again, long standing and has been working in principle for years, and we continue to review it.

I think as society changes, as sensitivities change, we look into that and incorporate what of that is relevant to us and what of that is not relevant to us and I think we look to operate within that framework successfully.

Robert Ottenstein - EvercoreISI

A much longer term question and more strategic. Today, and for most brands, everybody wants more consumers, and they want them to spend more and premiumization is one way to do that. What we've seen over the last two days, which is different than many companies, is you have a tremendous asset base that's unique and irreplaceable.

So, the question is, is to what extent do you try to look to drive long term returns on that asset base and is that driven purely on the marketing side or is it driven by the asset base and how do you look to optimize that asset base?

So one per particular possible example is right now 90% of the liquid, we learned, goes into blends rather than to singles. One possible strategy would be to maybe shift that, and I'm just throwing that out there as an example.

So the question is, long term, how do you best manage the asset base in Scotch to drive shareholder value?

Debra Crew

Do you want to take that Lavanya?

Lavanya Chandrashekar

Sure. Robert, I mean, look, absolutely and one of the key tenets of Diageo is that we do invest in the long-term growth opportunity. I'll just step back and say that, and you've heard me say this many, many times. We are only a 4.6% share of total beverage alcohol.

So when you look at our asset base here in Scotland, and you look at the miles and miles of warehouses of our precious liquid that's aging in the hills of Scotland, it is to support what we see as our opportunity to grow the category in a very sustainable and a profitable manner.

Obviously, we take decisions making around our capital allocation very seriously. The number one part of our capital allocation strategy is hence investing within the business and so it is in capex and it is in maturing liquid and that maturing liquid investment supports the long-term growth of our business.

We measure our return on invested capital. We report it to you, we track it, and we make sure that it is increasing on an ongoing basis. (Because) That is a part of what makes and what helps us to be able to drive that return on invested capital up is being measured in our investment, but more importantly, it is driving that profitable growth.

As we heard today, as Alvaro and Cristina described, how we are able to recruit more consumers into our category and into our very precious brands - that is how we really drive that return on invested capital up.

Debra Crew

I'll just add to your point. There are a lot of decisions that we have to make now about whether you leave stuff in the barrel vs do you take it out of the barrel? How are you going to sell it?

I think one of the questions earlier about Latin America shifting from less standard Scotch to more premium Scotch, that's a decision to be made because that is potentially sales in this year versus what goes into sales in another year.

I think, quite honestly, we too see an opportunity in malts. That's one of the reasons why we're not just here talking about Johnnie Walker, but we talked about Singleton and some of the growth that we're getting, not just in sort of developed markets, but you think about the Singleton and what we've been able to do in Asia, which has typically been a place where Diageo hasn't even had low 4.6, or even lower shares in those markets.

So, we do see a lot of opportunity in it and it is why we are investing in stock for the future.

We've increased our capex and we are laying down more stock because we do see those opportunities.

Robert Ottenstein - EvercoreISI

Just a thought then - do you think single malts, ten years from now, five years from now will single malts be a bigger part of the mix or smaller or the same?

Debra Crew

I think if you look at what the IWSR, this stuff is so hot off the press, I think it was predicting actually malts, trying to remember if it broke it out or not. But look, Scotch across the board looked really strong and definitely you do see that in certain parts of the world in particular.

Blended still has so much opportunity and you guys are going to learn about this today, but just how special blended is and what you need to do and blended has a lot of momentum.

But certainly, there are markets where malts play a big role and we look at that as well.

Lavanya Chandrashekar

In terms of our decision on how to use our liquids, because at the end of the day, the liquid that comes out of a distillery is the liquid.

It then comes down to the people who run the business to figure out how much of it to put into which brand and it's mainly driven by where consumer demand is. So, as we see the liquid exists, so if demand moves from blended to single malts, we have the liquid to meet the demand because it's the same liquid at the core of it.

We'll be driven by where we see consumer demand moving to. What we do is really make sure that we stay really close to the consumer and understanding where the consumer demand is and have the supply chain capability and the innovation capability to move very, very quickly and in a very agile manner to meet that consumer demand.

Mitch Collett - Deutsche Bank

It's Mitch Collett from Deutsche Bank. I'd like to ask one on Scotch, if I may, and then back to the US if that's okay? So on Scotch, I think you gave the aspiration of 6% value growth.

Could you maybe split that into what would be a realistic combination of volume, price and mix? (And) You probably won't want to give a margin for Scotch, but would I be right to assume that its margin is above the group average so that growth is potentially margin accretive?

Then the second question on the US. The market, I think is trending close to mid-single digit in the Nielsen data, but Diageo's own value growth is currently negative on a four week and twelve-week basis.

I think NABCO looks a bit stronger, more like low single digits. So can you maybe comment on, I guess, why your growth in the US is below the market average, as the tailwind from tequila seems to be fading and as more of the market growth seems to be coming from ready to drink cocktails.

Then if that's the case, and you do have this overhang from shipments being ahead of depletions, particularly in the second half of last fiscal year, how should that make us think about the potential growth rate for the second half of this fiscal year and maybe into the first half of next fiscal year? Thank you.

Debra Crew

There was a lot there. I'll let Lavanya start and then we'll unpick that.

Lavanya Chandrashekar

I'll just say that the 6% number that you're quoting is the IWSR forecast growth rate for Scotch and so it will be a combination of both volume, price and mix.

Typically, the category grows volume 1% in North America and then the rest is price and mix. So that's typically how the category growth has split in the past and should be the same for Scotch as well.

What you talked about, I'll take the last part of the question that you asked, which is about how should we be thinking about this half forecast. I will answer that very clearly to you. I'm not going to give you an answer as to what our forecast is for this half, but we were very explicit when we reported results at the end of fiscal 22 to say that shipments had been ahead of depletions by three points.

That was not because we ended at higher inventory levels than we would have historically had, but it is because we were refilling a pipeline that had been exhausted through COVID when we had tremendous growth rates and supply chain difficulties.

The three points is the story of last year refilling the pipeline back to historic inventory levels and of course, we will be lapping that this year.

Debra Crew

On performance in the US and market share, we held market share in the first half.

Clearly, we would love to grow market share. That is the goal. That being said, in this environment, several things are going on. We have taken price increases and we've taken price increases on tequila.

We've been leading the industry on those price increases, and I think those price increases are the right things to do. Tequila is still growing really strongly. (So) I think in some of this there's a bit of a law of large numbers going on around growth rates and where we're getting to from a share standpoint.

We feel great about our tequila business. As category leaders, we think the right thing to do was to take that pricing. It's an important part of making sure that that part of the industry stays healthy and we are ultra, we're super premium plus priced pretty much mostly in that ultra-premium price point and that is a place that the consumer is doing well, and both of those brands are doing well.

I mentioned at the luxury end on Don Julio 1942 clearly there, this is the \$100 plus bottle, this is where we are seeing growth kind of moderate. It is still growing but growth is definitely moderated from the super cycle of COVID where you were seeing just high double digit growth rates.

That's not going to continue. A lot of that consumption is going out quite aspirational and so you're seeing that come down to a more normalized level. But we feel great about our tequila portfolio. RTDs are growing strongly.

We do have an RTD portfolio. We launched that several years ago. There are so many RTDs launching right now. We've been in the RTD business in the US for 21 years with Smirnoff Ice. That's of course a malted RTD versus spirits, but you kind of see the same patterns playing out.

There's always a lot of entrants. They come, they go out. These are, right now, very concentrated in a lower priced vodka soda type of thing.

We're not going to chase that share. That wouldn't once again be the right thing for us to do. We are in a situation right now where we're more in a holding share position but we also have a lot of opportunity.

We'd love to get more out of our whisky portfolio, we think we can do more there. We've got a lot of innovation plans so more to come on that. We're in a hold share situation right now.

Mitch Collett - Deutsche Bank

Sorry, when you say hold share, you mean as a percentage of TBA, is that correct?

Debra Crew

Yes, we always measure versus TBA because of course we have a great Guinness business in the US as well. I mentioned things like our multi beverages, so we do play in a broader TBA environment. So we always measure TBA.

Mitch Collett - Deutsche Bank

Thank you.

Simon Hales - Citi

Thank you. It's Simon Hales from City. I can't attend a Scotch presentation without asking the question I think I've asked for last 20 years around India as a starting point.

Clearly, it's always been the big hope for the Scotch category. We can debate whether maybe we're close to perhaps getting a free trade deal now. Interested in your general thoughts on that, but perhaps more importantly, what you're doing to perhaps prepare on the ground for this finally perhaps coming to pass?

That's the first question. Maybe within that, I think there's also a tendency on our side of the fence to overestimate how quickly those benefits may come through as and when tariff changes come through.

Then the second question just coming back again to the US. Not to labor the point, but I'm just trying to make sure I'm clear on what the takeaway message here is. Is the takeaway message that actually depletions are taking a little bit longer to normalize back to mid-single digits than perhaps you thought back in February?

I appreciate, Lavanya, you're not going to give any guidance for H2 and into 2024, but is that the starting point and maybe the shipment patterns or what you're seeing at the retailer end is also a bit more complex than you thought?

Or is that too bearish an assessment and actually everything's as you expected it to be?

Lavanya Chandrashekar

I'll take the India question. India is a market where we're feeling really good about it. I mean, from a consumer

perspective, this is an extremely optimistic consumer.

The middle-class growth and what we're seeing on the ground over there with even the evolution of how retail is evolving in India, has been really positive. Our business in India in the first half of this year grew 11%.

That was total India, but then within that the premium and above grew 18% and Scotch grew 27%. Now, that's lapping 60% growth of Scotch in the prior fiscal year in fiscal 22. So this is a business which is really in growth mode.

To the Indian consumer, you don't need to educate them on whisky. That's the category. (And) You don't need to educate consumers in India about Johnnie Walker. Johnnie Walker in India is absolutely iconic, and the equity of it is it surpasses none.

So we do feel very confident about the prospects now on the free trade zone, the Free Trade Agreement. We're very hopeful that this will come through, more hopeful than we've been in the past. I'm looking at Dan sitting in the back over there.

If it does, we do expect that as duties come down, we will flow that through to the consumer. Now, having said that, it's 150% duty rate right now. It's not going to go down to zero at one go, and it constitutes about 15% of the price that consumers pay for a bottle of anything that's imported.

So, again, we do need to also recognize that if 150 comes down to 100, there'll be a 5% price reduction that will flow through. What we have seen, equally important to the import duties, is also state duties which tend to be quite high in India, and that's in a number of the bigger states that has come down in the last 18 months and we have seen the consumption pick up as those duties have come down and they've translated into lower pricing for the consumer.

I'll pass it to you, Debra.

Debra Crew

Certainly we are seeing as we put out, and while we're not talking about what we're going to see, just reminding you of what we reported last year and that difference between sort of shipments and depletions, that is what we're lapping, and that is part of the normalization process that clearly needs to come back.

Yes, there are things going on between kind of what you're seeing in consumption, particularly in some chain accounts, and what we're seeing and depletions in those accounts. So, I think you characterize that well in your question.

Olivier - Goldman Sachs

Olivier, Goldman Sachs, just three questions. First, if we go back to the maturing inventories for Scotch, by how much have you been increasing your level of maturing inventories over the last, let's say, three or five years and what should we assume going forward?

Is three to 4% volumes reasonable? Just on duty free as well? Can you comment, perhaps, on the role of duty free for the Scotch category? How big is this channel for the group and for Scotch today, for Diageo?

How does it compare to before COVID? (And) Then lastly, if I may, just looking at the pictures of the pretty bottles behind you, what's the opportunity for direct to consumer for Scotch? Thank you.

Debra Crew

Lavanya, do you want to take the first one on Scotch maturing inventories?

Lavanya Chandrashekar

We have not, and we will not be putting out the exact value of maturing inventory split between Scotch and other international whiskey that we also have within our maturing stock inventory, as well as tequila, and we have rum in there as well.

On our balance sheet, you will see our maturing stock inventory for the total group, and it has increased quite substantially over the last seven years. When I think about capital allocation, investing within our business is our number one part of capital allocation and within that, investment into maturing stock is definitely going to be a key priority.

Debra Crew

Then your second one on duty free and China. China is still small, albeit we've got the SJF investment in Baijiu. So, we are the I think only I always look because I think we're still the only Western company that's got the majority interest in a Baijiu company.

Baijiu was really impacted, of course, by COVID that's 90% of total beverage alcohol in China and it was very much affected. You would have seen from SJF's report, there is quite a bit of inventory in that as China is sort of reopening.

That being said, all of that return has yet to happen. So that is still out there for the recovery. That's all about banqueting, big events. So that really is just now sort of coming into play.

We also have an import part of the business but that is much different consumption from Baijiu, much more concentrated in a couple of provinces and that is coming back. I was actually in China a few weeks ago and it was great

to see people coming out.

Once again, this recovery is sort of just happening now. For us it's all real potential. It's a smaller part of our business, but we do see real potential in it. We've made investments, we've got an innovation centre that we've opened up in Shanghai which is really terrific.

Actually one of the Singletons that Christina presented today, that's actually coming out of that innovation centre. We've got also our whisky investment where we've invested in a whisky distillery in China.

So, we do see a lot of opportunity in the future yet for China. Clearly, international travel, the Chinese tourist kind of international travel is also yet to come, we have not seen that come back but there is duty free travel in general.

If you're buying plane tickets, many of you I think had to fly here, would have seen travel and definitely duty free is a big opportunity for us.

We're really seeing once again, opportunity in the premium end of that duty free and that's really where we're focused on.

Cristina Diezhandino

On that, I had a picture of some of the work that we've done, particularly on Blue Label, and we have more and more explored the concept of having global travel be, in the big airports, a feature for how our brands engage with consumers effectively and really exploring how that experience takes place, taking real inspiration from the luxury brands like Louis Vuitton or Balenciaga etc.

Some of those retail and experiential actions that we have made in the post COVID world respond to that idea, and we see it's an interesting, really interesting area for us.

Debra Crew

Then your final question was about just direct to consumer scotch. Cristina, do you want to talk a little bit about that?

Cristina Diezhandino

Alvaro mentioned earlier that not it's specifically to direct to consumer, and I'll speak more about that. In general, the commerce part of the digital connectivity between brands and consumers has come down post COVID as consumers went out and engaged our products and our brands in the analog world when it comes to commerce.

Having said that, though, I mentioned one of the investments that we've made that we are now including not only in the physical D2C experiences like this one, but also in the digital D2C experiences like the bar.com or malt.com and we see that there is a greater value for us to play with an omnichannel concept.

It doesn't necessarily mean commerce as it may not result in a large transaction value in the short term, however, it gives us data.

I mentioned FlavourPrint. We are learning about flavour preferences in a very gender and age agnostic way, and there's real value in that. So, for example, with that product that I shared, we are getting real insights into which flavour preferences consumers are choosing in various geographies as they engage with these D2C platforms that we have around the world.

Alvaro talked about Brazil. We have more, and this is an area that I think will develop even further.

Chris Pitcher - Redburn

Chris Pitcher from Redburn. A couple of questions. One on Latin America. Alvaro, your business has been incredibly strong and is printing record margins. It feels a little bit that marketing has not kept up with that sales growth.

Are you being tasked to give margin growth and top line growth or with all the opportunities in terms of broadening the consumer and the channels should we expect you to start to reinvest that? Simple message - should we expect marketing spend to go up and margins go down?

Then on China, the Scotch strategy in China is sort of divided between your business and the joint venture. Is that really working? Johnnie Walker Black doesn't seem to have had the attention for the last five years or so that some of the other brands in your Scotch portfolio are getting. It seems to have picked up again, but how does that work between the Diageo Single Malts and Blue and the other two is there a logic to put them back together again?

Alvaro Cardenas

What we have done in Latin America in order to actually to drive the margin equation of our financial context has been around revenue growth management, including pricing. It's been around having the right portfolio mix and really taking the benefits of the scale. One of the things that learning from the past, and especially in emerging markets is you cannot get too excited with growth to add in a lot of overheads and resources.

We have been supported growth, it's been in a very lean and flexible way and that's why we have been able to expand our gross margin, operating margin and increase our marketing reinvestment rate.

We will continue driving that equation in the future. Emerging markets, they are not, as you are aware, they are not a linear growth equation. We have been working the fundamentals of the business that give us all the confidence in the medium and long term that continue supporting that flying wheel.

We will continue expanding our TBA participation in the market, but not at a cost of reducing marketing because that is what is really driving the consumer engagement that we are seeing.

Debra Crew

Just to add on to your China question, I think we do feel good about the structure that we've put in place in China. It's allowed us to get more senior resources overseeing parts of these businesses and it's also allowed to do things like moving the innovation centre there, I think has really allowed us to really take a look at China insights - so China for China not coming out of sort of an Asian centre of which is looking across a lot of markets, we really are quite focused on China for China.

More to come on that. I think Johnnie Walker Black, this is one place where I think even the local team would tell you they see opportunities in the future for Johnnie Walker Black and feel like there's more to do on that brand, whereas things like Singleton, the Singleton has really taken off there.

Some of that is just consumer preferences and getting the right campaigns and getting the right energy behind it, but it's not been a preference for one or another. It's just, I think, the Singleton and some of our single malt work has really taken off and we know we just have more work to do on Johnnie Walker Black, but there's great things in store for that.

But we do feel great about how we've got that structured right now.

James - Unknown

I'm going to have another go at getting you not to forecast the US. So, Ivan, at the first half results said that he expected the US to grow mid-single digit in the second half and Diageo do at least as well as that. I'm paraphrasing, but it was something like that. That obviously doesn't account for the trade loading comps, but you stand by that comment now? The second point is on the minimizing use of glass.

Just looking at the slide behind you, clearly glass plays quite an important role in premiumization. What's your philosophy when, I guess the environmental imperative comes up against the branding imperative?

Debra Crew

I think we'll take the glass one first so we can think about how we're going to not answer your first one. So, Christina, do

you want to talk a little bit about glass? Because we've done a lot of work on glass and environmental sustainability.

Cristina Diezhandino

Look, we've done a lot of work in understanding packaging, in Scotch and in other categories, and the role that the bottle actually plays in communicating with consumers effectively - and you're right. Traditionally, bigger and more I suppose, heavier, content bottles would be equated with greater quality.

When you look at the actual weight of our bottles, it just incremental like that. (So) We've done a lot of work through our categories to define and I mentioned earlier what are the pathways that we have chosen, and lightweighting bottles is a real one.

We have a path to actually lightweight the bottles in general with the specifics per price point, but also I think importantly, we have an innovation team. Within that innovation team, we've created what we call a breakthrough innovation team that is looking at both luxury and sustainability and I think interestingly at the juxtaposition of these two ideas.

I cannot reveal anything to you today other than we think that given how consumers are feeling about sustainability in general, we have understood what percent of consumers are now willing to pay more for products and brands that have sustainability at their heart and I can't explain and talk about that fluently.

We see that that percent, even though it's not enormously large right now, is shifting. And we expect that we will continue. For that reason that's what led us to create these groups that I just referenced.

We do think that there are some very, very interesting ways to actually put forward products that combine both so it's actually lightweighting containers, packaging that at the same time provide luxury cues.

There's some beautiful work that I suppose we will be able to share with you sometime.

Debra Crew

We do have a lot of partnerships as well, aside from lightweighting, because there's a lot you can do technology wise. (So) You would have seen some of the things we just announced, the Encirc partnership that's going to be around getting a hydrogen furnace here in the UK.

That is I think it's going to be 200,000, I'm looking over - there's people over here that really know - it's something like 200,000 bottles that are going to be able to come off of this hydrogen furnace and that's in combination with actually

some other companies as well as this company called Encirc.

Some of these things through partnerships and other things, there's a lot of people trying to figure out this glass and how to really get decarbonized glass. We're certainly looking at that and we've got a lot of innovation streams and what's exciting about it, these are projects that aren't just about decarbonizing, but also in many cases are saving us money and help us do great things with consumers as well.

So I don't want you to think about it just as things that are going to necessarily cost us more. We actually are finding some very interesting pathways through that are that are good for us in multiple parts of the business and help mitigate a risk.

Lavanya Chandrashekar

I'll take the first part of your question. When we were when we reported results and Ivan was talking about it, I think the part that we really want to focus on is what's happening with the consumer, because at the core, that's what's going to really drive value to our business as well as to our investor base.

If you look at what's happening with the consumer in the US, we are seeing that we do anticipate that consumer, Debra talked about it, we're already starting to see it in Nielsen, where category growth, consumption growth is coming back to that mid-single digit growth framework, which historically was where the category was growing.

We anticipated that this would come back to that 4% mid-single digit growth from a category perspective when we put out our medium-term guidance back in November 2021. (And) So this isn't something that's been surprising to us or that we didn't anticipate.

We are seeing that come back to that rate and that's where I think we really need to be focused. As Debra mentioned, there's a lot of noise in the system from the prior year's simply because the growth rates so outstripped anything anybody had expected.

Inventory levels through fiscal 21, through the entire chain, our inventories, our distributor inventories, retailer inventories, everything was incredibly depleted. You saw it in our results. When we posted results in the end of fiscal 21, we were talking about shortages of bottles, shortages of Crown Royal, shortages of Bulleit.

Pretty much everything was under. There was some kind shortage in the supply chain on everything that got recovered through fiscal 22, and again, it happened at different times for different brands.

So there is a lot of lumpiness in the past. but what we really focus on is where is the consumer? (And) What we're seeing there is really, I think it's good from a category perspective. You're seeing consumers moving out of beer and wine into spirits.

That is continuing to happen. You're seeing premiumization continuing. Now, growth rates have slowed down versus the past few years, but it's still the category is premiumising.

So, from category health perspective, I think we're seeing what we anticipated to see.

Nadim Rizk - Pinestone Asset Management

Thank you. This is Nadim Rizk from Pinestone Asset Management. Two questions related. I understand the Scotch category is obviously doing really well, or the whisky category.

Within that, our perception is that, again, single malt is really sexy now and blend is not so sexy anymore for whatever reason. I think spirits go through these sort of long-term cycles where, as you said, tequila is now really sexy and really hot and some other stuff is not.

You're clearly sort of a blend Scotch company, so that's one, I'd love your comment there. The other question is, within blend, when we look at what's actually really hot within that sorry, within a single malt, we get things like Macallan, Glenfiddich, Glenmorangie, Balvenie.

There's not a lot of Diageo brands that are sort of showing as really strong. That's maybe because you're really at the core a blend Scotch company. I'd love your comments on both. This is maybe just a North American perspective or perception that's maybe not the case globally.

Lavanya Chandrashekar

Maybe before you jump in, Debra, just some facts.

The past four years, our Scotch compounded average annual growth rate has been 9% in value, and from a volume perspective it's 4%. This is the catch of our business, irrespective of what's hot or not hot, this seems very hot to me.

Debra Crew

In North America, so just focusing on that. (So) Within scotch, Diageo is gaining share. We're up over the last three years almost 320 basis points within Scotch. (And) That growth is not just happening on Johnnie Walker.

It's actually happening on Buchanan. (So) Yes, another blend, but also our single malts portfolio is also really growing behind. What's different is you don't see the Singleton as much in the US. That is a brand where that heat and energy has really been generated over in Asia and has come into Europe.

You're not seeing as much of that in North America. But like Lagavulin this year, if you're an Isle of malt guy, then you would definitely be seeing build up behind that, as well as Talisker doing really well and Oban. To be quite honest, on things like Oban, we're quite short on liquid and so there in the US if you want to go buy that, you need to get out and buy it when it comes out.

We certainly have more of a blended portfolio, and part of this is Johnnie Walker, which we just see so much opportunity in. You know, we do make decisions. We could do more malts and less blended and I think if we saw less opportunity in blended we might very well do that – but I think we do still see a lot of opportunity in blended.

We do see that that's hot. (And) We do see also the single malt opportunity. I would argue that we see both. But certainly Johnnie Walker has had some real excitement across the globe. The other thing I would remind you of is just the broad based nature of it's not just Latin America, it's not India, it's not just the US.

It is Europe. It is literally across all of our regions. If you looked at our first half results, Scotch was growing in every single one of those regions. (And) Actually the latest IWSR data really does show also that broad base behind Scotch.

Cristina Diezhandino

One more thing, maybe just to complement that idea. When you engage with consumers around the world, consumers don't think that way. That's manufacturer's language. Consumers think brands.

So no one thinks of Johnnie Walker as a blend. Actually, we spend a lot of time here as you will see, explaining to people that it is a blend of the finest single malts in Scotland – so we have to explain the concept of blending.

It's not obvious to people. They don't necessarily know the details of that. Consumers are really keen in engaging with a brand. Johnnie Walker, for example, as I said earlier - it's a 2 billion pound NFB brand.

It's very large. Certainly if you think about what we were talking about around China earlier and Johnnie Walker Blue Label - Johnnie Walker Blue Label wins over single malts in many occasions for various reasons, but one of them it's truly seen as a luxury icon.

So the reason why people are attracted by that brand is that it competes in that context. Certainly, as I mentioned earlier, the Singleton Debra just mentioned, it's very Asia focused. That's where it was first launched.

It's now expanded. We see that growth now in Europe is exciting, and we see there is more opportunity to that. If you look at IWSR you will see you mentioned a few single malts brands and actually, Singleton is the number fourth of your list globally.

Nadim Rizk - Pinestone Asset Management

Even Kilkerran, which essentially, and I don't know if I'm pronouncing it well, but didn't even exist or hardly existed ten years ago and now is also a really hot brand. So, I wonder if it's a lot easier to break into single malt now that it's such a hot category and there's potentially more new entrants into the business.

Debra Crew

There are a lot of brands, certainly. It's hard to be a new entrant. One thing I would say is, be careful as a new entrant - it's hard to enter into a Scotch category where you're aged.

Most of this is quite aged. So new entrants don't just really pop up.

Nadim Rizk - Pinestone Asset Management

No, that's exactly why I'm asking, because the perception is Scotch has barriers. It's really hard. You have to age it and then you get a brand like this out of nowhere that's now kind of becoming big. It's like are we missing something?

Cristina Diezhandino

We have examples, one of the brands that I did not talk about today, but it's Mortlach and so the brand is long standing, of course, but we relaunched it in 2018 and we have seen really very positive reception.

We very purposefully wanted to position it as a luxury brand. Again, a lot of focus on Asia because as we discussed, it's an important market for us where we're looking for greater growth and it's been incredibly well received.

Now we're thinking about how do we see this elsewhere?

Debra Crew

We have markets fighting over Mortlach.

Durga Doraisamy

Actually at Debra's request, we will sample it tonight at dinner.

Celine Pannuti - JP Morgan

Thank you. Celine Pannuti JP Morgan. I have two questions. One on whisky and one on the US. On whisky you said that some of the data points is the expectation of a 6% growth for scotch whiskey going forward.

It seems from the investment that you were alluding to in terms of the inventories, but as well some of what we've seen in the capacity increase that we've seen in some of your distilleries, that you're looking for an acceleration.

Am I right to believe in that? To read that you are looking at an acceleration in your scotch whisky growth and where will that acceleration come from? (And) The second one on the US. (So) You were mentioning the consumer.

We've seen one months data being better. At the same time other companies are warning on the US consumer, people are more cautious about maybe higher price points even in spirit. So, beyond just normalization, how are you anticipating maybe a weakening consumer environment more on a six to twelve month basis?

Debra Crew

I'll take the second one and then we can talk about the whisky. I think what you're hearing from some others, and I mentioned this briefly, it depends upon where your portfolio is arrayed really against the spirit consumer right now.

We are seeing that the bottles above \$100, this luxury end is definitely slowing down from where it had been growing in kind of the super cycle time frame. It is still growing though, I think while slowing down in growth, it is still growing.

That is not true if you get kind of mainstream and below that is really where you're seeing a lot of price competition. That's where you're seeing actually some negative price mix. You're actually seeing positive volume but negative price mix.

So, that's where unless you break this down by price tier, I think it's very easy to take away different viewpoints, also remembering that this space is lumpy. So that's why one month you kind of see, oh hey, this is coming back and then it's like oh, I'm not so sure.

I think there is just a lot of noise in that. But I think if you look at this across, we tend to look at NABCO a little more than Nielsen just because it is more all-inclusive of all channels.

I think that's where you see a little bit more of this trend back toward because that picks up sort of things like on premise, which have stayed really pretty resilient through this.

We've always said recession, we're not recession proof. We're resilient, but we're not recession proof. So when you think about the next 16 or whatever months that clearly, recession aside as we're talking about it, but we are, we are seeing that a very resilient consumer that does purchase the brands but remember this - we're not purchased that frequently.

It is a few bottles a year and you're purchasing these for celebrations, for gifts. It's still quite an affordable luxury, as you would say. So, because of that, there is a lot of resiliency in that and that's kind of what we're seeing. It does bear out in the data that we're seeing right now.

Lavanya Chandrashekar

So, we're definitely seeing that Scotch is hot and you saw it in the numbers today and we definitely do believe there is an opportunity for Scotch to continue to recruit consumers. Especially when you look at it from a lens of emerging markets, Latin America, Asia, India, there's definitely opportunity for us to use Scotch as a way to recruit more consumers into spirits and then within the spirits framework, to premiumise the category as well.

So, do we expect that it will grow ahead of total beverage alcohol growth? Yes, I do believe we expect that it will grow ahead of TBAs. It recruits more consumers into the category.

Durga Doraisamy

I think we're out of time, unfortunately. So, if I could request that all of you look at your name badges. Anybody with a red dot will, after Debra closes with her remarks, if you could step outside and those with a blue dot, please remain. Debra, I'll turn it over to you.

Debra Crew

In closing, I want to leave you with Diageo's competitive edge, which hopefully you've had a chance to see some of that today.

It's our people and our culture. My colleagues, all 28,000 across the globe, are driven by our purpose, our performance, ambition, and our commitment to make the right decisions today to ensure that we deliver sustainable, long-term growth.

So thank you again for joining us.