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INDIA

UNITED SPIRITS LIMITED

PRESS RELEASE

Unaudited financial results for
the quarter and nine months
ended 31 December 2022
(Standalone Only)

Bengaluru, India - January 24, 2023: United Spirits Ltd., India's leading beverage alcohol company, reported its unaudited standalone results for the third quarter and nine months ended 31 December 2022.

Key Highlights for the quarter:

- Reported net sales value (NSV) at INR 2,781 Cr, with P&A saliency of 86%
- Like for Like (LFL) NSV grew 9.7% with P&A NSV growth of 11.7%
- Reported EBITDA at INR368 Cr. with EBITDA margin of 13.2%

Ms. Hina Nagarajan, Managing Director & CEO, commenting on the Q3FY23 performance, said:

"We delivered a good quarter in an extremely volatile environment carefully navigating through Route to Market changes & input commodity cost inflation. This is the first quarter post the slump sale and franchising of the strategically reviewed popular portfolio. During the quarter, we have completed the merger of Pioneer Distilleries Limited to progress towards a simplified legal entity footprint.

I am also happy to announce that the Board of Directors have approved a multi-year supply chain agility programme. The programme is expected to strengthen our end-to-end supply chain thereby making it fit for the future. This is in addition to our everyday efficiency savings as we continue to build a more agile and sustainable business.

Looking ahead, in the shorter term, we do expect inflationary headwinds to continue. However, we remain optimistic about the medium to longer term business prospects & our ability to harness growth opportunities with sharpened focus and our reshaped portfolio. We remain confident in our strategy to create an organization of the future and thereby deliver value to all our stakeholders in a sustainable and consistent manner."

(The scheme for the Pioneer Distilleries Limited merger came into operation on 30th December 2022 but is effective 1st April'2021. All current & previous period comparators include the impact of the merger. All accounts referred as 'Rebased' are Reinstated for PDL merger as well as adjusted for slump sale and franchising of the strategically reviewed popular portfolio for a like for like comparison.)

Q3FY23 performance highlights:

- Rebased NSV increased 9.7% & underlying NSV grew 11.5% (excluding the one-off Bulk Scotch sale impact from prior year comparator) reflecting another good quarter driven by off-trade momentum & continued recovery of the On-trade.
- Prestige & Above segment net sales grew 11.7% with strong double-digit growth in our scotch portfolio.
- Rebased net sales for popular segment grew 2.3%.
- Gross margin at 40.6%, down 438bps versus last year, driven by input cost inflation both for Glass & ENA partly offset by superior mix and productivity.
- A&P re-investment rate was 10.0% of sales. We continue to invest in our brands & are focussed on improving consumer penetration and engagement.
- EBITDA at INR368 Cr., with reported EBITDA margin at 13.2% is down 332bps, primarily driven by inflation led gross margin contraction partly off-set by targeted A&P calibration.
- Exceptional charge of INR 151 Cr. is primarily on account of the supply agility program.
- Interest costs of INR24 Cr. is on account of the customary non-debt related items and partially related to the debt of the merged entity.
- Profit after tax was INR111 Cr. with net profit margin at 4.0% on account of the exceptional charge in the quarter

9MFY23 performance highlights:

- Rebased net sales registered a growth of 20.9% on the back of strong premiumisation trend, continued momentum in off-trade, on premise recovery, sustained home consumption trends and favourable prior year comparatives Within the above, Prestige & Above segment grew 22.7%.
- Rebased net sales for Popular segment grew 2.3%.
- Gross margin at 41.0%, down 453 bps versus last year, weighed down by glass & ENA inflation, partly offset by favourable mix and productivity.
- Rebased EBITDA was INR 967 Cr., up 8.4%. EBITDA margin at 13.5% is down 156 bps, primarily due to gross margin contraction.
- Reported interest cost at INR68 Cr. is down 25% after excluding the one-off reversal benefit from the previous year comparator. Interest is on account of the customary non-debt related items and partially related to the debt of the merged entity.

KEY FINANCIAL INFORMATION

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

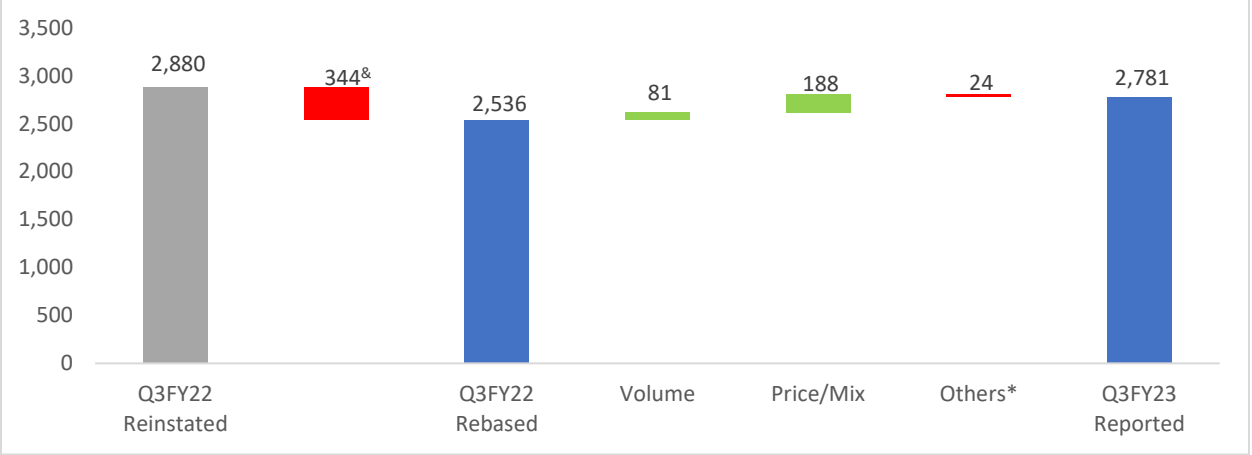
Summary Financial Information (Rebased)				
For the quarter & nine months ended 31 December 2022				
<i>All figures in INR Crores unless mentioned otherwise</i>	Q3FY23	Q3FY22	9MFY23	9MFY22
Volume ('000 cases)	16,624	16,110	45,244	40,853
Net sales	2,781	2,536	7,183	5,940
COGS	(1,653)	(1,396)	(4,238)	(3,234)
Gross profit	1,128	1,140	2,945	2,706
Staff cost	(161)	(142)	(473)	(492)
Marketing spends	(277)	(295)	(575)	(555)
Other Overheads	(323)	(283)	(932)	(767)
Reported EBITDA	368	420	967	892
Other Income	23	2	57	17
Depreciation	(64)	(69)	(193)	(198)
EBIT	327	352	831	711
Interest	(24)	(40)	(68)	(69)
PBT before exceptional items	303	313	763	642
Exceptional income [#]	-	-	381	9
Exceptional Charge [*]	(151)	-	(199)	(45)
PBT	152	313	945	606

[#] Exceptional income of INR381 Cr. in 9MFY23 is the gain from the slump sale of strategically reviewed popular portfolio.

^{*} Exceptional charges of INR199 Cr in 9MF23 primarily consists of INR149 Cr. charge related to supply agility program in Q3FY23, legal entity closure expenses as well as other ongoing business restructuring expenses.

Key performance indicators as a % of net sales (Rebased)				
	Q3FY23	Q3FY22	9MFY23	9MFY22
Gross profit margin (%)	40.6	44.9	41.0	45.6
Staff cost (%)	(5.8)	(5.6)	(6.6)	(8.3)
Marketing spends (%)	(10.0)	(11.6)	(8.0)	(9.3)
Other Overheads (%)	(11.6)	(11.2)	(13.0)	(12.9)
Rebased EBITDA margin (%)	13.2	16.5	13.5	15.0

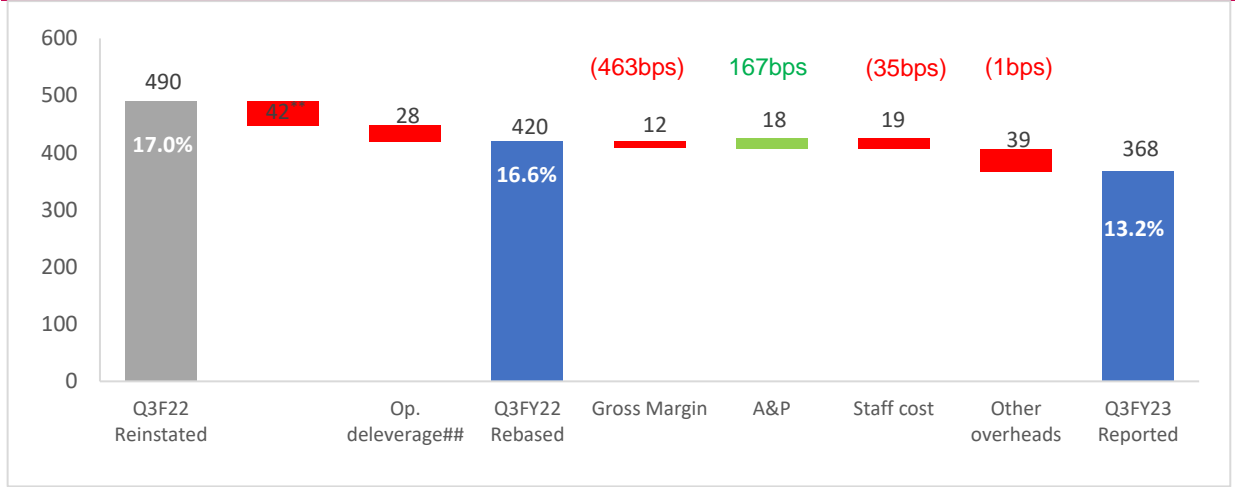
Net sales bridge for the Quarter (INR Crores)



[&]Net sales of the strategically reviewed and sold popular portfolio

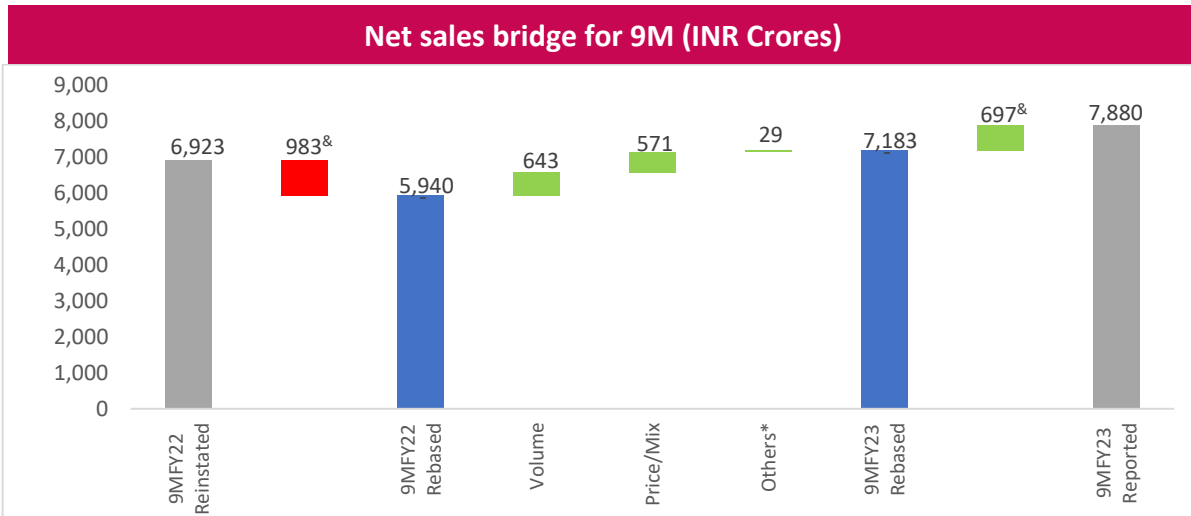
*Others primarily include non IMFL sale

EBITDA bridge for the Quarter (INR Crores, %, bps)



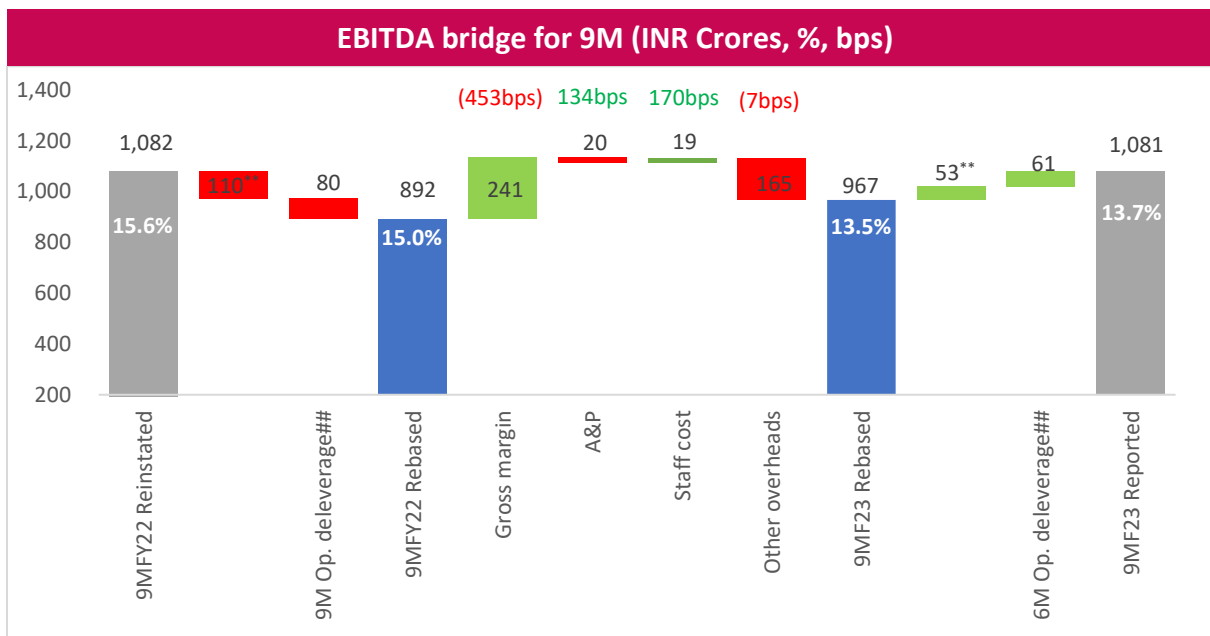
**EBITDA of the strategically reviewed and sold popular portfolio

##Operating deleverage on account of the slump sale and franchising of the strategically reviewed popular portfolio



[&]Net sales of the strategically reviewed and sold popular portfolio

*Includes impact of one-off sale of bulk Scotch amounting to INR40Cr. in Q3FY22



**EBITDA of the strategically reviewed and sold popular portfolio

##Operating deleverage on account of the slump sale and franchising of the strategically reviewed popular portfolio

BUSINESS SEGMENT REVIEW

(The scheme for the Pioneer Distilleries Limited merger came into operation on 30th December 2022 but is effective 1st April'2021. All current & previous period comparators include the impact of the merger. All accounts referred as 'Rebased' are Reinstated for PDL merger as well as adjusted for slump sale and franchising of the strategically reviewed popular portfolio for a like for like comparison.)

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

For the quarter and nine months ended 31 December 2022

For the quarter ended 31 December 2022								
Segment	Volume				Net Sales			
	Q3FY23	Q3FY22	Rebased	Underlying	Q3FY23	Q3FY22	Rebased	Underlying
	Rebased '000 cs	Rebased '000 cs	movement %	movement %	Rebased INR Cr.	Rebased INR Cr.	movement %	movement %
P&A	12,735	12,344	3.2	3.2	2,378	2,128	11.7	11.7
Popular	3,889	3,766	3.3	3.3	343	336	2.3	2.3
Other					60	72	-16.8	-88.6
TOTAL	16,624	16,110	3.2	3.2	2,781	2,536	9.7	11.4

For the nine months ended 31 December 2022								
Segment	Volume				Net Sales			
	9MFY23	9MFY22	Rebased	Underlying	9MFY23	9MFY22	Rebased	Underlying
	Rebased '000 cs	Rebased '000 cs	Movement %	movement %	Rebased INR Cr.	Rebased INR Cr.	Movement %	movement %
P&A	35,658	31,725	12.4	12.4	6,183	5,039	22.7	22.7
Popular	9,586	9,129	5.0	5.0	840	821	2.3	2.3
Other					159	80	99.6	299.7
TOTAL	45,244	40,853	10.7	10.7	7,183	5,940	20.9	21.8

- The **Prestige & Above segment** accounted for 86.1% of net sales during the first nine months of the year, up 1.3ppt compared to same period last year. Prestige & Above segment net sales increased 22.7% during the first nine months of the year.
- The **Popular segment** accounted for 11.7% of net sales during the first nine months of the year, down 2.1ppt compared to same period last year. The Popular segment net sales grew 2.3% during the first nine months of the year.

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

Summary Financial Information (Reported)				
For the quarter and nine months ended 31 December 2022				
<i>All figures in INR Crores unless mentioned otherwise</i>	Q3FY23	Q3FY22	9MFY23	9MFY22
Volume ('000 cases)	16,624	22,140	57,415	58,418
Net sales	2,781	2,880	7,880	6,923
COGS	(1,653)	(1,616)	(4,710)	(3,871)
Gross profit	1,128	1,264	3,170	3,052
Staff cost	(161)	(148)	(485)	(510)
Marketing spends	(277)	(296)	(576)	(558)
Other Overheads	(323)	(330)	(1029)	(903)
Reported EBITDA	368	490	1,081	1,082
Other Income	23	2	57	17
Depreciation	(64)	(75)	(202)	(214)
EBIT	327	417	936	885
Interest	(24)	(40)	(68)	(69)
PBT before exceptional items	303	378	868	816
Exceptional items	(151)	-	182	(36)
PBT	152	378	1,050	780
Tax	(42)	(67)	(202)	(119)
PAT	111	311	848	661

Key performance indicators as a % of net sales (Reported)				
	Q3FY23	Q3FY22	9MFY23	9MFY22
Gross profit margin (%)	40.6	43.9	40.2	44.1
Staff cost (%)	(5.8)	(5.1)	(6.2)	(7.4)
Marketing spends (%)	(10.0)	(10.3)	(7.3)	(8.1)
Other Overheads (%)	(11.6)	(11.5)	(13.1)	(13.0)
Reported EBITDA Margin (%)	13.2	17.0	13.7	15.6
PAT margin (%)	4.0	10.8	10.8	9.5
Basic earnings per share (INR)	1.5	4.3	11.7	9.1

BUSINESS SEGMENT REVIEW

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

For the quarter and nine months ended 31 December 2022

For the quarter ended 31 December 2022				
Segment	Volume		Net Sales	
	Q3FY23 Reported '000 cs	Q3FY22 Reinstated '000 cs	Q3FY23 Reported INR Cr.	Q3FY22 Reinstated INR Cr.
P&A	12,735	12,347	2,378	2,128
Popular	3,889	9,794	343	676
Other			60	75
TOTAL	16,624	22,140	2,781	2,880

Key segments (Reported)				
For the nine months ended 31 December 2022				
Segment	Volume		Net Sales	
	9MFY23 Reported '000 cs	9MFY22 Reinstated '000 cs	9MFY23 Reported INR Cr.	9MFY22 Reinstated INR Cr.
P&A	35,659	31,732	6,183	5,039
Popular	21,756	26,685	1,537	1,793
Other			159	91
TOTAL	57,415	58,418	7,880	6,923

Q&A CONFERENCE CALL

Hina Nagarajan, Managing Director and Chief Executive Officer and Pradeep Jain, Chief Financial Officer will be hosting a Q&A conference call on **Wednesday, 25th January 2022 at 4:00 pm IST**. If you would like to listen to the call or ask a question, please use the dial in detail below.

Conference Joining Information

Option 1

Express Join with DiamondPass™ No Wait Time

<https://services.choruscall.in/DiamondPassRegistration/register?confirmationNumber=3754564&linkSecurityString=1244c08308>

Option

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

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About Diageo India

Diageo India is the country's leading beverage alcohol company and a subsidiary of global leader Diageo Plc. The company manufactures, sells and distributes an outstanding portfolio of premium brands such as Johnnie Walker, Black Dog, Black & White, VAT 69, Antiquity, Signature, The Singleton, Royal Challenge, McDowell's No1, Smirnoff, Ketel One, Tanqueray, Captain Morgan and Godawan, an artisanal single malt whisky from India. Headquartered in Bengaluru, our wide footprint is supported by a committed team of over 3000 employees, 39 manufacturing facilities across states and union territories in India, a strong distribution network and a state-of-the-art Technical Centre. Incorporated in India as United Spirits Limited (USL), the company is listed on both the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in India. For more information about Diageo India, our people, our brands, and our performance, visit us at www.diageoindia.com. Visit Diageo's global responsible drinking resource, <http://www.DRINKIQ.com>, for information, initiatives, and ways to share best practices.

Celebrating life, every day, everywhere.

Cautionary statement concerning forward-looking statements

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

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