Diageo

Q1 27 sales preview: starting-off FY27 on slight positive growth trends

Equities

United Kingdom
Distillers & Brewers

12-month rating	**Neutral**
12m price target	**1,850p**
Price (13 Oct 2026)	**1,713p**

RIC: DGE.L **BBG:** DGE LN

Trading data and key metrics

52-wk range	1,874p-1,363
Market cap.	£38.4b/US$50.9b
Shares o/s	2,242m (ORD)
Free float	100%
Avg. daily volume ('000)	4,751
Avg. daily value (m)	£78.5
Common s/h equity (06/27E)	US$12.0b
P/BV (06/27E)	3.8x
Net debt to EBITDA (06/27E)	2.7x

EPS (UBS, diluted) (USX)

	From	To	% ch	Cons.
06/27E	167.85	166.18	-1	167.10
06/28E	177.04	175.32	-1	177.70
06/29E	188.86	187.34	-1	190.10

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Slight positive growth in Q1: We forecast Q1 27 org. sales +0.7%, ahead of VA cons -0.8%, with the main difference mainly due to North America, where we expect shipments to be running ahead of depletions, which should reverse in Q2 as inventory levels are traditionally optimised at H1 and FY. Outside North America, we highlight below trend growth in LAC (comps); India (lapping Andhra Pradesh reopening) and APAC ex India (China still weak), partially offset by robust growth in EMEA. Following the recent Capital Markets Day (link), we think Diageo needs to show improving competitiveness in the key US market in order for the equity story to gather momentum, at least in terms of volume share trends, which is not yet evident following pockets of price repositioning. We lower our FY27E EPS by -1% to reflect recent stronger dollar.

Q1 27 sales to grow despite US spirits persisting weakness: UBSe Q1 org sales +0.7% above VA cons -0.8% with upside in North America, Europe and Africa. By region we highlight:

- **North America (Q1 UBSe -4.3% v cons -7.5%):** we estimate Diageo's Q1TD US Spirits sell-out is trending -8% based on our analysis of Nielsen off-premise, NABCA (link) and on-premise data, which reflects overall industry weakness and broad-based share losses. However, US shipments -5%, reflecting historical trends of shipments running ahead of depletions ahead of the key OND selling period, before being optimised into H1. We expect continued strong momentum in Guinness, particularly across the on-premise channel where volumes are +39% Q1TD per Nielsen (link) leading to total sell-out of +MSD% for Diageo Beer Company.
- **EMEA (Q1 UBSe +4%):** for Europe we forecast Q1 org. growth +3% in line with FY26 trends with continued strong momentum in Guinness which should offset weakness in Europe bottled spirits (Diageo sell-out running at flat/negative in Q1TD as per Nielsen (link), alongside growth in Turkey. We expect strong momentum to continue in Africa with Q1 org. sales +13% in line.
- **APAC ex India (Q1 UBSe -3.1%):** We expect China to remain in decline given weak underlying even though Baijiu business starts to cycle the impact of tighter regulation on public servant alcohol consumption and beer RTM change. In rest of Asia, we expect Australia to grow lapping easy comps from last year's RTM change.
- **LatAm (Q1 UBSe +3.5% v cons +4.8%):** We highlight tougher comps with still strong growth in Brazil. We note last year's methanol-contamination cases in Brazil only started to have an impact in Q2, when growth should accelerate.
- **India (Q1 UBSe +6.8%):** we highlight strong underlying is offset by a tougher

Highlights (US$m)	06/24	06/25	06/26	06/27E	06/28E	06/29E	06/30E	06/31E
Revenues	20,269	20,245	19,643	18,630	18,660	19,096	19,628	20,165
EBIT (UBS)	5,945	5,704	5,683	5,578	5,762	5,980	6,199	6,421
Net earnings (UBS)	3,942	3,648	3,677	3,710	3,900	4,084	4,232	4,379
EPS (UBS, diluted) (c)	176.06	163.73	164.81	166.18	175.32	187.34	200.36	213.72
DPS (net) (c)	103.48	103.48	50.00	50.00	61.56	75.18	80.41	85.78
Net (debt) / cash	(20,975)	(22,201)	(21,576)	(17,017)	(16,249)	(16,496)	(16,933)	(17,096)
Profitability/valuation	**06/24**	**06/25**	**06/26**	**06/27E**	**06/28E**	**06/29E**	**06/30E**	**06/31E**
EBIT (UBS) margin %	29.3	28.2	28.9	29.9	30.9	31.3	31.6	31.8
ROIC (EBIT) %	24.6	20.2	19.6	20.6	22.4	22.5	22.7	22.9
EV/EBITDA (UBS core) x	15.1	13.3	10.9	10.8	10.0	9.7	8.9	8.3
P/E (UBS, diluted) x	21.2	18.3	13.9	13.7	12.9	12.1	11.3	10.6
Equity FCF (UBS) yield %	2.8	3.7	5.7	3.4	4.7	6.1	6.7	7.0
Dividend yield (net) %	2.8	3.3	2.2	2.2	2.7	3.3	3.6	3.8

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of 1,713p on 13-Oct-2026

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comps even though Diageo is cycling the impact of Maharashtra fiscal framework change as it was also still benefiting from the reopening of the state of Andra Pradesh in Q1 26.

Valuation: 1Diageo trades on a 2027E calendarised P/E of c13x and EV NOPAT c15x, a c-17/-10% discount to European Staples.

UBS versus consensus forecasts

Figure 2: UBS estimates vs consensus

	Q1 27E			H1 27E			2027E		
	UBSe	Consensus	UBSe vs Cons	UBSe	Consensus	UBSe vs Cons	UBSe	Consensus	UBSe vs Cons
Diageo - $m									
Organic revenue	**0.7%**	**-0.8%**	**150bps**	**0.5%**	**0.3%**	**30bps**	**0.5%**	**0.3%**	**20bps**
Scope	-0.3%	-1.8%	150bps	-3.4%	-2.3%	-110bps	-4.7%	-3.0%	-160bps
FX	0.0%	0.3%	-30bps	-0.4%	0.2%	-60bps	-1.0%	0.0%	-110bps
Total	**0.3%**	**-2.4%**	**270bps**	**-3.2%**	**-1.8%**	**-140bps**	**-5.2%**	**-2.7%**	**-250bps**
Net sales	4 890	4 766	3%	10 121	10 273	-1%	18 630	19 178	-3%
EBIT				3 245	3 303	-2%	5 578	5 843	-5%
EBIT margin - %				32.1%	32.2%		29.9%	30.5%	
Organic margin				*80bps*	*80bps*	*0bps*	*90bps*	*90bps*	*0bps*
Scope/FX				*20bps*	*20bps*	*0bps*	*10bps*	*60bps*	*-50bps*
Reported margin				*90bps*	*100bps*	*-10bps*	*100bps*	*150bps*	*-50bps*
Organic EBIT				**3.0%**	**2.8%**	**20bps**	**3.6%**	**3.4%**	**20bps**
Scope				-2.9%	-2.1%	-80bps	-4.6%	-3.3%	-130bps
FX				-0.4%	0.5%	-90bps	-0.8%	2.7%	-350bps
Total				**-0.3%**	**1.2%**	**-150bps**	**-1.8%**	**2.8%**	**-460bps**
P&L									
Adjusted EBIT				**3 245**	**3 303**	**-2%**	**5 578**	**5 843**	**-5%**
Net finance costs				-359	-400		-670	-904	
Share of associates/JVs				105	109		221	231	
Adjusted Profit before tax				**2 991**	**3 012**	**-1%**	**5 130**	**5 171**	**-1%**
Underlying tax expense				-719	-733		-1 218	-1 247	
Tax rate (ex associates/JVs) - %				24.9%	25.3%		24.8%	25.3%	
Non-controlling interest				-114	-116		-202	-213	
Adjusted net income				**2 158**	**2 161**	**0%**	**3 710**	**3 704**	**0%**
Average number of shares - diluted				2 232	2 233		2 232	2 232	
Adjusted diluted EPS				**0.97**	**0.97**	**0%**	**1.66**	**1.66**	**0%**
FCF							**2 037**	**2 176**	**-6%**
Net Debt							**16 823**	**17 878**	**-6%**
Net debt / EBITDA							**2.67**	**2.64**	

Source: Visible alpha, Company data, UBS estimates

Changes to estimates

Figure 3: UBS estimates change - We lower our FY27E EPS by -1% to reflect recent stronger dollar.

	2027E	2028E	2029E	2027E	2028E	2029E	2027E	2028E	2029E
$m			**New**			**Previous**			**Difference**
Organic growth	**0.5%**	**2.1%**	**3.0%**	**0.5%**	**2.1%**	**3.0%**	**0bps**	**0bps**	**0bps**
Scope	-4.7%	-1.3%	0.0%	-4.7%	-1.3%	0.0%	0bps	0bps	0bps
FX	-1.0%	-0.7%	-0.6%	0.0%	-0.7%	-0.6%	-100bps	0bps	0bps
EBIT	**5 578**	**5 762**	**5 980**	**5 626**	**5 814**	**6 034**	**-0.9%**	**-0.9%**	**-0.9%**
EBIT margin - %	29.9%	30.9%	31.3%	29.9%	30.8%	31.3%			
Organic chge - bps	*90bps*	*90bps*	*40bps*	*90bps*	*90bps*	*40bps*			
Scope/FX impact	*10bps*	*0bps*	*0bps*	*10bps*	*0bps*	*0bps*			
Reported chge - bps	*100bps*	*90bps*	*40bps*	*100bps*	*90bps*	*40bps*			
Organic EBIT	**3.6%**	**5.0%**	**4.4%**	**3.5%**	**5.1%**	**4.4%**	**10bps**	**0bps**	**0bps**
Scope	-4.6%	-1.0%	0.0%	-4.6%	-1.0%	0.0%	0bps	0bps	0bps
FX	-0.8%	-0.7%	-0.7%	0.1%	-0.7%	-0.7%	-90bps	0bps	0bps
Total	**-1.8%**	**3.3%**	**3.8%**	**-1.0%**	**3.3%**	**3.8%**	**-90bps**	**0bps**	**0bps**
- FX impact on EBIT $m	*-48*	*-48*	*-41*	*4*	*4*	*-42*			
Adjusted EBIT	**5 578**	**5 762**	**5 980**	**5 626**	**5 814**	**6 034**	**-0.9%**	**-0.9%**	**-0.9%**
Share of associate net profit	221	256	294	222	257	295	-0.5%	-0.4%	-0.4%
Net finance costs	-670	-654	-656	-670	-654	-656	0.0%	0.0%	0.0%
Adjusted PBT	**5 130**	**5 364**	**5 618**	**5 179**	**5 417**	**5 674**	**-1.0%**	**-1.0%**	**-1.0%**
Underlying tax	-1 218	-1 262	-1 315	-1 230	-1 275	-1 329			
Effective tax rate (UBSe) - %	24.8%	24.7%	24.7%	24.8%	24.7%	24.7%			
Adjusted profit after tax	**3 911**	**4 102**	**4 303**	**3 949**	**4 143**	**4 345**	**-0.9%**	**-1.0%**	**-1.0%**
Minority interests	-202	-203	-219	-202	-203	-219			
Adjusted net income	**3 710**	**3 900**	**4 084**	**3 747**	**3 940**	**4 126**	**-1.0%**	**-1.0%**	**-1.0%**
Average # shares diluted	2 232	2 224	2 180	2 232	2 225	2 185			
Adjusted EPS - diluted	**166.2**	**175.3**	**187.3**	**167.8**	**177.0**	**188.9**	**-1.0%**	**-1.0%**	**-0.8%**
Organic revenue - %									
North America	-5.4%	-2.1%	-0.4%	-5.6%	-2.1%	-0.4%	20bps	0bps	0bps
Europe	3.8%	3.7%	3.5%	3.8%	3.6%	3.5%	0bps	0bps	0bps
Africa	10.3%	7.1%	7.0%	10.3%	7.1%	7.0%	0bps	0bps	0bps
Latin America and Caribbean	6.1%	5.0%	5.4%	6.4%	5.0%	5.4%	-30bps	0bps	0bps
Asia Pacific	3.5%	5.2%	6.1%	3.5%	5.2%	6.1%	0bps	0bps	0bps
Total	**0.5%**	**2.1%**	**3.0%**	**0.5%**	**2.1%**	**3.0%**	**0bps**	**0bps**	**0bps**

Source: UBS estimates

Key charts

Figure 4: Diageo sell-out has remained weak at -8.1% incl-RTDs in Q3TD more or less in line with Q1...

DIAGEO NABCA + NIQ off-trade	$ share 2025	YoY value growth % Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3TD	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Tequila	**29%**	**16.3%**	**4.9%**	**-14.0%**	**-15.6%**	**-18.6%**	**-13.8%**	**-10.8%**	**-17.3%**	**-17.1%**	**-16.7%**	**-14.6%**	**-9.6%**	**-11.8%**	**-11.0%**
Casamigos	8%	-20.6%	-24.0%	-28.7%	-24.1%	-25.3%	-16.6%	-12.2%	-22.2%	-22.9%	-20.2%	-20.0%	-11.6%	-11.5%	-15.0%
Don Julio	20%	44.3%	23.5%	-6.8%	-12.7%	-16.3%	-12.1%	-9.0%	-15.7%	-15.0%	-15.1%	-11.8%	-7.7%	-10.8%	-7.9%
Astral	0%	88.4%	61.5%	53.0%	29.6%	14.4%	-1.2%	-10.7%	12.0%	10.2%	-4.6%	-6.2%	-2.5%	-11.3%	-17.0%
North American Whiskey	**25%**	**-4.2%**	**-7.0%**	**-2.5%**	**-9.0%**	**-14.9%**	**-9.4%**	**-10.6%**	**-10.1%**	**-11.2%**	**-8.6%**	**-11.5%**	**-7.2%**	**-9.2%**	**-12.6%**
Crown Royal	18%	-3.5%	-7.2%	-0.7%	-10.4%	-15.4%	-9.3%	-11.5%	-10.7%	-11.3%	-8.3%	-11.5%	-7.6%	-9.7%	-14.4%
Bulleit	5%	-3.2%	-3.1%	-3.8%	-1.8%	-12.2%	-7.7%	-8.1%	-7.6%	-8.5%	-7.6%	-10.2%	-4.9%	-7.1%	-8.2%
Seagrams 7 Crown	1%	-8.6%	-8.0%	-11.2%	-9.4%	-10.8%	-12.4%	-9.6%	-7.1%	-12.4%	-11.6%	-13.0%	-10.1%	-10.6%	-9.6%
Scotch	**10%**	**-6.5%**	**-4.9%**	**-5.1%**	**-5.1%**	**-8.8%**	**-5.9%**	**-5.1%**	**-1.3%**	**-2.1%**	**-6.5%**	**-7.1%**	**-5.0%**	**-3.7%**	**-6.6%**
Johnnie Walker	7%	-4.7%	-2.1%	-2.1%	-4.0%	-6.4%	-6.0%	-4.4%	0.7%	2.4%	-5.2%	-7.0%	-7.1%	-2.8%	-6.4%
Buchanan's	2%	-8.4%	-9.3%	-12.4%	-8.5%	-13.5%	-5.5%	-4.8%	-7.0%	-10.6%	-8.2%	-7.5%	-0.8%	-4.5%	-4.7%
Single malts	1%	-10.4%	-13.9%	-13.8%	-5.6%	-13.8%	-3.1%	-5.0%	-1.2%	-8.8%	-8.3%	-4.4%	2.2%	-0.9%	-6.9%
Vodka	**18%**	**-2.7%**	**-3.6%**	**-5.2%**	**-4.9%**	**-5.9%**	**-5.0%**	**-5.7%**	**-3.7%**	**-4.2%**	**-6.4%**	**-6.2%**	**-5.8%**	**-5.5%**	**-6.4%**
Smirnoff	11%	-4.2%	-5.0%	-7.1%	-7.6%	-7.9%	-8.2%	-7.6%	-6.2%	-6.6%	-8.9%	-8.5%	-8.4%	-8.0%	-8.5%
Ketel One	6%	-0.8%	-2.0%	-2.2%	-0.4%	-3.1%	0.2%	-3.6%	1.0%	0.0%	-2.9%	-3.1%	-2.3%	-2.3%	-3.9%
Rum	**7%**	**-6.9%**	**-7.3%**	**-8.9%**	**-4.8%**	**-9.3%**	**-7.8%**	**-7.8%**	**-6.2%**	**-4.6%**	**-9.2%**	**-8.3%**	**-6.6%**	**-6.3%**	**-10.4%**
Captain Morgan	7%	-6.8%	-7.4%	-8.7%	-4.5%	-9.0%	-7.7%	-7.7%	-6.0%	-4.3%	-9.2%	-8.3%	-6.4%	-6.3%	-10.4%
Gin	**3%**	**-3.9%**	**-6.8%**	**-10.8%**	**-5.8%**	**-6.3%**	**-0.3%**	**-4.0%**	**-4.5%**	**-2.9%**	**-3.1%**	**-5.6%**	**-2.0%**	**-3.6%**	**-6.1%**
Tanqueray	3%	-1.7%	-4.2%	-6.7%	-3.9%	-5.2%	1.0%	-3.6%	-3.3%	-2.0%	-2.0%	-4.6%	-1.3%	-2.9%	-6.2%
Aviation	0%	-21.7%	-31.1%	-47.3%	-22.9%	-16.9%	-8.8%	-6.3%	-14.8%	-9.6%	-9.3%	-12.8%	-8.8%	-7.3%	-2.2%
Other	**6%**	**-5.0%**	**-3.7%**	**1.9%**	**2.3%**	**-11.9%**	**-4.7%**	**2.0%**	**0.1%**	**-4.3%**	**-4.5%**	**-3.4%**	**1.8%**	**1.0%**	**1.2%**
Baileys	3%	-6.2%	-1.6%	-5.8%	-3.2%	-22.1%	-16.5%	-8.3%	-6.3%	-9.9%	-15.5%	-13.4%	-8.7%	-8.2%	-10.2%
Diageo Spirits	**98%**	**0.9%**	**-2.3%**	**-7.8%**	**-8.6%**	**-12.9%**	**-9.1%**	**-8.2%**	**-9.1%**	**-9.8%**	**-10.3%**	**-10.4%**	**-6.9%**	**-8.0%**	**-9.3%**
Diageo RTD	2%	-5.1%	-10.4%	3.3%	16.8%	17.1%	32.7%	-4.6%	18.2%	18.9%	22.4%	42.1%	26.7%	0.6%	-11.7%
Total Diageo	**100%**	**0.9%**	**-2.5%**	**-7.6%**	**-8.3%**	**-12.5%**	**-8.4%**	**-8.1%**	**-8.8%**	**-9.4%**	**-9.9%**	**-9.6%**	**-6.4%**	**-7.8%**	**-9.3%**

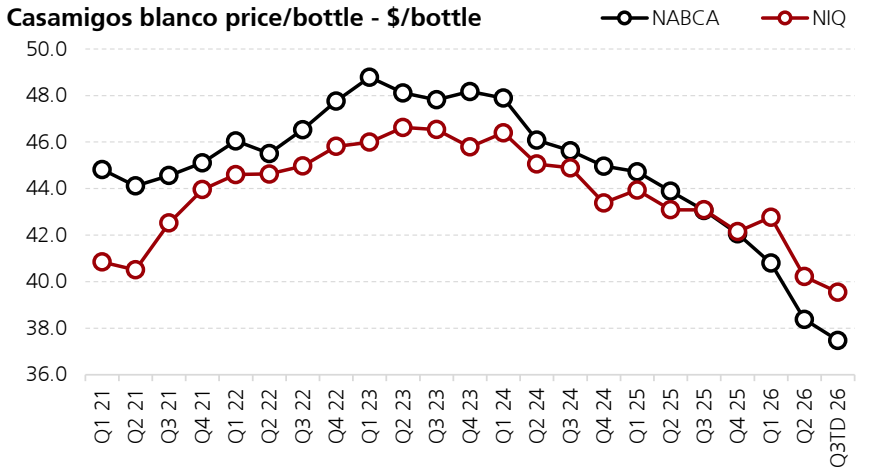
Source: NielsenIQ, NABCA, IWSR

Figure 5: Diageo's US market share trends remain weak, particularly in Tequila, North American Whisky and Vodka.

NIQ x NABCA - vol. share change(bps)	$ split	$ share	Vol. share	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3TD 26
Tequila	**29%**	**25%**	**14%**	**44 bps**	**97 bps**	**144 bps**	**197 bps**	**150 bps**	**32 bps**	**-143 bps**	**-230 bps**	**-232 bps**	**-171 bps**	**-34 bps**
Casamigos	8%	6%	4%	-108 bps	-114 bps	-140 bps	-123 bps	-116 bps	-135 bps	-122 bps	-109 bps	-87 bps	-43 bps	-15 bps
Don Julio	20%	18%	9%	178 bps	233 bps	306 bps	337 bps	267 bps	161 bps	-32 bps	-127 bps	-141 bps	-107 bps	4 bps
Astral	0%	0%	0%	9 bps	11 bps	10 bps	11 bps	12 bps	11 bps	13 bps	6 bps	4 bps	0 bps	-5 bps
North American Whisky	**25%**	**23%**	**22%**	**30 bps**	**20 bps**	**16 bps**	**42 bps**	**-7 bps**	**-6 bps**	**6 bps**	**-22 bps**	**-18 bps**	**-12 bps**	**-14 bps**
Crown Royal	18%	23%	16%	52 bps	37 bps	31 bps	65 bps	-6 bps	-5 bps	12 bps	-30 bps	-23 bps	-13 bps	-18 bps
Crown Royal regular	7%	7%	6%	-15 bps	-15 bps	11 bps	-8 bps	4 bps	-24 bps	-21 bps	-29 bps	-38 bps	-6 bps	-14 bps
Crown Royal Flavoured	11%	33%	22%	113 bps	84 bps	58 bps	141 bps	-16 bps	3 bps	38 bps	-53 bps	-29 bps	-27 bps	-50 bps
Bulleit	5%	4%	3%	-5 bps	-7 bps	-10 bps	0 bps	-3 bps	6 bps	7 bps	2 bps	-1 bps	-8 bps	-3 bps
Seagram's 7 Crown whiskey	1%	2%	3%	-13 bps	-18 bps	-15 bps	-14 bps	-15 bps	-18 bps	-20 bps	-15 bps	-11 bps	-10 bps	-5 bps
Scotch	**10%**	**48%**	**46%**	**69 bps**	**60 bps**	**140 bps**	**64 bps**	**49 bps**	**95 bps**	**153 bps**	**36 bps**	**237 bps**	**132 bps**	**188 bps**
Johnnie Walker	7%	29%	28%	61 bps	30 bps	128 bps	49 bps	106 bps	137 bps	171 bps	47 bps	239 bps	83 bps	109 bps
Buchanan's	0%	12%	11%	-19 bps	-13 bps	10 bps	27 bps	-24 bps	-35 bps	-43 bps	-45 bps	-22 bps	50 bps	93 bps
Single malts	1%	5%	2%	-20 bps	24 bps	14 bps	1 bps	-7 bps	-18 bps	-12 bps	-2 bps	8 bps	3 bps	-2 bps
Vodka	**18%**	**15%**	**14%**	**-31 bps**	**-42 bps**	**-19 bps**	**-29 bps**	**-9 bps**	**-22 bps**	**-27 bps**	**-59 bps**	**-44 bps**	**-38 bps**	**-20 bps**
Smirnoff	11%	11%	11%	-33 bps	-45 bps	-24 bps	-34 bps	-12 bps	-26 bps	-34 bps	-59 bps	-55 bps	-46 bps	-27 bps
Ketel One	5%	4%	3%	7 bps	6 bps	8 bps	7 bps	5 bps	8 bps	11 bps	3 bps	12 bps	7 bps	7 bps
Rum	**7%**	**26%**	**24%**	**-121 bps**	**-104 bps**	**-48 bps**	**-7 bps**	**-5 bps**	**4 bps**	**32 bps**	**7 bps**	**0 bps**	**-9 bps**	**-60 bps**
Captain Morgan	7%	25%	24%	-123 bps	-105 bps	-50 bps	-6 bps	-5 bps	5 bps	33 bps	9 bps	0 bps	-9 bps	-62 bps
Gin	**3%**	**23%**	**22%**	**7 bps**	**20 bps**	**41 bps**	**4 bps**	**9 bps**	**-29 bps**	**-31 bps**	**0 bps**	**24 bps**	**41 bps**	**14 bps**
Tanqueray	3%	19%	16%	24 bps	22 bps	27 bps	30 bps	45 bps	22 bps	40 bps	30 bps	43 bps	44 bps	4 bps
Aviation	0%	1%	1%	-10 bps	4 bps	14 bps	-15 bps	-14 bps	-30 bps	-47 bps	-15 bps	-7 bps	-3 bps	6 bps
Other	**6%**	**1%**	**1%**	**1 bps**	**1 bps**	**3 bps**	**-2 bps**	**-2 bps**	**2 bps**	**1 bps**	**-3 bps**	**-1 bps**	**-2 bps**	**1 bps**
Baileys	3%	1%	1%	0 bps	0 bps	2 bps	-3 bps	-2 bps	0 bps	-1 bps	-6 bps	-3 bps	-3 bps	-1 bps
Diageo Spirits	**98%**	**19%**	**15%**	**-7 bps**	**-3 bps**	**23 bps**	**31 bps**	**17 bps**	**2 bps**	**-18 bps**	**-54 bps**	**-38 bps**	**-35 bps**	**-9 bps**
Diageo RTD	2%	3%	2%	-45 bps	-23 bps	-45 bps	-47 bps	-122 bps	-107 bps	-64 bps	-39 bps	-50 bps	-40 bps	-40 bps
Total Diageo	**100%**	**17%**	**15%**	**-7 bps**	**-3 bps**	**23 bps**	**31 bps**	**17 bps**	**1 bps**	**-19 bps**	**-53 bps**	**-38 bps**	**-35 bps**	**-9 bps**

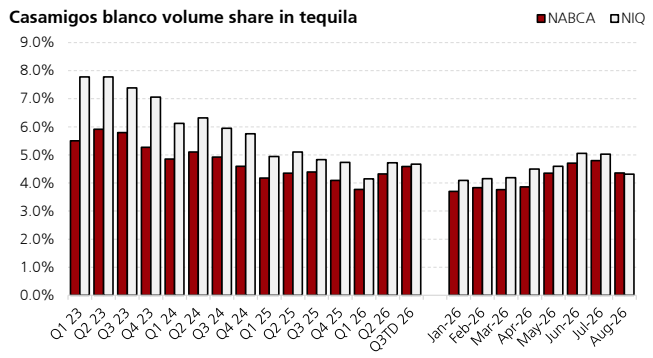
Source: NABCA, NielsenIQ, IWSR, UBS; *North American whisky, Diageo spirits and Total Diageo market share changes are weighted average on our volume split estimate

Figure 6: Casamigos blanco is now <$40 per bottle in NABCA



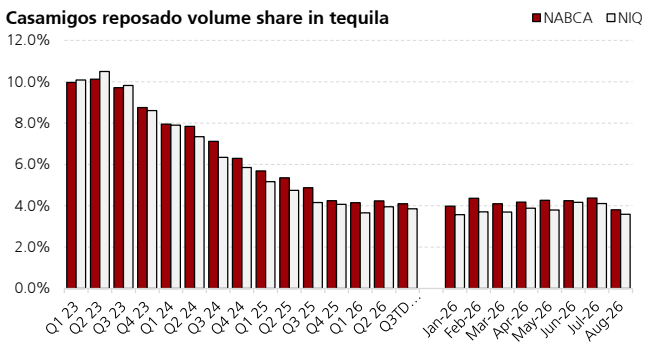
Source: NielsenIQ, NABCA, UBS

Figure 7: Casamigos volume share has improved in both Nielsen and NABCA…



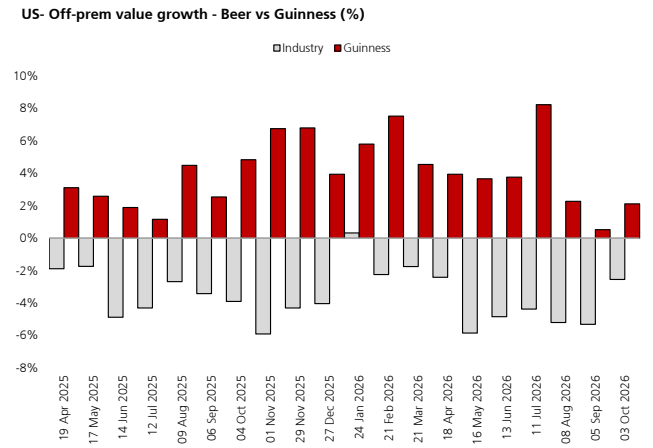
Source: NielsenIQ, NABCA, UBS

Figure 8: Casamigos reposado volume share trends have also improved



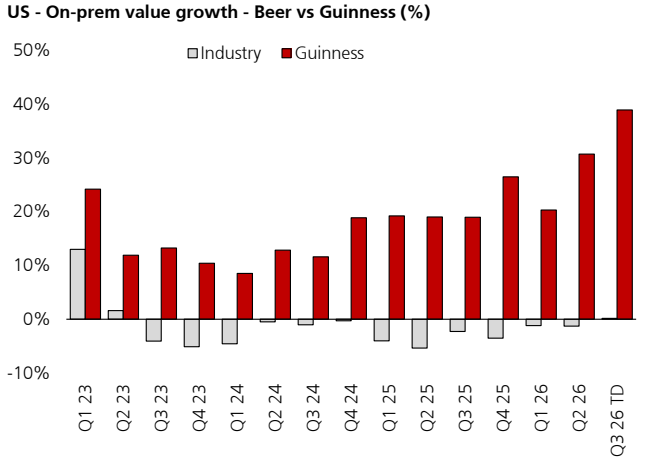
Source: NielsenIQ, NABCA, UBS

Figure 9: In the US off-premise, Guinness has consistently outperformed the Beer industry, accelerating recently…



Source: NielsenIQ, UBS

Figure 10: …the gap is even wider in the US on-premise, Guinness consistently growing double digits over the last 6 months



Source: NielsenIQ, UBS

Europe

Figure 11: In Europe, Diageo value sell-out turned positive in L4W ending 6th of Sep at +0.4% vs -1.6% prev 4w (Q3TD -0.4%); driven by the UK, Spain while Germany remains negative

Diageo: 4-weeks ending	2025	19 Apr 2026	17 May 2026	14 Jun 2026	12 Jul 2026	09 Aug 2026	06 Sep 2026	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26 TD
Volume growth (YoY) - %	**Mix**													
UK	56%	-1.3%	-4.1%	2.3%	5.6%	6.6%	8.0%	-2.7%	-4.6%	-8.6%	-6.5%	0.3%	0.0%	6.8%
France	10%	-7.3%	-1.1%	-3.8%	4.4%	0.4%	-0.4%	-0.5%	-6.0%	-4.9%	-7.8%	0.8%	-2.4%	0.8%
Germany	15%	9.3%	19.2%	1.7%	-0.6%	-18.4%	-4.6%	-16.8%	-31.5%	-23.6%	-22.0%	-4.1%	8.2%	-9.9%
Italy	5%	0.0%	-3.7%	-1.3%	-4.2%	-3.8%	-4.2%	6.3%	5.1%	3.0%	1.1%	4.7%	-2.3%	-3.9%
Spain	8%	7.8%	5.4%	3.0%	-0.3%	2.8%	4.0%	8.4%	-3.2%	2.1%	-5.5%	6.2%	4.2%	2.9%
Rest of Europe	7%	-8.6%	0.4%	-7.4%	-8.1%	-1.9%	-8.7%	3.6%	-4.9%	-4.3%	-7.1%	-1.3%	-5.5%	-5.9%
Total	**100%**	**-0.1%**	**0.7%**	**0.7%**	**2.5%**	**0.4%**	**2.8%**	**-3.6%**	**-9.6%**	**-9.3%**	**-8.7%**	**0.2%**	**0.8%**	**1.6%**
Price/mix (YoY) - %														
UK		-0.4%	-0.1%	-2.3%	-1.7%	-3.2%	-3.6%	2.3%	2.5%	4.4%	2.5%	0.2%	-1.1%	-3.0%
France		0.2%	-1.4%	-6.8%	-2.8%	-4.1%	-4.0%	-1.9%	0.8%	0.8%	1.7%	-0.9%	-3.1%	-3.9%
Germany		-5.4%	-5.1%	-4.7%	-1.3%	-0.5%	-1.2%	8.8%	11.1%	6.6%	8.7%	1.0%	-4.5%	-0.9%
Italy		-0.9%	-0.6%	-0.6%	-0.8%	-2.1%	-1.1%	-0.1%	-0.9%	-0.3%	0.1%	-0.6%	-0.7%	-1.5%
Spain		-0.1%	-0.3%	1.5%	-4.5%	-3.7%	-2.9%	2.1%	0.1%	0.9%	2.2%	-0.3%	-0.5%	-3.6%
Rest of Europe		0.5%	-1.2%	-0.4%	0.7%	-1.6%	1.1%	-0.2%	-0.6%	-0.1%	-0.4%	-1.5%	-0.3%	-0.1%
Total		**-1.3%**	**-1.7%**	**-2.7%**	**-1.5%**	**-2.0%**	**-2.3%**	**2.9%**	**4.0%**	**3.9%**	**3.1%**	**0.0%**	**-1.9%**	**-2.0%**
Value growth (YoY) - %	**Mix**													
UK	59%	-1.7%	-4.2%	-0.1%	3.8%	3.2%	4.2%	-0.5%	-2.2%	-4.7%	-4.2%	0.6%	-1.1%	3.6%
France	10%	-7.1%	-2.5%	-10.4%	1.4%	-3.8%	-4.4%	-2.4%	-5.2%	-4.1%	-6.2%	-0.2%	-5.5%	-3.1%
Germany	13%	3.5%	13.1%	-3.1%	-1.8%	-18.8%	-5.8%	-9.4%	-23.9%	-18.5%	-15.3%	-3.2%	3.4%	-10.7%
Italy	4%	-0.9%	-4.3%	-1.9%	-5.0%	-5.9%	-5.3%	6.1%	4.2%	2.7%	1.1%	4.1%	-2.9%	-5.3%
Spain	7%	7.8%	5.2%	4.5%	-4.9%	-1.0%	1.0%	10.7%	-3.2%	3.0%	-3.5%	5.9%	3.7%	-0.8%
Rest of Europe	7%	-8.1%	-0.9%	-7.8%	-7.5%	-3.5%	-7.8%	3.4%	-5.5%	-4.4%	-7.4%	-2.7%	-5.8%	-6.0%
Total Spirits	**100%**	**-1.5%**	**-1.0%**	**-2.0%**	**1.0%**	**-1.6%**	**0.4%**	**-0.8%**	**-6.0%**	**-5.8%**	**-5.9%**	**0.2%**	**-1.1%**	**-0.4%**
Change in value share (YoY) - bps	**Share**													
UK	26%	70bps	-80bps	90bps	60bps	170bps	170bps	20bps	-20bps	-80bps	-50bps	30bps	30bps	150bps
France	6%	-30bps	-20bps	-10bps	20bps	10bps	0bps	-20bps	-20bps	-10bps	-20bps	10bps	-10bps	10bps
Germany	7%	90bps	70bps	30bps	40bps	-80bps	10bps	-50bps	-150bps	-110bps	-80bps	0bps	60bps	-20bps
Italy	8%	20bps	10bps	20bps	0bps	20bps	10bps	40bps	40bps	30bps	50bps	20bps	10bps	10bps
Spain	14%	60bps	50bps	60bps	-50bps	40bps	50bps	100bps	10bps	50bps	-10bps	50bps	40bps	30bps
Rest of Europe	11%	-30bps	-10bps	-40bps	-50bps	10bps	-30bps	20bps	-20bps	-10bps	-40bps	0bps	-30bps	-20bps
Total	**14%**	**40bps**	**-10bps**	**50bps**	**50bps**	**50bps**	**60bps**	**0bps**	**-40bps**	**-40bps**	**-30bps**	**20bps**	**30bps**	**50bps**
Change in volume promo (YoY) - bp	**% promo**													
UK	44%	-60bps	390bps	300bps	210bps	700bps	60bps	-410bps	-390bps	-540bps	70bps	560bps	240bps	350bps
France	28%	-190bps	-340bps	-170bps	680bps	-280bps	-90bps	-30bps	-40bps	70bps	-170bps	320bps	-80bps	-30bps
Germany	28%	730bps	-500bps	290bps	-420bps	-1,310bps	150bps	-30bps	-190bps	120bps	50bps	250bps	20bps	-550bps
Italy	20%	-30bps	-100bps	590bps	340bps	-30bps	160bps	-90bps	-120bps	-70bps	-100bps	80bps	200bps	120bps
Spain	31%	-1,920bps	-1,000bps	-1,660bps	-750bps	340bps	-760bps	-330bps	220bps	320bps	-290bps	-280bps	-1,340bps	-310bps
Total	**37%**	**-120bps**	**0bps**	**80bps**	**90bps**	**210bps**	**-90bps**	**-240bps**	**-200bps**	**-230bps**	**60bps**	**340bps**	**10bps**	**60bps**

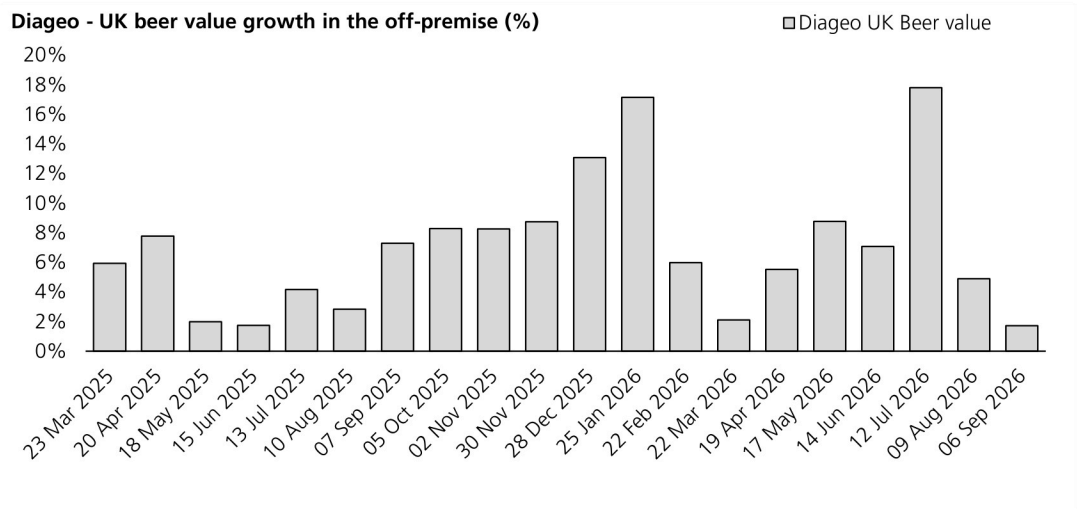
Source: NielsenIQ

Figure 12: In Europe, Diageo value sell-out turned positive in L4W ending 6th of Sep driven by Smirnoff, JW and other brands like Bells, Talisker and Yeni Raku

Diageo Europe	2025	19 Apr 2026	17 May 2026	14 Jun 2026	12 Jul 2026	09 Aug 2026	06 Sep 2026	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26 TD
Value growth														
Smirnoff	24%	2.3%	-0.4%	4.5%	4.4%	6.7%	6.6%	3.4%	0.2%	-1.8%	-5.4%	1.4%	2.4%	6.3%
Gordons	14%	-9.0%	-11.5%	-2.1%	-2.0%	-0.7%	-2.2%	-5.8%	-6.3%	-9.5%	-9.9%	-4.2%	-6.5%	-1.6%
Baileys	14%	-1.3%	0.1%	-7.6%	-7.2%	-8.3%	-4.6%	-2.6%	-4.1%	-4.4%	-2.8%	4.1%	-4.1%	-6.5%
Captain Morgan	12%	-0.7%	4.0%	-3.3%	-2.0%	-3.6%	-2.5%	2.6%	-5.7%	-4.4%	-6.7%	1.5%	-0.3%	-2.9%
Johnnie Walker	9%	9.2%	25.7%	2.6%	5.5%	-11.1%	1.5%	-8.7%	-25.1%	-10.7%	-11.4%	1.2%	10.9%	-3.1%
Tanqueray	6%	-3.7%	-13.0%	2.2%	-7.3%	-7.0%	-4.2%	9.6%	-3.7%	-5.7%	-6.3%	-5.8%	-5.1%	-6.0%
J&B	4%	-18.2%	-8.4%	-2.5%	-4.0%	-8.1%	-9.1%	-10.9%	-12.2%	-10.6%	-11.2%	-3.6%	-8.1%	-7.7%
Bells	3%	12.3%	5.1%	9.1%	19.0%	14.9%	23.2%	-0.1%	-5.7%	-7.0%	-9.1%	3.3%	9.7%	18.4%
Talisker	1%	-10.8%	-1.9%	-36.9%	35.9%	-43.0%	8.9%	-18.4%	-13.2%	-14.0%	-19.7%	6.4%	-15.7%	-10.8%
Cardhu	1%	12.1%	28.7%	-19.1%	34.3%	5.0%	-7.3%	-12.2%	16.7%	40.1%	21.0%	16.5%	6.9%	4.4%
The Singleton	1%	7.9%	-15.7%	-43.1%	-4.8%	9.1%	-27.4%	6.1%	-18.4%	-9.0%	-17.7%	-9.5%	-19.4%	-10.4%
Haig Club	1%	3.2%	9.0%	-43.1%	-20.0%	-7.1%	-10.2%	-15.5%	-9.9%	-18.0%	-11.3%	-15.9%	-16.1%	-11.9%
Ciroc	1%	-2.7%	-4.3%	3.3%	-0.1%	-15.7%	-11.2%	-5.0%	-11.5%	-11.2%	-8.4%	-1.2%	-0.6%	-11.4%
Pimms	1%	-44.7%	-31.8%	53.6%	-2.1%	20.6%	-9.8%	5.5%	7.6%	-1.8%	-14.6%	-17.3%	3.1%	1.3%
Yeni Raki	1%	-25.9%	-35.2%	-1.0%	-6.9%	-24.0%	3.7%	-6.4%	-7.2%	-20.3%	-33.7%	42.4%	-19.0%	-7.8%
Other brands	7%	-3.6%	-0.4%	-18.0%	2.6%	-1.9%	-0.5%	12.4%	3.1%	-3.3%	-4.1%	-3.6%	-6.5%	-0.7%
Diageo - Europe	**100%**	**-1.5%**	**-1.0%**	**-2.0%**	**1.0%**	**-1.6%**	**0.4%**	**-0.8%**	**-6.0%**	**-5.8%**	**-6.6%**	**0.2%**	**-1.1%**	**-0.4%**
Price/mix														
Smirnoff		-1.8%	-1.1%	0.1%	-1.6%	-3.2%	-2.8%	2.4%	4.4%	4.6%	2.4%	-0.2%	-0.9%	-2.8%
Gordons		-1.7%	-0.4%	-0.2%	-2.7%	-1.4%	-2.2%	0.9%	3.2%	3.2%	0.9%	-0.2%	-1.0%	-2.0%
Baileys		0.6%	1.8%	1.7%	2.9%	-0.4%	-1.1%	2.5%	-4.0%	0.7%	3.4%	1.2%	1.6%	-0.1%
Captain Morgan		0.1%	-4.0%	0.5%	-1.7%	-0.6%	-1.4%	0.5%	2.8%	1.8%	2.4%	-0.1%	-1.4%	-1.1%
Johnnie Walker		-3.1%	-9.7%	-5.1%	-0.1%	0.9%	-0.9%	15.7%	22.3%	15.8%	17.7%	4.1%	-5.4%	0.0%
Tanqueray		-3.7%	-1.0%	-2.5%	0.8%	0.0%	-0.3%	-3.3%	1.6%	-0.2%	-1.1%	-0.6%	-1.8%	0.0%
J&B		-1.3%	-1.2%	-1.9%	-4.1%	-3.6%	-2.5%	-0.9%	0.0%	0.7%	1.9%	-0.2%	-1.9%	-3.3%
Bells		-4.6%	-3.2%	-5.6%	-7.4%	-7.0%	-9.6%	3.1%	3.4%	4.6%	1.9%	-2.3%	-4.7%	-7.9%
Talisker		-1.1%	-1.8%	0.2%	-4.3%	4.6%	-0.2%	4.3%	1.1%	0.6%	-0.1%	-3.5%	-1.0%	0.2%
Cardhu		-3.9%	-4.0%	-1.7%	-5.5%	-3.4%	-2.2%	6.6%	0.8%	-1.9%	-3.5%	-4.7%	-3.2%	-3.4%
The Singleton		-4.6%	-2.6%	2.5%	0.0%	-3.0%	5.4%	3.2%	4.2%	5.2%	2.0%	0.8%	-1.4%	1.1%
Haig Club		-1.1%	-4.5%	8.1%	3.8%	3.4%	0.8%	2.4%	2.4%	3.3%	3.2%	1.4%	1.4%	2.9%
Ciroc		-3.2%	-11.5%	-5.4%	-10.9%	-2.3%	-3.1%	0.0%	-2.1%	-1.8%	0.1%	-4.1%	-7.9%	-4.4%
Pimms		-1.3%	-3.8%	-8.4%	-6.7%	1.8%	6.6%	12.0%	4.8%	-1.3%	12.4%	2.3%	-6.7%	-0.6%
Yeni Raki		5.9%	6.5%	-2.2%	2.5%	9.1%	-2.6%	3.8%	2.0%	6.1%	12.9%	-9.9%	2.4%	0.6%
Other brands		-8.0%	-4.6%	-11.9%	-11.2%	-11.1%	-15.9%	-7.1%	-2.7%	-1.5%	0.1%	-0.3%	-8.9%	-13.1%
Diageo - Europe		**-1.3%**	**-1.7%**	**-2.7%**	**-1.5%**	**-2.0%**	**-2.3%**	**2.9%**	**4.0%**	**3.9%**	**3.1%**	**0.0%**	**-1.9%**	**-2.0%**
Headline pricing - est		-1.5%	-2.1%	-1.0%	-1.7%	-1.5%	-2.0%	2.5%	4.3%	3.7%	3.4%	0.1%	-2.0%	-2.4%
Brand mix		0.2%	0.4%	-1.7%	0.2%	-0.5%	-0.3%	0.4%	-0.2%	0.1%	-0.3%	-0.1%	0.2%	0.4%

Source: NielsenIQ, UBS; Quarterly figures refer to calendar quarters

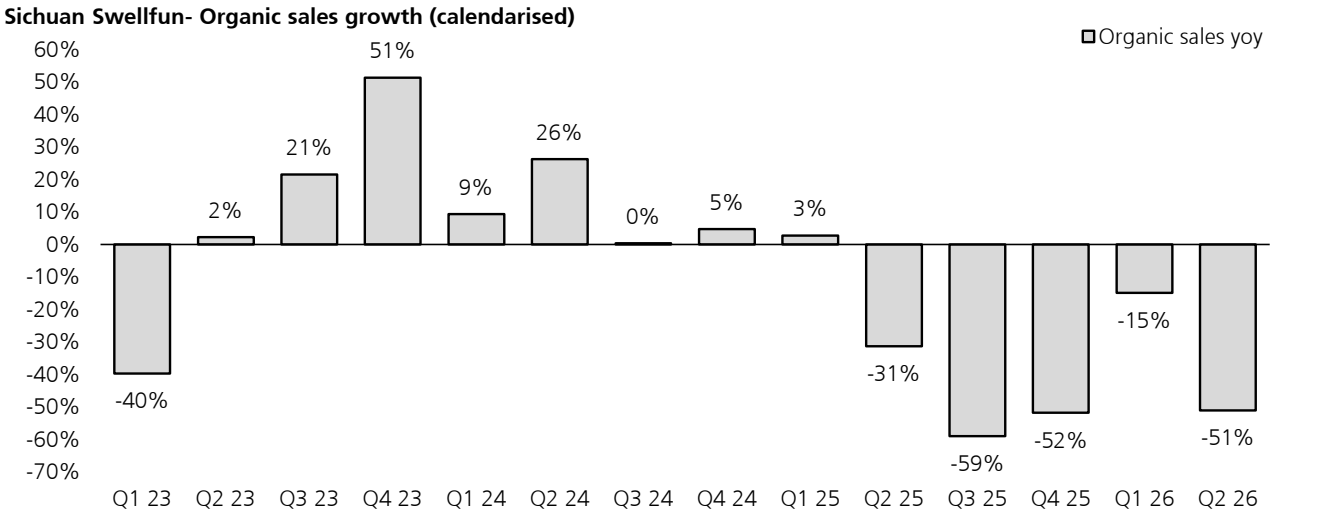
Figure 13: Per Europe Nielsen, Diageo UK beer value growth moderated in the off-premise over the last months



Source: NielsenIQ, UBS

APAC

Figure 14: In calendar Q2 26 (Diageo fiscal Q4 26), Swellfun sales were down -51%, with continued weakness in premium brands as consumers downtrade and anti-extravagance campaign hit the market coupled with proactive inventory management



Source: Company data, UBS

Figure 15: United Spirits organic growth for the Prestige & Above portfolio has decelerated in recent quarters but remains in +HSD % region in DGE fiscal Q2 26

Diageo fiscal year	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26
DGE India Organic growth - YoY										
Total										
Volume	1%	-2%	4%	3%	-4%	10%	7%	9%	8%	-3%
Price/mix	11%	9%	3%	5%	4%	4%	5%	-1%	3%	11%
Organic revenue	12%	8%	7%	8%	-1%	15%	12%	8%	11%	7%
Prestige and Above										
Volume	4%	5%	4%	5%	-4%	11%	9%	9%	8%	-2%
Price/mix	9%	5%	3%	5%	4%	4%	4%	0%	4%	10%
Organic revenue	13%	10%	7%	10%	0%	16%	13%	9%	12%	8%
Popular brands										
Volume	-11%	-23%	4%	-5%	-8%	6%	-2%	12%	6%	-9%
Price/mix	13%	13%	-1%	2%	1%	3%	3%	2%	3%	5%
Organic revenue	1%	-12%	3%	-3%	-7%	10%	1%	14%	9%	-5%
DGE India Organic growth - v pre-pandemic										
Total										
Volume	9%	5%	5%	6%	4%	15%	12%	15%	12%	12%
Price/mix	33%	26%	23%	23%	39%	31%	28%	22%	43%	45%
Organic revenue	45%	32%	29%	30%	44%	51%	44%	41%	61%	62%
Prestige and Above										
Volume	24%	18%	18%	12%	20%	31%	29%	22%	29%	28%
Price/mix	36%	24%	36%	29%	42%	30%	41%	29%	48%	43%
Organic revenue	70%	46%	61%	45%	70%	70%	82%	58%	91%	84%
Popular brands										
Volume	-16%	-23%	-21%	-20%	-22%	-18%	-22%	-10%	-18%	-26%
Price/mix	8%	6%	6%	8%	9%	10%	9%	10%	12%	15%
Organic revenue	-9%	-18%	-16%	-13%	-15%	-10%	-15%	-1%	-7%	-14%

Source: Company Data, UBS research

Balance sheet & cash flow

Figure 16: Excluding share buybacks, we forecast ND/EBITDA reducing to 2x in FY29E following the disposal of EABL/RCB (-0.35x) and organic de-leveraging. However, we apply a $500m buyback in FY28, rising to $2bn in FY29

	2023	2024	2025	2026	2027E	2028E	2029E
Net debt - opening	**17 107**	**19 582**	**21 017**	**21 854**	**20 482**	**16 823**	**16 055**
Free cash flow	-2 235	-2 609	-2 748	-3 211	-2 037	-2 695	-3 420
FX impact	646	199	921	-204	0	0	0
Net acquisitions/disposals	135	275	-15	-218	-2 932	0	0
Dividends to shareholders	2 065	2 242	2 298	1 846	1 113	1 112	1 360
Dividends to minorities	117	117	138	164	180	160	161
Share buybacks	1 673	987	0	0	0	500	2 000
Other	74	224	243	251	17	155	145
Net debt - ending	**19 582**	**21 017**	**21 854**	**20 482**	**16 823**	**16 055**	**16 302**
- Pensions	471	429	409	387	400	400	400
Adjusted Net debt	**20 053**	**21 446**	**22 263**	**20 869**	**17 223**	**16 455**	**16 702**
Adjusted EBITDA (inc associates/JVs)	7 353	7 037	6 645	6 650	6 453	6 685	6 977
Net debt/EBITDA	**2.73**	**3.05**	**3.35**	**3.14**	**2.67**	**2.46**	**2.39**
Net debt/EBITDA - ex SBB	**2.50**	**2.91**	**3.35**	**3.14**	**2.67**	**2.39**	**2.04**

Source: Company data, Visible Alpha, UBS estimates

Figure 17: We estimate Diageo will deliver $2.1bn in free cash flow in FY27 and $8.8bn cumulated between FY27 and FY29...

	UBSe				UBSe			Consensus				Difference		
	2023	2024	2025	2026	2027E	2028E	2029E	2026	2027E	2028E	2029E	2027E	2028E	2029E
EBITDA	**6 910**	**6 623**	**6 452**	**6 432**	**6 232**	**6 429**	**6 683**	**6 384**	**6 953**	**6 873**	**7 127**	**-10.4%**	**-6.4%**	**-6.2%**
Change in working capital	-1 414	-768	-77	76	-143	-79	-108	-132	-220	-250	-249			
- Maturing stock	*-68*	*-47*	*-195*	*-19*	*0*	*0*	*0*							
- Other working capital	*-327*	*-396*	*-270*	*-228*	*-170*	*-160*	*-150*							
Other	-23	-59	-340	-663	-1 150	-650	-100	-280	-1 592	-328	-352			
Cash from operations	**5 473**	**5 796**	**6 035**	**5 845**	**4 938**	**5 701**	**6 474**	**5 972**	**5 141**	**6 295**	**6 527**	**-3.9%**	**-9.4%**	**-0.8%**
Net capex	-1 401	-1 496	-1 549	-1 181	-1 250	-1 250	-1 250	-1 218	-1 203	-1 203	-1 202			
Operating cashflow - UBSe	**4 072**	**4 300**	**4 486**	**4 664**	**3 688**	**4 451**	**5 224**	**4 754**	**3 937**	**5 092**	**5 325**	**-6.3%**	**-12.6%**	**-1.9%**
Adjusted EBIT	6 313	5 945	5 704	5 683	5 578	5 762	5 980	5 585	5 902	5 918	6 162			
Operating cash conversion	65%	72%	79%	82%	66%	77%	87%	85%	67%	86%	86%			
Net interest paid	-665	-861	-799	-752	-670	-654	-656	-834	-750	-674	-611			
Tax paid	-1 443	-1 099	-1 114	-817	-1 107	-1 237	-1 303	-1 162	-1 243	-1 327	-1 392			
Dividend from associates	271	269	175	116	125	136	154	153	200	119	124			
Free cashflow	**2 235**	**2 609**	**2 748**	**3 211**	**2 037**	**2 695**	**3 420**	**2 911**	**2 144**	**3 210**	**3 445**	**-5.0%**	**-16.0%**	**-0.7%**

Source: Company data, Visible Alpha, UBS estimates

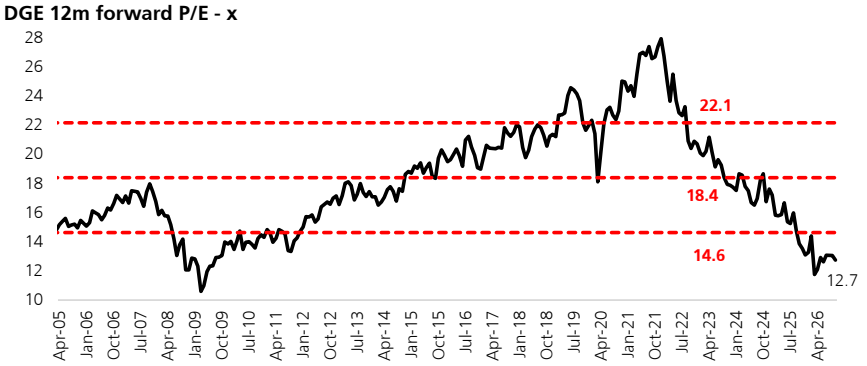
Valuation

Figure 18: Diageo trades on a 2027E calendarised P/E of c13x and EV NOPAT c15x, a c-17/-10% discount to European Staples

Company	Market cap ($bn)	P/E		EV / NOPAT (incl. associates)		Unlevered FCF Yield		Levered FCF Yield		Dividend Yield		Net debt / EBITDA		Operating cash conversion	
		2026	2027	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027
Beverages															
ABI	140.0	17.2	15.3	19.0	17.5	5.7%	6.1%	6.3%	7.2%	2.1%	2.3%	2.5	2.3	107%	106%
Heineken	45.6	13.6	12.6	16.9	15.9	5.0%	5.2%	5.7%	6.2%	3.1%	3.6%	2.6	2.4	88%	88%
Carlsberg	13.2	13.8	13.0	18.7	16.9	4.2%	5.2%	5.8%	6.9%	3.5%	3.8%	2.1	2.1	84%	91%
Diageo	49.3	13.1	12.7	16.1	15.4	4.4%	4.4%	4.8%	4.3%	2.3%	2.6%	2.9	2.6	74%	72%
Pernod	17.6	10.8	10.7	14.7	14.6	5.2%	5.5%	6.8%	6.9%	7.5%	7.5%	3.7	3.6	79%	81%
Campari	8.6	19.1	17.5	20.1	18.3	2.5%	4.8%	2.9%	5.6%	1.9%	2.3%	2.2	1.8	67%	93%
Remy	2.6	24.4	20.9	23.7	20.9	1.7%	1.9%	1.0%	1.4%	1.7%	1.7%	2.3	1.9	60%	60%
Coca-Cola Europacific	46.2	21.1	19.3	24.0	22.1	3.8%	4.1%	4.2%	4.5%	2.4%	2.6%	2.6	2.5	92%	92%
Coca-Cola HBC	21.0	17.4	16.1	18.1	16.4	4.1%	4.1%	3.9%	3.9%	2.5%	2.7%	0.4	0.2	82%	77%
Food/HPC															
Nestlé	235.9	16.6	15.5	19.3	17.9	4.2%	4.7%	4.7%	5.2%	4.1%	4.2%	2.6	2.3	82%	85%
Danone	45.3	14.8	13.7	16.6	15.2	5.9%	6.5%	6.2%	6.8%	4.0%	4.3%	1.4	1.0	99%	100%
L'Oréal	228.0	28.1	25.6	28.4	26.7	3.0%	3.4%	3.1%	3.5%	2.0%	2.2%	1.0	0.7	90%	94%
Unilever	134.9	17.1	16.3	19.3	18.2	4.1%	5.1%	4.4%	5.6%	3.4%	3.5%	1.8	1.7	87%	86%
Reckitt	43.7	15.2	13.9	16.3	15.8	5.8%	6.3%	6.2%	7.1%	4.3%	4.5%	2.3	2.2	98%	101%
Haleon	41.3	16.6	15.1	18.6	17.0	4.9%	5.5%	5.7%	6.3%	2.2%	2.3%	2.1	1.7	93%	96%
Beiersdorf	20.9	21.3	20.4	16.9	16.0	5.6%	5.2%	4.3%	3.7%	1.1%	1.1%	-2.9	-3.0	96%	88%
Henkel	19.7	13.9	13.3	14.2	15.3	4.6%	5.0%	4.3%	5.9%	2.8%	2.9%	1.1	0.8	74%	83%
EU Staples															
Median		16.6	15.1	18.6	16.9	4.6%	5.2%	4.8%	5.9%	2.8%	2.9%	2.2	2.1	88%	91%
ex. Alcoholic drinks		16.9	15.8	18.4	16.7	4.4%	5.1%	4.4%	5.4%	2.7%	2.8%	1.6	1.4	91%	90%
Alcoholic drinks		13.7	12.8	17.8	16.4	4.7%	5.2%	5.8%	6.6%	2.7%	3.1%	2.6	2.3	82%	90%
STOXX 600		**15.2**	**13.9**												
Median Staples relative		9.2%	9.2%												
Average Staples relative		10.7%	13.0%												

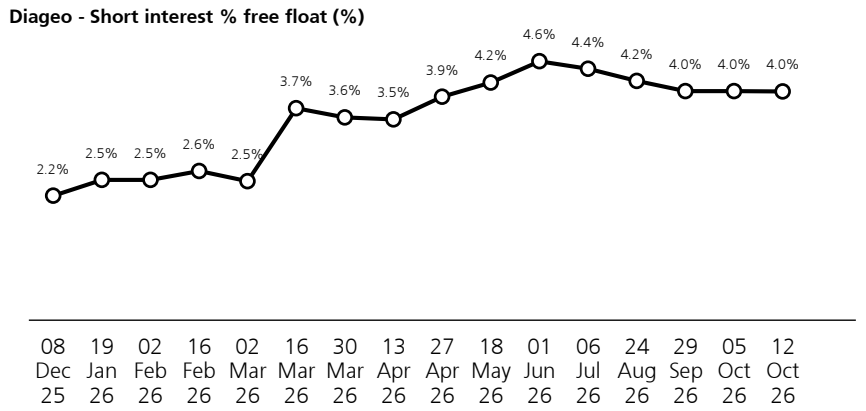
Source: Company data, WIRE, Datastream, UBS estimates

Figure 19: Diageo trades on 12.7x 12mo fwd PE, 1SD below its long term 18.4x average...



Source: Datastream, UBS estimates

Figure 20: Short interest in Diageo sits at c4% of free-float, increasing since the start of the year



Source: UBS Data Solutions

Financial model

Figure 21: Diageo - regional estimates

$ reporting from 2024	2019	2020	2021	2022	2023	2024	2025	2026	Q1 27E	Q2 27E	H1 27E	Q3 27E	Q4 27E	H2 27E	2027E	2028E	2029E
Organic revenue	**6.2%**	**-8.4%**	**16.0%**	**21.4%**	**6.5%**	**-0.6%**	**1.7%**	**-2.0%**	**0.7%**	**1.4%**	**0.5%**	**-0.9%**	**1.8%**	**0.5%**	**0.5%**	**2.1%**	**3.0%**
Scope	-0.6%	-0.5%	-0.8%	1.7%	-0.3%	1.3%	-1.3%	0.0%	-0.3%	-7.0%	-3.4%	-5.5%	-6.9%	-6.3%	-4.7%	-1.3%	0.0%
Net sales	12 867	11 752	12 733	15 452	17 113	20 269	20 245	19 643	4 890	5 231	10 121	4 126	4 385	8 510	18 630	18 660	19 096
EBIT	4 116	3 494	3 746	4 797	5 254	5 945	5 704	5 683			3 245			2 333	5 578	5 762	5 980
EBIT margin - %	32.0%	29.7%	29.4%	31.0%	30.7%	29.3%	28.2%	28.9%			32.1%			27.4%	29.9%	30.9%	31.3%
Organic chge - bps	*80bps*	*-210bps*	*50bps*	*120bps*	*10bps*	*-130bps*	*-70bps*	*120bps*			*80bps*			*100bps*	*90bps*	*90bps*	*40bps*
Scope/FX impact - bps	*-20bps*	*-20bps*	*-80bps*	*40bps*	*-40bps*	*-10bps*	*-50bps*	*-40bps*			*10bps*			*0bps*	*10bps*	*0bps*	*0bps*
change - bps	*60bps*	*-230bps*	*-30bps*	*160bps*	*-30bps*	*-140bps*	*-120bps*	*80bps*			*90bps*			*100bps*	*100bps*	*90bps*	*40bps*
Organic EBIT	**9.1%**	**-14.4%**	**17.7%**	**26.3%**	**7.0%**	**-4.8%**	**-0.7%**	**2.0%**			**3.0%**			**4.4%**	**3.6%**	**5.0%**	**4.4%**
Scope	-1.9%	-0.7%	-1.8%	2.6%	0.0%	-0.9%	-0.1%	-3.0%			-2.9%			-6.8%	-4.6%	-1.0%	0.0%
FX	0.7%	0.0%	-8.8%	-0.9%	2.5%	-0.1%	-3.4%	2.3%			-0.4%			-1.5%	-0.8%	-0.7%	-0.7%
Total	**7.8%**	**-15.1%**	**7.2%**	**28.1%**	**9.5%**	**-5.8%**	**-4.1%**	**-0.4%**			**-0.3%**			**-3.9%**	**-1.8%**	**3.3%**	**3.8%**
Net sales																	
North America	4 460	4 623	5 209	6 095	6 758	7 908	7 973	7 249	1 770	1 790	3 560	1 596	1 690	3 286	6 845	6 701	6 676
Europe	2 939	2 567	2 558	3 212	3 569	4 804	4 821	5 097	1 195	1 540	2 735	990	1 306	2 295	5 030	5 150	5 272
Africa	1 597	1 346	1 412	1 682	1 699	1 778	1 834	1 642	433	183	616	135	143	278	895	689	719
Latin America and Caribbean	1 130	908	1 046	1 525	1 799	1 839	1 847	2 160	570	721	1 291	540	546	1 087	2 377	2 479	2 595
Asia Pacific	2 688	2 270	2 488	2 884	3 200	3 817	3 635	3 333	872	957	1 829	832	654	1 486	3 315	3 464	3 648
Corporate	53	38	20	54	88	123	135	162	51	39	90	33	46	79	168	177	186
Total	**12 867**	**11 752**	**12 733**	**15 452**	**17 113**	**20 269**	**20 245**	**19 643**	**4 890**	**5 231**	**10 121**	**4 126**	**4 385**	**8 510**	**18 630**	**18 660**	**19 096**
Organic revenue - %																	
North America	5.5%	2.4%	20.2%	14.5%	0.2%	-2.5%	1.5%	-8.4%	-4.3%	-7.6%	-6.0%	-6.6%	-3.1%	-4.8%	-5.4%	-2.1%	-0.4%
Europe	3.6%	-12.3%	4.3%	30.2%	11.3%	2.9%	0.3%	3.4%	3.0%	4.9%	4.1%	0.5%	5.7%	3.4%	3.8%	3.7%	3.5%
Africa	6.7%	-13.3%	20.1%	22.1%	5.4%	12.2%	10.5%	13.3%	12.0%	10.0%	11.6%	9.2%	8.3%	9.2%	10.3%	7.1%	7.0%
Latin America and Caribbean	8.4%	-15.0%	30.1%	43.1%	9.4%	-21.1%	9.2%	7.7%	3.5%	13.4%	8.8%	3.2%	3.2%	3.2%	6.1%	5.0%	5.4%
Asia Pacific	9.1%	-15.7%	13.6%	16.2%	12.9%	4.4%	-3.2%	-6.3%	1.0%	2.6%	1.9%	5.3%	5.3%	5.3%	3.5%	5.2%	6.1%
Total	**6.2%**	**-8.4%**	**16.0%**	**21.4%**	**6.5%**	**-0.6%**	**1.7%**	**-2.0%**	**0.7%**	**1.4%**	**0.5%**	**-0.9%**	**1.8%**	**0.5%**	**0.5%**	**2.1%**	**3.0%**
EBIT																	
North America	1 948	2 034	2 237	2 454	2 689	3 236	3 053	2 601			1 345			1 177	2 522	2 469	2 479
Europe	1 014	757	635	1 017	1 105	1 379	1 302	1 612			880			646	1 525	1 603	1 668
Africa	275	101	171	315	220	131	283	356			153			58	211	169	179
Latin America and Caribbean	365	248	303	538	661	502	528	587			440			284	724	780	832
Asia Pacific	703	501	608	711	905	1 063	930	846			542			316	857	925	996
Corporate	-189	-147	-208	-238	-326	-366	-392	-319			-115			-147	-262	-184	-175
Total	**4 116**	**3 494**	**3 746**	**4 797**	**5 254**	**5 945**	**5 704**	**5 683**			**3 245**			**2 333**	**5 578**	**5 762**	**5 980**
EBIT margin - %																	
North America	43.7%	44.0%	42.9%	40.3%	39.8%	40.9%	38.3%	35.9%			37.8%			35.8%	36.8%	36.8%	37.1%
Europe	34.5%	29.5%	24.8%	31.7%	31.0%	28.7%	27.0%	31.6%			32.2%			28.1%	30.3%	31.1%	31.6%
Africa	17.2%	7.5%	12.1%	18.7%	12.9%	7.4%	15.4%	21.7%			24.9%			20.7%	23.6%	24.6%	24.9%
Latin America and Caribbean	32.3%	27.3%	29.0%	35.3%	36.7%	27.3%	28.6%	27.2%			34.1%			26.2%	30.5%	31.5%	32.1%
Asia Pacific	26.2%	22.1%	24.4%	24.7%	28.3%	27.8%	25.6%	25.4%			29.6%			21.2%	25.9%	26.7%	27.3%
Total	**32.0%**	**29.7%**	**29.4%**	**31.0%**	**30.7%**	**29.3%**	**28.2%**	**28.9%**			**32.1%**			**27.4%**	**29.9%**	**30.9%**	**31.3%**

Source: Company data, UBS estimates

Figure 22: Diageo - P&L

$ reporting from 2024	2019	2020	2021	2022	2023	2024	2025	2026	2027E	2028E	2029E
Net sales	**12 867**	**11 752**	**12 733**	**15 452**	**17 113**	**20 269**	**20 245**	**19 643**	**18 630**	**18 660**	**19 096**
EBITDA	4 490	3 988	4 193	5 286	5 750	6 623	6 452	6 432	6 232	6 429	6 683
Depreciation & amortisation	-374	-494	-447	-489	-496	-678	-748	-749	-654	-667	-703
Adjusted EBIT	**4 116**	**3 494**	**3 746**	**4 797**	**5 254**	**5 945**	**5 704**	**5 683**	**5 578**	**5 762**	**5 980**
Exceptional items	-83	-1 357	-15	-388	-622	56	-1 369	-2 527	-448	-100	-48
EBIT - reported	4 033	2 137	3 731	4 409	4 632	6 001	4 335	3 156	5 130	5 662	5 932
Sales of businesses	144	-23	14	-17	328	-70	-162	6	0	0	0
Net finance costs	-239	-333	-348	-353	-595	-906	-830	-812	-670	-654	-656
Net other finance charges	-15	-20	-25	-69	1	21	1	-4	0	0	0
Share of profits from associates/JVs	312	282	334	417	370	414	193	218	221	256	294
Adjusted profit before tax	**4 174**	**3 423**	**3 707**	**4 792**	**5 030**	**5 474**	**5 068**	**5 085**	**5 130**	**5 364**	**5 618**
Profit before tax	4 235	2 043	3 706	4 387	4 736	5 460	3 537	2 564	4 682	5 264	5 570
Underlying tax expense	-859	-743	-823	-1 080	-1 156	-1 270	-1 213	-1 181	-1 218	-1 262	-1 315
Tax on exceptionals	-39	154	-84	31	186	-24	214	575	111	25	12
Total tax expense	-898	-589	-907	-1 049	-970	-1 294	-999	-606	-1 107	-1 237	-1 303
Effective tax rate - %	22.2%	23.7%	24.4%	24.7%	24.8%	25.1%	24.9%	24.3%	24.8%	24.7%	24.7%
Adjusted profit after tax	**3 315**	**2 680**	**2 884**	**3 712**	**3 874**	**4 204**	**3 855**	**3 904**	**3 911**	**4 102**	**4 303**
Profit after tax	3 337	1 454	2 799	3 338	3 766	4 166	2 538	1 958	3 575	4 027	4 267
Minority interests	-151	-114	-138	-192	-173	-192	-207	-227	-202	-203	-219
Adjusted net income	**3 164**	**2 566**	**2 746**	**3 520**	**3 701**	**4 012**	**3 648**	**3 677**	**3 710**	**3 900**	**4 084**
Net income	3 160	1 409	2 660	3 249	3 734	3 870	2 354	1 737	3 373	3 824	4 048
Average number of shares - basic	2 418	2 346	2 337	2 318	2 264	2 234	2 222	2 224	2 225	2 217	2 173
Average number of shares - diluted	2 428	2 354	2 345	2 325	2 271	2 239	2 228	2 231	2 232	2 224	2 180
Adjusted EPS - fully diluted	**130.3**	**109.0**	**117.1**	**151.4**	**163.0**	**179.2**	**163.7**	**164.8**	**166.2**	**175.3**	**187.3**
Adjusted EPS - basic	130.9	109.4	117.5	151.9	163.5	179.6	164.2	165.3	166.7	175.9	187.9
DPS	68.6	69.9	72.6	76.2	80.0	103.5	103.5	50.0	50.0	61.6	75.2
Dividend cover - x	1.9	1.6	1.6	2.0	2.0	1.7	1.6	3.3	3.3	2.9	2.5

Source: Company data, UBS estimates

Figure 23: Diageo - Cash flow statement

$ reporting from 2024	2019	2020	2021	2022	2023	2024	2025	2026	2027E	2028E	2029E
EBIT	**4 116**	**3 494**	**3 746**	**4 797**	**5 254**	**5 945**	**5 704**	**5 683**	**5 578**	**5 762**	**5 980**
Depreciation & amortisation	374	494	447	489	496	678	748	749	654	667	703
Working capital	-222	-328	331	-179	-1 175	-768	-77	76	-143	-79	-108
Dividends received	168	4	290	190	219	269	175	116	125	136	154
Post employment payments	-121	-109	-30	-89	-25	-18	22	71	0	0	0
Cash exceptionals	0	0	0	0	0	-185	-107	-184	-850	-350	-100
Other items	-10	-26	73	4	10	144	-255	-550	-300	-300	0
Cash from operations	**4 305**	**3 529**	**4 857**	**5 212**	**4 779**	**6 065**	**6 210**	**5 961**	**5 063**	**5 836**	**6 629**
Net interest expense	-252	-308	-351	-328	-554	-861	-799	-752	-670	-654	-656
Tax expense	-805	-901	-852	-949	-1 201	-1 099	-1 114	-817	-1 107	-1 237	-1 303
Net cash from operating activities	**3 248**	**2 320**	**3 654**	**3 935**	**3 024**	**4 105**	**4 297**	**4 392**	**3 287**	**3 945**	**4 670**
Capex	-671	-700	-626	-1 097	-1 180	-1 510	-1 612	-1 197	-1 270	-1 270	-1 270
Asset disposals	32	14	13	17	13	14	63	16	20	20	20
Movement in loans	-1	0	-4	-72	-57	-47	-195	0	0	0	0
Free cash flow	**2 608**	**1 634**	**3 037**	**2 783**	**1 800**	**2 609**	**2 748**	**3 211**	**2 037**	**2 695**	**3 420**
Cash flow from other investing activities											
Acquisitions	-840	-192	-530	-271	-581	-362	-128	-70	0	0	0
Disposals/other	426	11	14	82	462	87	143	288	2 932	0	0
Total	**-414**	**-181**	**-516**	**-189**	**-119**	**-322**	**-180**	**199**	**2 932**	**0**	**0**
Cashflow from financing activities											
Share issues/(buybacks)	51	55	49	18	29	11	29	1	11	13	27
Dividends to minority interests	-112	-111	-77	-96	-97	-117	-138	-164	-180	-160	-161
Dividends to shareholders	-1 623	-1 646	-1 646	-1 718	-1 761	-2 242	-2 298	-1 846	-1 113	-1 112	-1 360
Total	**-4 471**	**-3 114**	**-1 931**	**-4 186**	**-3 321**	**-3 443**	**-2 497**	**-2 111**	**-1 414**	**-1 898**	**-3 639**
Net debt - opening	**9 091**	**11 277**	**13 246**	**12 109**	**14 137**	**19 582**	**21 017**	**21 854**	**20 482**	**16 823**	**16 055**
Change in cash flows	2 277	1 661	-590	1 592	1 640	1 156	-71	-1 299	-3 555	-797	219
Exchange differences	22	95	-598	334	-159	199	921	-204	0	0	0
Acquired debt	0	6	2	4	2	1	0	0	-139	0	0
Other non-cash items	-113	337	197	204	32	187	101	233	168	168	172
Net debt - closing	**11 277**	**13 246**	**12 109**	**14 137**	**15 541**	**21 017**	**21 854**	**20 482**	**16 823**	**16 055**	**16 302**
Adjusted Net debt/EBITDA - x	2.5	3.3	2.8	2.5	2.6	3.0	3.4	3.1	2.7	2.5	2.4

Source: Company data, UBS estimates

Diageo (DGE.L)

Income Statement (US$m)	06/24	06/25	06/26	06/27E	%ch	06/28E	%ch	06/29E	06/30E	06/31E
Revenues	**20,269**	**20,245**	**19,643**	**18,630**	*-5.2*	**18,660**	*0.2*	**19,096**	**19,628**	**20,165**
Gross profit	12,198	12,248	11,712	11,206	*-4.3*	11,266	*0.5*	11,568	11,890	12,235
EBITDA (UBS)	**6,622**	**6,452**	**6,445**	**6,232**	*-3.3*	**6,429**	*3.2*	**6,683**	**6,931**	**7,180**
Depreciation & amortisation	(677)	(748)	(762)	(654)	*14.2*	(667)	*-2.0*	(703)	(732)	(758)
EBIT (UBS)	**5,945**	**5,704**	**5,683**	**5,578**	*-1.8*	**5,762**	*3.3*	**5,980**	**6,199**	**6,421**
Associates & investment income	414	193	218	221	*1.5*	256	*15.6*	294	324	339
Other non-operating income	(49)	(161)	2	0	*-*	0	*-*	0	0	0
Net interest	(906)	(830)	(812)	(670)	*17.5*	(654)	*2.3*	(656)	(689)	(704)
Exceptionals (incl goodwill)	56	(1,369)	(2,527)	(448)	*82.3*	(100)	*77.7*	(48)	(47)	(46)
Pre-tax profit	**5,460**	**3,537**	**2,564**	**4,682**	*82.6*	**5,264**	*12.4*	**5,570**	**5,787**	**6,010**
Tax	(1,294)	(999)	(606)	(1,107)	*-82.7*	(1,237)	*-11.7*	(1,303)	(1,349)	(1,401)
Profit after tax	**4,166**	**2,538**	**1,958**	**3,575**	*82.6*	**4,027**	*12.7*	**4,267**	**4,437**	**4,609**
Preference dividends	0	0	0	0	*-*	0	*-*	0	0	0
Minorities	(192)	(207)	(227)	(202)	*11.2*	(203)	*-0.5*	(219)	(241)	(265)
Extraordinary items	(104)	23	6	0	*-*	0	*-*	0	0	0
Net earnings (local GAAP)	**3,870**	**2,354**	**1,737**	**3,373**	*94.2*	**3,824**	*13.4*	**4,048**	**4,196**	**4,344**
Net earnings (UBS)	**3,942**	**3,648**	**3,677**	**3,710**	*0.9*	**3,900**	*5.1*	**4,084**	**4,232**	**4,379**
Tax rate (%)	23.7	28.2	23.6	23.6	*0.0*	23.5	*-0.6*	23.4	23.3	23.3

Per Share (c)	06/24	06/25	06/26	06/27E	%ch	06/28E	%ch	06/29E	06/30E	06/31E
EPS (UBS, diluted)	176.06	163.73	164.81	166.18	*0.8*	175.32	*5.5*	187.34	200.36	213.72
EPS (local GAAP, diluted)	172.85	105.66	77.86	151.09	*94.1*	171.94	*13.8*	185.68	198.68	212.03
EPS (UBS, basic)	176.45	164.18	165.33	166.70	*0.8*	175.87	*5.5*	187.94	201.02	214.45
DPS (net) (c)	103.48	103.48	50.00	50.00	*0.0*	61.56	*23.1*	75.18	80.41	85.78
Cash EPS (UBS, diluted) [1]	206.30	197.31	198.97	195.47	*-1.8*	205.31	*5.0*	219.59	235.00	250.74
Book value per share	447.46	494.65	484.88	597.24	*23.2*	615.33	*3.0*	664.36	703.83	757.37
Average shares (diluted)	2,239	2,228	2,231	2,232	*0.1*	2,224	*-0.4*	2,180	2,112	2,049

Balance Sheet (US$m)	06/24	06/25	06/26	06/27E	%ch	06/28E	%ch	06/29E	06/30E	06/31E
Net tangible fixed assets	8,509	9,528	8,996	9,049	*0.6*	9,783	*8.1*	10,485	11,091	11,606
Net intangible fixed assets	14,814	14,776	13,375	11,193	*-16.3*	11,210	*0.2*	11,227	11,244	11,261
Investments	5,032	5,334	5,284	5,381	*1.8*	5,501	*2.2*	5,641	5,793	5,949
Other assets	1,993	2,187	1,978	1,710	*-13.5*	1,710	*0.0*	1,710	1,710	1,710
Total fixed assets	**30,348**	**31,825**	**29,633**	**27,333**	*-7.8*	**28,204**	*3.2*	**29,063**	**29,838**	**30,526**
Net working capital	**7,409**	**7,984**	**8,435**	**8,241**	*-2.3*	**8,220**	*-0.3*	**8,280**	**8,393**	**8,590**
Cash	1,130	2,200	1,520	1,442	*-5.2*	1,444	*0.2*	1,478	1,519	1,560
Short term debt	(2,980)	(3,040)	(3,467)	(3,520)	*-1.5*	(3,563)	*-1.2*	(3,603)	(3,643)	(3,682)
Long term debt	(19,125)	(21,361)	(19,629)	(14,939)	*23.9*	(14,131)	*5.4*	(14,370)	(14,808)	(14,974)
Preferred shares	0	0	0	0	*-*	0	*-*	0	0	0
Net (debt) / cash	**(20,975)**	**(22,201)**	**(21,576)**	**(17,017)**	*21.1*	**(16,249)**	*4.5*	**(16,496)**	**(16,933)**	**(17,096)**
Other debt-deemed liabilities	(429)	(409)	(387)	(387)	*0.0*	(387)	*0.0*	(387)	(387)	(387)
Provisions & non-debt deemed liabs	(4,283)	(4,021)	(3,151)	(4,051)	*-28.6*	(4,051)	*0.0*	(4,051)	(4,051)	(4,051)
Total equity	**12,070**	**13,178**	**12,954**	**14,119**	*9.0*	**15,737**	*11.5*	**16,409**	**16,860**	**17,582**
Minority interests	(2,038)	(2,088)	(2,083)	(2,105)	*-1.0*	(2,148)	*-2.0*	(2,206)	(2,273)	(2,348)
Common s/h equity	**10,032**	**11,090**	**10,871**	**12,014**	*10.5*	**13,589**	*13.1*	**14,203**	**14,586**	**15,235**
Operating invested capital	**27,296**	**29,293**	**28,627**	**25,404**	*-11.3*	**26,134**	*2.9*	**26,913**	**27,648**	**28,377**
Total capital employed	**32,328**	**34,627**	**33,911**	**30,785**	*-9.2*	**31,635**	*2.8*	**32,554**	**33,441**	**34,327**

Cash Flow (US$m)	06/24	06/25	06/26	06/27E	%ch	06/28E	%ch	06/29E	06/30E	06/31E
EBIT (UBS)	5,945	5,704	5,683	5,578	*-1.8*	5,762	*3.3*	5,980	6,199	6,421
Depreciation & amortisation	677	748	762	654	*-14.2*	667	*2.0*	703	732	758
Net change in working capital	(768)	(77)	76	(143)	*-*	(79)	*45.1*	(108)	(159)	(243)
Net interest	(861)	(799)	(752)	(670)	*10.9*	(654)	*2.3*	(656)	(689)	(704)
Tax paid	(1,099)	(1,114)	(817)	(1,107)	*-35.5*	(1,237)	*-11.7*	(1,303)	(1,349)	(1,401)
Other operating	93	(303)	(711)	(1,205)	*-69.5*	(674)	*44.1*	(106)	(2)	(8)
Operating cash flow	**3,987**	**4,159**	**4,241**	**3,107**	*-26.7*	**3,785**	*21.8*	**4,509**	**4,731**	**4,823**
Tangible capital expenditure	(1,604)	(1,663)	(1,307)	(1,382)	*-5.8*	(1,389)	*-0.5*	(1,395)	(1,328)	(1,264)
Intangible capital expenditure	0	0	0	0	*-*	0	*-*	0	0	0
Equity free cash flow	**2,383**	**2,496**	**2,934**	**1,724**	*-41.2*	**2,396**	*39.0*	**3,114**	**3,404**	**3,559**
Net (acquisitions) & disposals	0	0	0	0	*-*	0	*-*	0	0	0
Equity dividends paid	(2,242)	(2,298)	(1,846)	(1,113)	*39.7*	(1,112)	*0.1*	(1,360)	(1,842)	(1,727)
Share issues / (buybacks)	(976)	29	1	11	*NM*	(487)	*-*	(1,973)	(1,971)	(1,969)
Net other cash flows	(322)	(150)	199	2,932	*NM*	0	*-*	0	0	0
Cash flow (inc)/dec in net debt	**(1,157)**	**77**	**1,288**	**3,555**	*176.0*	**797**	*-77.6*	**(219)**	**(410)**	**(136)**
FX / non cash items	(3,649)	(1,303)	(663)	1,004	*-*	(29)	*-*	(27)	(27)	(26)
Balance sheet (inc)/dec in net debt	**(4,806)**	**(1,226)**	**625**	**4,559**	*NM*	**768**	*-83.1*	**(247)**	**(437)**	**(163)**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Diageo (DGE.L)

Valuation (x)	06/24	06/25	06/26	06/27E	06/28E	06/29E	06/30E	06/31E
P/E (local GAAP, diluted)	21.6	28.3	29.4	15.0	13.2	12.2	11.4	10.7
P/E (UBS, diluted)	21.2	18.3	13.9	13.7	12.9	12.1	11.3	10.6
P/CEPS	18.0	15.1	11.5	11.6	11.0	10.3	9.6	9.0
Equity FCF (UBS) yield %	283.2	372.1	NM	338.6	NM	NM	NM	NM
Dividend yield (net) %	2.8	3.3	2.2	2.2	2.7	3.3	3.6	3.8
P/BV	8.4	6.4	4.7	3.8	3.7	3.4	3.2	3.0
EV/revenues (core)	4.9	4.2	3.6	3.6	3.5	3.4	3.2	2.9
EV/EBITDA (UBS core)	15.1	13.3	10.9	10.8	10.0	9.7	8.9	8.3
EV/EBIT (core)	16.8	15.0	12.4	12.1	11.2	10.8	10.0	9.2
EV/OpFCF (core)	19.3	15.2	12.2	12.4	11.4	11.0	10.3	9.6
EV/op. invested capital	4.1	3.0	2.4	2.5	2.5	2.4	2.3	2.1

Enterprise value (US$m)	06/24	06/25	06/26	06/27E	06/28E	06/29E	06/30E	06/31E
Market cap.	84,162	67,033	51,278	50,884	50,884	50,884	50,884	50,884
Net debt (cash)	18,572	21,588	21,889	19,297	16,633	16,633	16,633	16,633
Buy out of minorities	2,038	2,088	2,083	2,105	2,148	2,206	2,273	2,348
Pension provisions/other	429	409	387	387	387	387	387	387
Total enterprise value	**105,201**	**91,118**	**75,637**	**72,684**	**70,076**	**70,161**	**67,728**	**65,302**
Non core assets	(5,032)	(5,334)	(5,284)	(5,381)	(5,501)	(5,641)	(5,793)	(5,949)
Core enterprise value	**100,169**	**85,784**	**70,353**	**67,303**	**64,575**	**64,520**	**61,935**	**59,353**

Growth (%)	06/24	06/25	06/26	06/27E	06/28E	06/29E	06/30E	06/31E
Revenue	18.4	(0.1)	(3.0)	(5.2)	0.2	2.3	2.8	2.7
EBITDA (UBS)	15.2	(2.6)	(0.1)	(3.3)	3.2	3.9	3.7	3.6
EBIT (UBS)	13.2	(4.1)	(0.4)	(1.8)	3.3	3.8	3.7	3.6
EPS (UBS, diluted)	(0.8)	(7.0)	0.7	0.8	5.5	6.9	6.9	6.7
Net DPS	29.4	0.0	(51.7)	0.0	23.1	22.1	7.0	6.7

Margins & Profitability (%)	06/24	06/25	06/26	06/27E	06/28E	06/29E	06/30E	06/31E
Gross profit margin	60.2	60.5	59.6	60.1	60.4	60.6	60.6	60.7
EBITDA margin	32.7	31.9	32.8	33.5	34.5	35.0	35.3	35.6
EBIT (UBS) margin	29.3	28.2	28.9	29.9	30.9	31.3	31.6	31.8
Net earnings (UBS) margin	19.4	18.0	18.7	19.9	20.9	21.4	21.6	21.7
ROIC (EBIT)	24.6	20.2	19.6	20.6	22.4	22.5	22.7	22.9
ROIC post tax	18.3	15.7	14.8	15.5	16.8	17.0	17.1	17.3
ROE (UBS)	44.2	34.5	33.5	32.4	30.5	29.4	29.4	29.4

Capital structure & Coverage (x)	06/24	06/25	06/26	06/27E	06/28E	06/29E	06/30E	06/31E
Net debt / EBITDA	3.2	3.4	3.3	2.7	2.5	2.5	2.4	2.4
Net debt / total equity %	173.8	168.5	166.6	120.5	103.3	100.5	100.4	97.2
Net debt / (net debt + total equity) %	63.5	62.8	62.5	54.7	50.8	50.1	50.1	49.3
Net debt/EV %	17.7	23.7	28.9	26.5	23.7	23.3	24.7	26.1
Capex / depreciation %	NM	NM	195.7	NM	NM	NM	200.0	183.5
Capex / revenue %	7.9	8.2	6.7	7.4	7.4	7.3	6.8	6.3
EBIT / net interest	7.0	7.1	7.3	8.7	9.2	9.6	9.5	9.6
Dividend cover (UBS)	1.7	1.6	3.3	3.3	2.9	2.5	2.5	2.5
Div. payout ratio (UBS) %	58.6	63.0	30.2	30.0	35.0	40.0	40.0	40.0

Revenues by division (US$m)	06/24	06/25	06/26	06/27E	06/28E	06/29E	06/30E	06/31E
Others	20,269	20,245	19,643	18,630	18,660	19,096	19,628	20,165
Total	**20,269**	**20,245**	**19,643**	**18,630**	**18,660**	**19,096**	**19,628**	**20,165**

EBIT (UBS) by division (US$m)	06/24	06/25	06/26	06/27E	06/28E	06/29E	06/30E	06/31E
Others	5,945	5,704	5,683	5,578	5,762	5,980	6,199	6,421
Total	**5,945**	**5,704**	**5,683**	**5,578**	**5,762**	**5,980**	**6,199**	**6,421**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	8.0%
Forecast dividend yield	2.5%
Forecast stock return	10.5%
Market return assumption	9.6%
Forecast excess return	0.9%

Company Description

Diageo is the world's largest premium alcoholic beverages producer, with an estimated c20% share of the global premium spirits market. Diageo produces and sells over 200 brands across c180 countries. By category, spirits account for c76% of group sales, beer (including Guinness) for c18%, with the rest from ready-to-drink. The US is its largest contributor to profits. Diageo also owns a 34% stake in Moët Hennessy, 56% of United Spirits in India, and 63% of Swellfun in China. Diageo is listed on the London stock exchange and is part of the FTSE100, with ADR in NYSE, and is 100% free float.

Valuation Method and Risk Statement

We value Diageo on a multiple based framework, via a c17x EV/NOPAT multiple on our FY29E estimates, in line with European consumer staples peers.
Diageo's profitability is derived from sales of its products to consumers globally and is therefore subject to variances in economic conditions, to the extent that these affect consumer confidence and spend. It is also subject to a variety of regulatory and government influences, such as excise duty, over which it may have little or no control. Diageo's earnings are sensitive to FX fluctuations, particularly the US$/£ which represents 50% of EBIT.



Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Diageo

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	55%	24%
Neutral	FSR is between -6% and 6% of the MRA.	39%	20%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 30 September 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS:Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. In some cases, this yield may be based on accrued dividends. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Equity Price Targets** have an investment horizon of 12 months.

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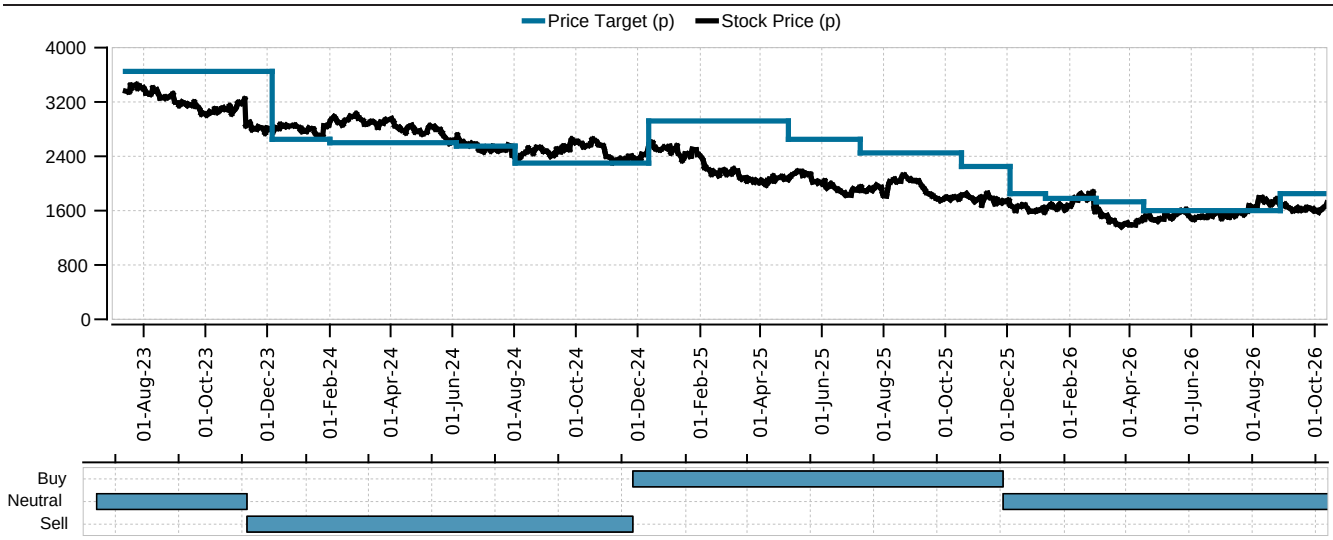
Company Name	Reuters	12-month rating	Price	Price date
Diageo[4,5,16,6,28,7]	DGE.L	Neutral	1,713p	13 Oct 2026

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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Diageo (p)



Date	Stock Price (p)	Price Target (p)	Rating
2023-07-13	3333	3650	Neutral
2023-12-05	2813	2650	Sell
2024-01-31	2861	2600	Sell
2024-06-04	2640	2550	Sell
2024-08-01	2400	2300	Sell
2024-12-11	2490	2920	Buy
2025-04-28	2070	2650	Buy
2025-07-08	1940	2450	Buy
2025-10-16	1802	2250	Buy
2025-12-03	1750	1850	Neutral
2026-01-07	1577	1780	Neutral
2026-02-26	1586	1730	Neutral
2026-04-14	1490	1600	Neutral

Date	Stock Price (p)	Price Target (p)	Rating
2026-08-27	1702	1850	Neutral

Source: UBS Global Research; LSEG Eikon as of 13-Oct-2026. All prices as of local market close. Ratings as of date shown.

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