Diageo plc	Intrinsic Value: $ 154	TTM P/E: 19.23x	Market Cap:
NYSE: DEO	**Current Price: $ 133**	**Forward P/E: 19.64**	**$70.83Bn**
Sector: Consumer Staples	**Stop Loss: $ 108**	**Beta: 0.80**	**Dividend Yield: 3.03%**
Industry: Alcoholic Beverages		**5 Yr. ROIC: 13.66%**	**52 Wk. Range: 119.48 -161.64**

Business Description: Diageo produces, transports, and sells alcoholic beverages globally. As a market leader in scotch, vodka, stout beer, liqueur, Canadian whisky, gin, and tequila, Diageo has over 200 brands in its portfolio: Johnnie Walker, Smirnoff, Guinness, Don Julio, Casamigos, Crown Royal, Cîroc, Ketel One, Captain Morgan, Baileys, Tanqueray, 34% of Moet Hennessy, etc. Sales globally are: North America - 39% of sales, EU - 24%, Asia – 19%, Lat. Am - 9%, Africa - 9%. Based in London with ADRs listed on the NYSE.

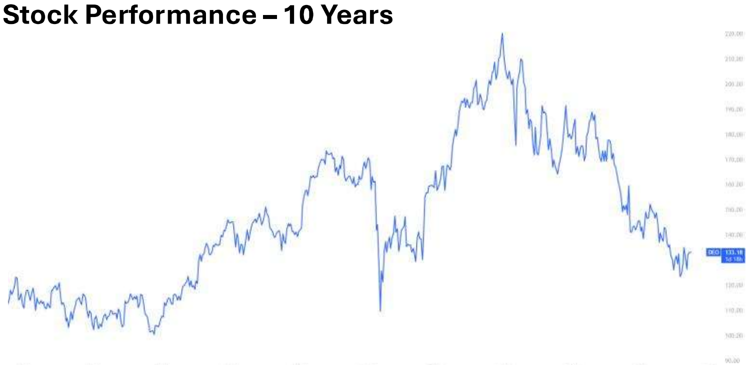
Industry Overview & Analysis: Diageo is in a long-term stable industry growing in the mid-single digits. Most products are high-end, benefiting from premiumization trends. This has led to an average ROIC of 12% over the past 20+ years. However, there has been a notable slowdown in 2023-24, with challenges expected to persist into 2025. Soft demand in many markets, especially Latin America, has caused inventory issues. The largest market, U.S. has been impacted by cautious consumers.

Investment Thesis: Our DCF valuation reflects a prolonged recovery from the slowdown, with sales growing 0-1% in 2025, 4% in 2026, and ~ 5% in 2027-29 (below guidance of 5-7%). We believe there is heightened uncertainty but no fundamental issues with the business. Excluding Lat. Am. sales grew 1.8%. Premiumization should continue as well as demand from the rising middle-class across the world.

Competitive Advantage: Strong brand recognition as well as the aging process drives scarcity, pricing power, and loyalty. Diageo grew or held market share in over 75% of measured markets (FY2024).
Supply-Chain Advantage – provides all categories and major brands, creating a one-stop shop for customers to buy everything from one supplier.
Cost Advantage – Large distribution scale and raw material procurement (barley, agave, grapes, etc.)
Protection from New Entrants:
E-commerce - age verification limits disruption
Discounters - private label volumes are minimal
Aged Spirits - face fewer new entrants due to high upfront costs and revenue lag in production.

Risks:
U.S. alcohol consumption has steadily increased over the past 20 years but may reverse in the future. The premium spirits segment is sensitive to economic cycles.
China's crackdown on gifting alcohol to officials presents ongoing regulatory challenges.
Scottish tariffs are significant, as whisky produced outside Scotland cannot be labeled as Scotch.
Diageo also faces foreign exchange risk, with expenses primarily in British pounds and sales in U.S. dollars.

Stock Performance – 10 Years



Company Name	Description	Market Cap (Bn)	EV	EBITDA	EV/EBITDA	P/E TTM	5Yr Avg. ROIC	Gross Margin %	Net Margin %	5Yr Beta	Credit Rating
DIAGEO PLC	Sells many well-known/premium liquor brands. Scotch, tequila, gin, rum, vodka, liquer, wine brandy, beer, & foreign liquors.	$74.48	95,553	6,497	14.7	17.6	13.66%	60.5%	19.1%	0.36	A-
BROWN-FORMAN CORPORATION	70% of sales comes from whiskey & bourbon (Jack Daniels, etc.) Also sells tequila, vodka, rum, gin, and premium wines.	$21.57	25,160	1,198	21.0	23.0	18.06%	59.6%	24.2%	0.75	A-
CONSTELLATION BRANDS, INC.	80% of sales from Mexican beer imports (mainly Modelo & Corona). 3rd-largest market share of all major beer suppliers.	$46.50	57,859	3,787	15.3	18.8	5.11%	51.1%	24.4%	0.87	BBB
Kweichow Moutai Co., Ltd.	Moutai is a premium alcohol and China's national drink. Consumed during many high-profile historical & political events	$224.71	201,538	15,312	13.2	19.8	32.46%	92.0%	50.3%	0.66	-
Anheuser-Busch Inbev SA	Sells 6 out of the top 10 beer brands. Budweiser, Stella Artois, Michelob Ultra, Bud Light, Corona outside of the US, etc.	$113.52	210,057	18,002	11.7	28.3	5.11%	54.5%	9.9%	0.98	A-
MOLSON COORS BEVERAGE COMPANY	Owns well-known beer brands including Miller, Coors, Blue Moon, and Carling. Ranks as the second-largest beer maker	$10.67	17,501	2,559	6.8	10.1	1.36%	39.1%	9.8%	0.81	BBB
THE BOSTON BEER COMPANY, INC.	4 main brands: Samuel Adams, Angry Orchard, Twisted Tea, and Truly. Strong positions in craft beer, malt, hard cider, hard seltzer	$3.17	2,993	237	12.6	36.1	10.42%	43.8%	4.6%	1.06	-

Exit Multiple Method - Value per Share	
Free Cash Flow at year 5	5,501
WACC (After Tax)	6.04%
Exit Enterprise Value / EBITDA	14.99
Terminal Value in 5 years	128,445
PV of Terminal Value (@ WACC)	95,781
(+) PV of Free Cash Flows (@ WACC)	19,438
(=) Current Enterprise Value	115,219
(-) Total Debt	22,481
(-) Minority Interest	2,038
(+) Cash and Marketable Securities	1,405
(=) Equity Value	92,105
Shares outstanding	555
Estimated Value per Share (USD)	165.92
Current Price (USD)	133.00
Margin of Saftey	24.75%

Share Price	Exit Multiple Sensitivity Analysis				
:	10	12.5	15	17.5	20
6.50%	$ 106	$ 134	$ 162	$ 191	$ 219
6.25%	$ 107	$ 136	$ 164	$ 193	$ 221
5.50%	$ 112	$ 141	$ 171	$ 200	$ 230
4.75%	$ 116	$ 146	$ 177	$ 208	$ 238
4.50%	$ 117	$ 148	$ 179	$ 210	$ 241