



## **BACKGROUND AND FACTS: DIAGEO AND WORLD CLASS**

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### **DIAGEO LATIN AMERICA & THE CARIBBEAN (LA&C)**

- DIAGEO's LA&C business is comprised of the following emerging markets from the BRICM economies: Brazil and Mexico.
- The total beverage alcohol market in LA&C is growing at 2% CAGR. International spirits account for US\$18 billion of the net sales pool in LA&C.
- DIAGEO's growth strategy is to move 50% of its business to the emerging markets and LA&C is expected to deliver a significant share of this growth (2011 interim half year results indicated LA&C contributed towards 12% of DIAGEO's total net sales).
- DIAGEO's partnerships within LA&C provide efficient routes to markets for both its global and local brands, helping it better understand insights into consumer trends, and provide a platform for mutual learning and growth across the region.

### **DIAGEO BRAZIL**

- Brazil contributes approximately 24% of DIAGEO's organic net sales within LA&C, and PUB (Paraguay, Uruguay, Brazil) contributes 29% as a cluster.
- Over the past four years DIAGEO sales in the country more than doubled and financial results increased by four times.

### **LUXURY IN LA&C**

- With increased GDP growth across large LA&C markets, economies are rapidly developing and shifting alongside a growing emerging middle class with disposable income.
- Latin America and the Caribbean is expected to account for around 40% of the world's luxury demand by 2014 and to have reached a value of over \$310 billion by 2015. And whilst relatively small at around \$4.7 billion, the Brazilian luxury market is also expected triple in size by 2015, a growth rate second only to China. This trend is mirrored within luxury spirits with Asia Pacific set to account for 27% of the super deluxe spirits and above segments by 2015
- Brazil is one of the fastest-growing major economies in the world with an average annual GDP growth rate of over 5 percent. In 2011, Brazil's GDP grew by a rate of 2.7%, and is expected to continue along the same trajectory for the next 3-4 years, making it one of the fastest growing emerging economies in the world.
- Although it may not yet have experienced the heady growth that other leading emerging markets have enjoyed, Brazil is nevertheless an emerging-market success story. By 2017, it will hold 12<sup>th</sup> position in the Household Wealth Index.
- The number of households in Brazil with wealth in excess of US\$1 million is forecast to be 675,000 by 2017 - a considerably higher figure than its emerging market peers of China, India and Russia.
- By 2017, Brazil will also be home to the largest number of millionaires in Latin America - it will overtake Mexico, which currently has more millionaires, in 2013.

### **LUXURY SPIRITS**

- The value of the global luxury spirits market is set to grow at 13% CAGR with stronger growth in emerging markets and the whisky and brandy categories. By 2015 the global luxury spirits market is forecast to be worth around \$30 billion.



- In the first half of fiscal F'12 year, Reserve LA&C delivered double digit organic net sales growth (38%) and we are confident that this double digit growth rate should continue throughout the next fiscal year.
- Whilst the Brazilian luxury spirits market is currently small in value at an estimated £16 million value, it is expected to grow with a projected CAGR of 36% (value) until 2015. Super deluxe Scotch is appealing more and more to Brazil's new luxury consumers with the segment having grown at 41% CAGR between 2004-2009.

#### **DIAGEO RESERVE BRANDS**

- DIAGEO's luxury brands are predominantly captured within its Reserve portfolio with the brand range including Johnnie Walker Blue Label Blended Scotch Whisky, Johnnie Walker Platinum Label Blended Scotch Whisky, Johnnie Walker Gold Label Reserve Blended Scotch Whisky, Ketel One Vodka, Zacapa Rum, Don Julio Tequila, Cîroc Vodka and Tanqueray No. Ten Gin. In some markets, DIAGEO's luxury brands do fall outside of the Reserve portfolio, including for example Old Parr Superior in LA&C.
- DIAGEO's Reserve brands are defined by authenticity, exquisite craftsmanship and heritage. Each liquid in the Reserve brand range is crafted to unrivalled perfection, creating adoration amongst premium customers and luxury consumers.
- In the first half of fiscal year 2012 DIAGEO Reserve brands delivered a 25% increase in organic net sales growth, contributing 31% of DIAGEO's total organic net sales growth in the same period.
- DIAGEO is investing heavily in its luxury business in LA&C to capture three broad consumer trends; the rise of the luxury Latin American consumer, premiumisation and growth within international spirits, and the emergence of the high end on trade.
- Scotch has an important role to play in DIAGEO's luxury business in LA&C as the largest international spirits segment in region. The premiumisation trend in Brazil is at an all time high driving Scotch growth over the last 5 years at a faster pace than the whisky category (Total Scotch Whisky CAGR is 8%, while SDLX+ Whiskies CAGR is 16%).
- Super Deluxe Scotch is appealing more and more to new luxury consumers with the segment growing at 45% CAGR (2004-2009 IWSR). Whilst it only currently makes up 2% of the total Scotch market by volume, it contributes more than double in value at 5% (2009 LA&C figures).
- As the vodka category in Brazil - currently at 6.5 million cases - continues to expand, this growth is now being driven by the premium and above price points with sales of regular and value vodka slowing. The super premium vodka segment has grown at 70% volume CAGR in the last 5 years.

#### **DIAGEO RESERVE WORLD CLASS**

- The on trade is an important growth driver for DIAGEO's LA&C business, accounting for approximately 50% of our business.
- DIAGEO RESERVE WORLD CLASS is DIAGEO's biggest investment in its on trade luxury customers globally with the one year programme educating, training and inspiring the world's best bartenders in the art of mixology, to drive both sales and better consumer experiences in high end bars and restaurants around the world
- In LA&C alone, 8 markets have been taking part in DIAGEO RESERVE WORLD CLASS in 2012 and since last year's final, the region has seen a growth of more than 20% in the number of outlets supporting DIAGEO Reserve brands.
- Running in more than 50 countries around the world, the DIAGEO RESERVE WORLD CLASS programme has continued to drive results for this business in LA&C:
  - 128% uplift in NSV of DIAGEO RESERVE brands



- 102% increase in menu share visibility
  - 135% increase in bartender participation - 3,000 bartenders trained to date
  - 5 new markets on board this year - Colombia, Dominican Republic, Costa Rico, Argentina, U.S. Virgin Islands
- In addition, over the past year, DIAGEO RESERVE WORLD CLASS has resulted in:
    - 60% increase in the number of outlets supporting DIAGEO Reserve brands globally
    - Activation in 606 bars, 1,431 bartenders trained and 440 bartenders participating in the Western Europe regional finals
  - And after hosting the Global Final last year in New Delhi, India uplift was measured at:
    - 150% increase in bartender participation
    - 253% increase in participation from accounts in the country
    - 60% increase in the number of Indian outlets supporting DIAGEO Reserve brands
    - Expected Net Sales Value increase 26% of Diageo Reserve Collection in activated accounts