Diageo investor call with the Presidents - Transcript
Europe, Russia & Turkey – 19th September 2017
Presenter: John Kennedy

John Kennedy: Hello, everyone. It's John Kennedy here, great to be with you on the call today. My responsibility, as some of you know, include India, but today we'll use the time to focus exclusively on Europe, Russia and Turkey. I'll take about probably 20 minutes to share some thoughts and background on all three of those markets in turn.

I would like to make you aware that we recently made the decision to integrate Russia into our One Europe market model from F18. We've seen the benefits of this approach across countries, most recently having rolled it out successfully into our Eastern Europe business, so we believe that Russia can also benefit from the approach and I will cover the two markets separately today, but you can expect a more integrated approach when we discuss them in the future.

So this region once again contributed strongly to Diageo's overall performance in F17 with organic net sales up 4.8 percent, delivering over a quarter of overall company growth. It's been another good year of consistent performance and one that I believe demonstrates that the execution of our strategy we put in place four years ago is effective.

I'd like to take this opportunity today to share why I believe the region can continue to sustainably deliver good, low single-digit growth year-after-year. I'm going to spend the bulk of my time talking about the Europe market, specifically, so let's start there.

This continues to be an attractive business for Diageo. As a market, there are over 450 million beverage alcohol consumers in this one market. Our share is still relatively low with almost half of spirit volume being local spirit brands that are losing share to more premium international brands like ours.

In IWSR's 2016 report, we continue to see this premiumization trend playing out with spirits value in growth, but volume down 2 percent, and the brands that the IWSR categorizes as Low-Price and Value were the drivers here with volumes down 3 percent. However, Standard and above brand volumes were up 1 percent, and within that, more Premium brands grew fastest. I do believe there's an opportunity to consistently gain share and for our strong portfolio to participate in the consumer's growing demand for those more premium products.

So we're accessing this opportunity with a clear focus on delivery against the Diageo execution priorities that you've heard Ivan talk about. Our performance over the past few years demonstrates how these priorities, when executed consistently, deliver sustainable growth and share growth. I'll spend more time talking in a minute about each one of those.

This is the fourth consecutive year of improved organic net sales performance in Europe with top line up 4 percent. We've gained share across Western Europe spirits, plus 20 basis points, which continued to trend and takes a cumulative gain over four years to over 100 basis points of share.

Now this has been supported by investments that we put behind the brands. Europe marketing reinvestment rates have increased over that time period by 100 basis points. And on top of that, we've been driving marketing efficiencies that mean we get more bang for the buck from that investment. Over the same period, we've also been able to increase operating margins by almost 200 basis points.

So let me talk through each of the execution priorities. As a reminder, those are strengthening our premium core brand, innovating at scale, winning in reserve, building route to consumer and driving productivity to allow us to reinvest in the business.

And actually I'll start on productivity. We've made further progress, but the fact is that we've been making changes to become a more efficient and effective business for a number of years now, and that is the reason we can invest in growth while still expanding our margins. I'll take you through a couple of the areas that stand out over the last year.

First up is organizational effectiveness and design. Over the last few years, we've continued to streamline the business and push more resource into the front end sales facing roles and less in back office-end functions.

This year, what we've done, actually we delivered about 1/5 or 20 percent of our total productivity savings from organizational change, and an example of that would be continental Europe where what we've seen is that in a geography with over 50 countries, there is a large amount of diversity, but there's also a huge amount of similarity in how we think we should be doing business.

So we structured this business into bigger clusters, multi-country units that have similar consumer demographics and channel environments. We have now bigger multi-country leaders in key commercial positions who help us drive better execution and performance. The countries in these clusters are better able to share best practice with each other. These groups of businesses have standardized roles and responsibilities which allows faster, more consistent ways of working and actually creating big jobs that attract good talent.

Another area is how we're using data to drive efficiency. You've heard quite a bit at our Capital Markets Day in May on what we've put in place in marketing with our catalyst tool. The catalyst has already been an important part of F18 planning across this business, and through this year, will help make us faster and sharper on our resource allocation.

It has required us to transform our capability to organize and analyze data, and we feel good about the steps we've taken here. Every one of our marketers now has on their laptop the ability to harness that data through a variety of what-if scenarios to really find the optimal investment mix.

We also think there's a big opportunity that we are digging into now on net revenue management. It's at an earlier stage than catalyst, but we are about to get access to the same level and quality of data as we do with catalyst but on our trade spend. I'm confident the investment in tools we're developing here will allow us to make smarter, better decisions around headline pricing, promo pricing and our trade terms right through the things like best range of formats for particular outlets and channels.

Finally, on productivity, just moving to a couple of other marketing specifics. You've heard over the last couple of years what we've done globally in reducing media agency. In Europe, we're making similar big changes. In customer marketing, we've made significant changes to experiential marketing and point-of-sale management just in the last 12 months. Not only are we are delivering cost savings, but we're working with fewer, larger agencies in a way that meets the effectiveness of our programs better.

We've moved to two experiential agencies down from 12 a year ago to manage all of our, we call it bench or third-space type activations. On point-of-sale, we reduced the number of agencies developing point of sales from over 20 to 1 and significantly rationalized the available items in a core catalogue so that we can actually use a couple of dozen proven items that we can use all across Europe and we know there's good return on investment. And in that area alone, for example, we were able to save GBP 7 million just in F17, so a lot happening on productivity to allow us to continue to fuel growth.

Next up is the premium core brands. Let's move on to what we're doing to keep the big trademarks vibrant. Europe's Global Giant brands grew at 4.7 percent last year. All of them gained share, which is a good indicator of the health of the brands and how our broad-based growth drivers are biting.

Let's start with Guinness, up over 2 percent in net sales and gained share year-on-year in GB, Ireland. Guinness stout grew with strong activation around rugby and St. Pat's and on the light of the success we're getting from The Brewers Project. I do think that we've shown that we can take a big, well-known brand, emphasize the brewing excellence that goes into making Guinness and leverage that play with a consumer who's interested in beer and interested in craft.

I'll come back to this a little later when I talk about innovation. But overall in Guinness, we've grown share over the past 3 years by about 60 basis points with that coming from the base stout brand as well as innovation.

Johnnie Walker was up 9 percent supported by execution of a few big growth drivers. Liquid on lips and sampling at scale with Johnny & Ginger has been key. Our biggest ever gifting program across Europe has been a big driver of growth and strong innovation with the first edition of our Blender's Batch series, Red Rye Finish.

Baileys was up 6 percent last year and that's on top of 9 percent the year before, and we're delivering consistent growth with continued marketing behind the Don't Mind If I Baileys campaign, and in H2, with the launch of Baileys Iced Coffee Latte and Mocha can.

Baileys is really at the forefront of our marketing work on occasions through the, what we call the millions of trigger strategy. We're reminding consumers constantly about the brand they love in more occasions and through our broad range of digital media platforms that are really increasing top-of-mind awareness.

Captain Morgan continues to storm ahead. It was up 10 percent with GB and France being the strongest contributors to growth. In GB, Captain has taken over 3 percentage points of share in rum in the last year and has now assumed leadership position of the category over its main competitor. One in every three pounds spent on rum in GB is now spent on Captain Morgan.

Tanqueray is another success story, up an impressive 26 percent, which is well ahead of gin category growth and supported by the new "it's what you put in" platform with a focus on the on-trade, building Tanqueray tonic as the leading syrup and driving single-brand activation in the off-trade.

Our only Global Giant that was in decline was Smirnoff, down almost 4 percent. This was solely driven by GB where we made some commercial efficiency improvements including inventory reductions. And actually, Smirnoff's underlying performance in GB is healthy with the brand taking 120 basis points of share over the last 12 months.

So let's take a look at innovation next, which is playing a big role, obviously supporting those brands. Innovation continues to grow in importance for Europe now accounting for 11 percent of our total sales, up significantly versus a few years ago. And it's been a great year for innovation with continued success from both products launched just this year and from those from two or three years ago.

I'll give you a couple of examples. Let me start with whiskey where, first off -- first of all, we have Johnnie Walker's Blender's Batch and Johnnie Walker Red Rye aims to recruit consumers into the Johnnie Walker brand and it accounted for a significant part of total brand growth in F17. We also have Haig Clubman, which is performing well having sold nearly 60,000 cases in the fiscal year. It was recognized in GB by “The Grocer” as innovation launch of the year. Haig Clubman aims to recruit new consumers into the scotch category, and early indications suggest that's what's happening with a high proportion of consumers who are not regular scotch buyers and also are much more likely to be younger than a traditional whiskey drinker.

Finally, on whiskey innovation, a brand that is small today, but one with a bright future is Roe & Co, our new premium Irish whiskey, which we launched in the second half to join our reserve portfolio. And with this brand, we intend to disrupt the premium Irish whiskey category because it's an underdeveloped category at the top end and we believe a premium offer like Roe & Co can create new business.

Now I said I'd come back to “The Brewers Project” a few minutes ago. Another innovation that I mentioned last year was Hop House 13, and I'm delighted with the success we've seen this brand deliver for Guinness. Hop House 13 nearly doubled in size over the year with continued growth in Ireland and more recently expanding distribution in GB. In GB on-trade, we learned from the initial launch in Ireland.

We expanded distribution selectively into key outlets on- and off-trade. We've gotten to some scale now. And I believe we showed with Hop House 13 that we can bring together the best of craft and the reliable quality of a trusted, well-known brand. Hop House 13 is not overtly a Guinness brand, but consumers know where it comes from and they value that.

Looking ahead for innovation, there is more to be excited about. For today, I'll just give you one example to watch, which is Gordon's Pink Gin. We launched it just a few months ago. And not only is it an exciting brand that's performed very well initially, but it brings to light how we can work as a European business to drive real agility and pace, and I won't give away any commercially sensitive data, but I think you'll see us lead from the front on developing this interesting subcategory over the next year.

The next priority is reserve, which continues to be a key part of our growth and driving positive mix for the whole business. Reserve represents about 12 percent of our total net sales today. Within reserve, we doubled our luxury spirits business over the last four years and now holds a 19.5 percent share of total luxury spirits [Luxury spirits – IWSR; super-premium, ultra-premium and prestige]. That's more than double the share of our nearest competitor, and we have seven of the top 20 luxury brands in Europe.

On reserve brands performance, the growth rates are impressive - Ciroc, up 15 percent; Ketel One, 37 percent; Tanq 10, 45 percent; Johnnie Walker luxury variants, 20 percent; and Bulleit and Don Julio, both up an impressive 48 percent. Scotch malts saw a softer performance and we're flat this year mainly due to a sharp decline in Benelux following a hefty duty increase. However, the underlying health of malt is strong and Diageo has three out of the top [five] brands by value, so we have a lot of confidence in the growth of that category.

Our recent success in reserve has been supported by a relentless continued build of our route to consumer. Over the last year, we've increased integration of the reserve team into the core business and we're leveraging the core sales team to help drive the reserve business. This has led us to get to the stage where we've tripled the number of brand activations in the best bars and clubs across the business.

If you look at where we are today, we now call on [over] 5,000 of the top bars and clubs in Europe, that's three to four times bigger than it was four years ago and that's a monthly call and that's supplemented by brand ambassadors as well as sales calls, so a real strength there.

And actually, that leads into the next section, which is more broadly talking about route to consumer. You'll recall that I told you last year we had increased sales heads by a 1/3, allowing us to efficiently deploy this additional resource to double the number of outlets called upon. We've gone from a little bit over 40,000 to well over 100,000 over the last four years.

And through F17, we've continued to develop this off a strong foundation. As expected, we've been able to continue improvement as we get into using better outlet data and insight into the effectiveness of our coverage routes and call frequencies.

Let me give you a little bit of color on that. Spain would be a good example where, just in the last year, we've had a project that allowed us to double our on-trade coverage, but only with a fractional increase in the total number of heads that we have. We've gotten much better source of data on the outlet universe and also the performance by outlet that's allowed us to shift our call frequency and patterns to be much more effective, so we're getting to some real scale in Spain in on-trade.

More broadly across Europe, the line of sight we have into data from our outlets is allowing us to move with more agility. An example would be in terms of tourism in Europe, we've now developed a model where we reallocate resource during key summer months to seasonal resort areas and supplement that with tactical third-party resources. That actually allowed us to hit 15,000 outlets this summer that we never touched before and we see strong results from that.

Just rounding off route to consumer, I'd like to update you on what's happening in digital commerce. I'm happy about where we are in this emerging business and channel and I expect us to continue to perform well. We've doubled the business, the digital sales business, over the last two years. This has been achieved through significant increase in investment in a dedicated digital commerce team with the right capabilities and background.

This team is focused on ensuring our brands are both available and show up well across all digital channels. And to give you a flavour of how we stand, we are category leaders in GB across consumer goods. And in GB, Spain and Germany, our main countries right now, we're actually growing faster than in our other channels and growing our share ahead of our on- and off-trade share.

Our F17 performance reinforces my confidence that the individual parts of the strategy are working well together with smarter investment behind our brand portfolio, delivering sustainable share gains in growth and fueled by a virtual circle of efficiency as we drive productivity.

Just turning to Russia and Turkey. On Russia, we're pleased with our results in F17. Volume was down 4 percent overall. Net sales up 7 percent as significant price increases went through. But more importantly, we grew Bell's and Johnnie Walker double digits and took share on both of those key brands this year. I'm optimistic about Russia, midterm, with a more stable local currency and economy with moderating levels of inflation.

It is a country that has real potential with relatively high GDP per household and international spirits still holding a relatively low share of total market with a real consumer aspiration to trade up to categories like whiskey.

We have been making changes to our business to set it up for success with a reduced cost base and a clear focus on reserve and scotch where we believe the key opportunities lie. I mentioned earlier that we're now integrating into Russia into the Europe market. We're confident that this gives the business more access to Europe's bigger functional resources, tools and processes in an efficient way, which will set them up for greater success in the future.

Finally, on Turkey, we grew net sales 4 percent last year. Volumes were down 2 percent. The gearing here was generated from price increases in response to increased excise duties. Raki was up 5 percent; Johnnie Walker continues to grow double-digit. Indeed, whiskey is very strong. Our outlook in Turkey is more measured given the local political and economic uncertainty, but we do have a good local spirits position with raki, our scotch business is strong and Turkey remains one of our best markets when it comes to strength of route to consumer.

The economy continues to grow with favorable demographics, so we do believe we have an attractive position for the longer term.

So in summary, the Europe, Russia, Turkey region is a strong business overall with a clear strategy that's been implemented over the course of the last several years. The execution of the strategy has delivered another good set of results in F17, and we expect we can continue good low single-digit growth year-after-year with continued margin expansion, which will contribute to Diageo's mid-term goals. Thank you for listening to all of that. I'm just going to stop now, and we're going to open the call up for questions.

Sanjeet Aujla: Hi, John. Thanks for the presentation -- a couple of questions, please. You talk about your medium term expectations for low-single digit growth. Can you just characterize your expectations for the next 12 months as you come in on the back of two very strong years? And how would you characterize the pricing environment across Western Europe, in particular, at the moment? Are you seeing any improvement there? Thanks.

John Kennedy: Yes, thanks for those questions. I think on the sales line, look, there'll be some moderation up and down year-to-year, but this year and for future years we will stick to the guidance of the good low-single digit growth and would be working hard to make sure that we deliver that each year. So I don't expect to see a big change in that next year, either up or down.

On the pricing environment, yes, that's a great question. It continues to be a deflationary environment in a number of channels and countries, particularly in the off-trade and particularly as we've seen the strength in the discounters competition and as bigger buying groups emerge. So we would expect some headwinds there.

Overall, as we look at the mix benefit we get from reserve, which is significant and as we really start to build the muscle and capability on that revenue management, that the combination of those two things means that we will get good mix and we will get price, but we recognize that the market's not going to help us do that. We're going to have to earn it ourselves.

Sanjeet Aujla: Thanks John.

Trevor Stirling: John, just one question from my side. You've had a couple of really good years and virtually everything seems to be getting better over the last couple of years. Where is it you're not satisfied? Where do you see the room for improvement?

John Kennedy: Hi Trevor, yes, if you look across the business, I suppose we look by brand and category. So top of mind, if I look at the geographies, we're particularly seeing a lot of opportunity in Eastern Europe where stronger distributor management is driving our whiskey business; Germany where, even though we've grown a lot, we're still only 5 percent share of total spirits so there's going to be a big migration; international brand, I think the big news in the last two years has been Spain on-trade roaring back the way it has.

And GB is in very good shape because, I think, not so much the market because of our execution there. On the other hand, if you looked at the Benelux business with a really onerous tax increase two years ago, which had a big impact on spirits, the deflationary trend that we were just talking about a minute ago particularly hitting us in France where sales are relatively flat despite gaining share.

And then, finally, Ireland is a very successful business, but it's -- the beer market overall is still, despite a strong economy, showing declines over time. So I think, Trevor, as you look across, our view is we will mitigate some of those downside and we'll really press the advantage on the countries that are strong to make sure we deliver the overall guidance.

You would see a similar story if we talk to categories where some categories like gin is still showing double-digit increase, I don't know how many years that is now, but very significant. We're growing a lot in rum. But -- however, whiskey is relatively flat and that's a big business that we're working hard to get into growth. So there is a mixed picture, but, on balance, there is as many positives as negatives and we think we have the growth drivers to move the overall business ahead.

Trevor Stirling: Great, thanks very much John.

John Kennedy: Sure, Trevor.

Fernando Ferreira: I have two questions, please. First one, I was just curious about your comments on e-commerce strength because Europe is one region where the sales of alcohol through that channel seem to be a lot more developed, right, than other regions. So if you can share with us a little bit more insight in terms of the online market share you have relative to off-line.

And also when consumers are purchasing online because in spirits they're making a higher out-of-pocket spend, do you see consumers as more brand dependent relative to other categories, which are, let's say, more at risk, right, from e-commerce? And then second question on vodka, as you mentioned, right, it's a pretty important category for you, especially in certain countries like GB.

Do you see the risk of something like Tito's, for example, coming in and disrupting the category or a small brand taking a lot of share? Or do you think the distribution that you have and the barriers in Europe are higher than in the U.S. given the three tier system, for example?

John Kennedy: Yes. Thanks, Fernando. I'll start with the digital commerce piece. Yes, probably just a couple of points there to give a sense of what we're seeing. Number one, it's moving fast and examples of that would be England would be the most developed market in the world for digital bev alc sales at 8 percent versus anywhere else we track. So the consumer is on the front foot in Europe, and even other countries like Germany which kind of had a standing start 18 months ago and has accelerated very quickly, so it can take off.

In terms of how we operate in that channel, the business we're seeing is relatively promising because the -- if you think about the occasions that it tends to serve, it tends to be a lot of gifting occasions around holidays, et cetera, where you want to purchase something specific for someone else, you might want to personalize it and therefore we're seeing the mix and the pricing that we get be pretty robust and particularly favouring the whiskey category.

So, so far, good brands are performing well in the channel. In terms of our own capability, we're obviously learning a lot in what is shopper marketing look like online versus off-line and we think we're moving fast on that. It's also an area where there's a massive integration of sales and marketing, and in essence, sales and marketing are no longer separate disciplines by any measure.

So for example, we've put in a lot of effort to make sure that our marketing content is shop-able this year. As of now, only about 3 percent to 4 percent of brand messages that you receive from Diageo could you click to purchase. We think we can increase that very significantly over time and now will have a big impact on the efficiency of our marketing spend converting into sales.

And we've been pioneering things like we did an online cocktail series, like a travel show for the best cocktails in the world called, the List, and on every one of those episodes, you can click through to purchase not only our brands, but all the ingredients that were offered. So it is developing fast and we believe we're moving pretty quickly with it.

The way I'm measuring it is our online share should be bigger than our off-line share that shows that we're moving fast in terms of staying abreast or ahead of the competition, and in most instances, that's the case. So those are a few things we're seeing, Fernando. Maybe we can come back to that if anyone else would like to learn more.

On vodka, yes, look, I think on the vodka, our overall vodka approach, we feel good about the line-up. If you look at the category and where the competition is, you've got Smirnoff as, by far and away, the lead brand in the category in some markets like GB with share up over 60 percent. And the growth drivers on festivals and the We're Open communications platform, we think, are strong.

And as you ladder above that, you have Ketel One, one price tier up where we think there's significant room for growth and we actually think that brand, which is still small today, can be a disrupter of that price tier and grow very significantly. And then Ciroc's a bit further ahead at the luxury end where it is now, for the second year in a row, the leading luxury vodka in England and the growth driver that are working, we believe, can work across the rest of Europe.

So I do think and we've seen disruption in vodka in other markets like the U.S., but we're very tuned in to that and we think we've got a good portfolio that should allow us to compete and grow overall share over the next couple of years.

Fernando Ferreira: Great, thanks John.

Chris Pitcher: Thanks very much, good afternoon. I have a couple of questions. Firstly, you mentioned you're integrating the Russian business into your One Europe model. Could you give us a bit more colour on what to be wary of when you do that using, say, the Eastern European business as an example, you talk about increased agility, does -- can you integrate these businesses into the centre and still maintain that sort of fleet of foot in the local market?

And then, secondly, on Spain. Spain is recovering, but it's still some way off the sort of revenue it was generating for your business prior to the financial crisis. How much has that market now changed structurally in terms of the number of on-trade outlets? Or do you see further scope to win back share that you lost to beer during that period post 2009? Thanks.

John Kennedy: Thanks, Chris. It's a great question on Russia on the agility piece and that was the key thing we focused on when we integrated the Eastern Europe business a couple of years ago because Eastern Europe would have only represented about 5 percent of the sales of total Europe, so the risk was you get lost in a bigger machine. So we put a lot of effort as we roll that business into Europe to make sure the speed of decision-making, the local economy in terms of commercial decisions and customer management were clear.

And we've had great results. And where we've gotten benefits is we've just been able to more quickly roll out some of the bigger brand growth drivers that we've seen work in other countries. And as I look at Russia, and I spent a couple of days with the team there recently particularly looking at the marketing programs, I know that we will help them go faster by tapping into some of the European expertise in this area.

So it was my key worry two or three years ago. We've done it once well. It's not gone away as a concern, but our track record is pretty good and I think we'll be able to make it work.

On the Spain question, yes, it's a great way to position it. Like when we have a good year in Spain, the first thing I'd say to the team is, well, how does that compare to 10 years ago? Because what we do know is there is a massive appetite in Spain for spirits and particularly whiskey with key categories like whiskey and gin and therefore there's a lot of room to grow. In terms of the structure of the market, there have been two big changes, one is on categories that have gone from more brown spirits to white spirits with gin. The outlets have gone more from late-night venues to early evening. And there's been more of a shift from the on- to the off-trade.

Despite all of that, you still have over 250,000 on-trade outlets in Spain. You have a culture that, from everything I see, is possibly more on-trade focused than any country we work in around the world. And there's a lot of latent demand that we think we can tap into as people come out of the crisis mentality and therefore I actually would expect us to grow significantly in Spain over time. So yes, there's been a big shift and we're well off our peak, but if you turn that around, I think it means we've got real growth potential.

And the route to consumer work that I mentioned earlier, a few years ago, we were calling on almost no on-trade outlets. We're up to well over 20,000 of the key ones now, and the mix on those has shifted a lot from late-night clubs to what we call day trade outlets, more focused on a drink before or after dinner. So we believe we're moving effectively with the market and should be able to continue to get results there.

Chris Pitcher: And would you be able to share what the mix of your Spanish business looks like now between scotch, gin and what have you and where you see the growth coming from in Spain?

John Kennedy: Yes, I'll see if I can dig up the numbers on the spreadsheet, I've got on the computer here. But broadly, we are a, compared to competitors, we're a much bigger scotch whiskey company whereas other competitors are bigger in white spirits and gin. And that can create a bit of a headwind because of the growth we've seen in the gin category, but we're planning for that and saying -- mapping out exactly what we need to do in order to win share of spirits overall in Spain.

And I was just looking at the last three months share in the on-trade, how we've gone from negative to positive territory, which is a big step forward. So I would say the mix is a little bit against us, browns and white spirits. Where we do have an advantage though is that we are seeing the luxury trend in Spain and we've got some very strong brands there like Cardhu. And we have underdeveloped categories, Captain Morgan is still a baby brand in Spain and I would expect, like every other country we've been to, that it will be a leader within a few years.

Chris Pitcher: Thank you.

Laurence Whyatt: Hi, thanks so much for the questions. Two for me, please. Just coming down from the sort of mid-single-digit growth that was achieved last year down into low single digits for the near future, could you give us indication of which countries are going to see the biggest decline in that growth rates and sort of what do you think is driving those?

And then, secondly, getting some decent performance coming out of Guinness in the U.K. and Ireland, can you give us some color on how much synergy you get between the beer business and the spirits business and whether that helps open up certain channels that didn't already exist or otherwise help the portfolio?

John Kennedy: Sure. I think on the country mix, I wouldn't expect anything to change dramatically in the near future versus what we're seeing today. So some of the areas that I mentioned where we're seeing high growth and expected to maintain those levels are Eastern Europe, are what we call our Northern Europe business, which is Germany plus Austria, Poland, Switzerland. Spain is solid. GB is solid.

And really because the pricing in France and from the overall slower -- well, no growth in volume consumption in Ireland and the tax environment in Benelux, it'll take a bit for -- to see a significant turnaround there. But all of those combined broadly deliver the guidance that I was talking about.

On the question on Guinness and beer, yes, we do think there are synergies, and I know when you talk to the African team about what's happened there, we do see having a strong beer business as giving us access to a scale route to market.

And it's interesting, because of that, the share of spirits that we have in Ireland and GB, which is where we have our biggest beer businesses, are pretty much bigger than anywhere else in Europe except for Greece. So -- and when we looked at that, it does come down to synergy on route to consumer, the number of outlets you can call, the frequency to call it. So it is an added benefit that we try to use the best effect.

But of course, if you look at Continental Europe where we don't have big businesses, the combination of the other growth drivers has delivered very strong growth, just under 7 percent NSV growth for Continental Europe business in F17. So it's a great thing to have, but it's not mandatory that we have a big beer business in a particular country to win in spirits.

Laurence Whyatt: Thanks very much.

Jamie Norman: Hi, John. Jamie Norman also from Soc Gen. A question about the U.K., which has been notably strong for the last couple of years. Back in the day, it was generally a very tough environment, and as you approach Christmas, it was with a wing and a prayer, a question of who blinked first, you or the multiple retailers and you might have thought with the advance of the hard discounters, things would be getting perhaps tougher still, not to mention with a macro environment.

So just wondering how you're looking ahead to the U.K. for this current year and perhaps into the medium term, the -- all the good things you're doing bearing fruit clearly. Are you pretty confident that, that's going to be a good story?

John Kennedy: Yes, we have been pleased with GB the last couple of years if you look at the consistent share performance and that is despite some areas that could present headwinds. Like, the things we're doing that we think are working to continue to drive growth that give us confidence probably include a couple of things. There has been a big benefit from mix in GB.

The level of growth that we've seen on reserve, and I mentioned that reserve as 12 percent of our sales now, it's actually 19 percent of our spirits now and that number is even bigger in GB because there has been really outstanding growth in the higher priced tier. So that continues and has been a big underpin for GB. There is a lot of price competition, but back to the point on net revenue management, we do believe and we work closely with the customers on this, that the way we treat trade investment and promotional pricing is getting smarter.

And we're able to put in a promo strategy that still offers great value to the consumer, but gives more margin to the customer and to us. So it's an example of revenue management getting more sophisticated. I think some of it is great brand work. So Captain Morgan has been a particular success in GB.

Guinness, after a period of some weaker performance, we're now into about the third or fourth year of share growth. And if you look at the GB beer market, we're about the only big mainstream beer brand, and with our scale, we are a big beer brand, that's growing share. All the others are losing to craft or to international brands. And a lot of that has been down to good innovation as well as physical availability. I mean, we've made a big move into smaller kegs that get into food-led outlets versus wet-led outlets and the brand has performed.

And I think also the attitude of the GB team is that we may be a big share of spirits, but if you look at total beverage alcohol, we're only about a 1/10 share and there's still significant room to grow. And I think what'll come through in the next 12 or 18 months is actually on the route to consumer angle.

We're doing a lot of work to parse where we can win bigger both in types of outlets, for example, food-led or city center versus urban, and that kind of growth drivers that we're putting in. So I feel the team there is earning the growth and should be able to maintain it for the foreseeable future.

Jamie Norman: Just a micro follow-up, if I may, the further potential for Hop House 13. It's obviously had a great start, but where are you on that journey?

John Kennedy: Look, it's a big success and we think we just started because it is growing fast. And it's not just growing fast in total sales. The rate of sale per outlet is very good and we see when we put the growth drivers in place, particularly in bar visibility and advertising, it moves ahead significantly. And if you look at where the brand is positioned in the market, it is a drinkable craft beer.

It's in that nice sweet spot where it has real flavour, but it's easy -- a very easy product to drink and we think there's a lot of growth there. So I don't know the exact number, but I would say that we're still in the early stages of building Hop House 13 in GB and Ireland and there could be opportunities, which would have to fit in with our distribution's portfolio in other countries to take that to some of the major continental markets as well.

Jamie Norman: Thank you very much.

John Kennedy: OK. Well, thanks, everyone, for joining the call. Just to close out on -- just wrapping up those key points. It was a good year in F17 and we were happy with the broad-based growth that we're getting and share gains coming from a number of areas. And also, that this is consistent over time in that we have a formula here that's working for us year in, year out.

And that is because if you look at those growth drivers, the executional priorities I talked about, we can really point to a continued build of the muscle on each one of those year-by-year that's driving those results and we know how to do that and to keep driving that forward. We're definitely not done yet. We've got the opportunity to continue to strengthen the business over time.

I tell my guys when they say are we doing well, I say, yes, we're doing well, but you're still only 3 percent of beverage alcohol in Europe. There's plenty of room for growth, so let's keep going. And I've got confidence that we can continue to deliver sales growth and share gains over time.

So thanks for joining us today, and I'll draw the meeting to a close now. All right. Goodbye.