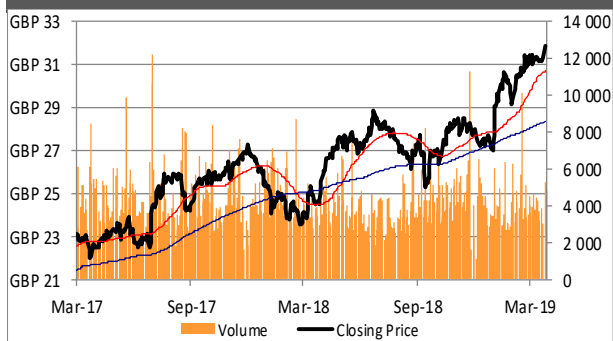


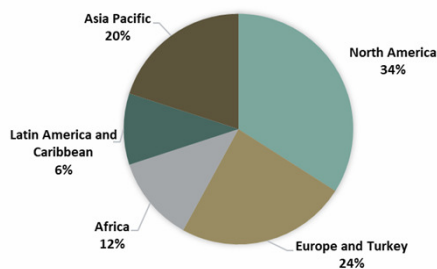
SHARE INFORMATION

Share Code	DGE
Industry	Beverages
Sector	Consumer Staples
Market Capital (GBP m)	76 151
Current Price (GBP)	31,82
Consensus 1yr Target Price **	32,75
Price - 52 Week High:	31,84
Price - 52 Week Low:	24,48
Dividend Yield	2,09%
Beta 5 Year (JSE All Share)	0,83

SHARE PRICE PERFORMANCE**



NET SALES BY REGION 1H 2019



VALUATION RATIOS **

Period	P/E	P/SALES	EV/EBITDA
Last 12 Months	ned In	igned In	Signed In
Current Year Est	ned In	igned In	In reference.
Expected	ned In	igned In	In reference.

** Data provided by Thomson Reuters

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DIAGEO PLC (LSE:DGE)

Diageo plc, together with its subsidiaries, produces, markets and distributes premium alcoholic beverages worldwide. The company operates in various categories, including spirits and beer and has a presence in more than 180 countries globally. Its geographic segments include North America; Europe, Russia and Turkey; Africa; Latin America and The Caribbean, and Asia Pacific. The company offers globally recognised flagship brands such as Smirnoff, Johnnie Walker, Captain Morgan, Cîroc, Guinness, Jose Cuervo, Bell's, VAT 69, J&B, Tanqueray and Gordon's.

FUNDAMENTAL/TECHNICAL OVERVIEW

The group reported its half year (H1:2019) results on the 31st of January 2019 and reported an impressive performance in the first 6 months. Diageo reported organic net sales growth of 7.5%, driven by good volume and price mix growth, with growth being broad based across categories and regions. Diageo reported a double-digit operating profit increase of 12%, mainly due to revenue growth and productivity efficiencies which saw an increase in earnings per share (before exceptional items) of 14% for the period. Diageo generated solid cash flows in the reporting period, with net cash from operating activities of £1.6 billion improving year over year. Diageo's biggest contributor to group sales came from the North American region which makes up 31% of group sales and the growth for the region came in at 6%. The sales growth in the region was mostly driven by Scotch Whiskey and the beer product category. These categories grew by 10% and 13% respectively.

The group's fastest growing segment in terms of sales was Asia-Pacific with sales growth of 13% and also contributing 19% of sales to group revenue. The star performers in this region were China and India where sales growth was largely driven by whiskey malts, posting net sales growth of 20% and 12% respectively for these regions. The brand that received most of the sales within the region came from the premium Johnnie Walker whiskey. The two stand-out brands in terms of sales growth across the entire group were in the Gin and Tequila category, and reported an increase of 28% and 29% in net sales respectively. Gin sales growth came in very strong from Europe, driven by Gordon's and Tanqueray gin. Looking at the Tequila sales, the main contributing factor was its Don Julia premium spirits brand which had a very strong performance in the first 6 months.

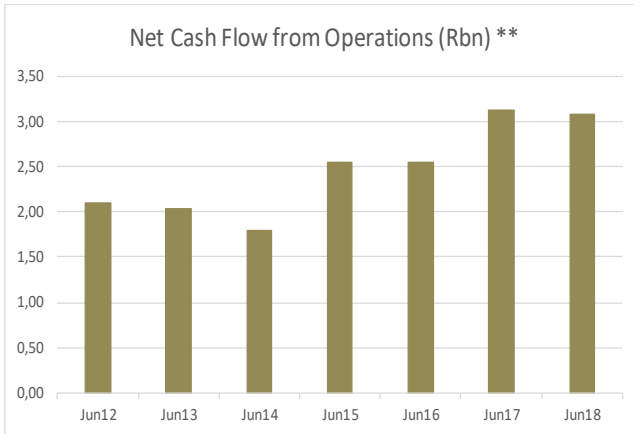
Diageo, with its premium selection of brands that are highly popular and well positioned to cater for different consumer tastes, has an advantage over other distillers, manufactures and distributors of premium spirits and beer. The group has tremendous potential to further increase their distribution networks such as Africa where the population dynamic is very different from the rest of the world. Diageo plans to execute the second tranche of their share repurchases program of up to £1.7 billion during the second half of the financial year. The stock has a trailing 12-month PE of 26.55 and a historic dividend yield of 2.09%. The group is well-capitalised with ample reserves on the balance sheet to take up new opportunities, evident by their cash position and also their free cashflow.

Research contributors

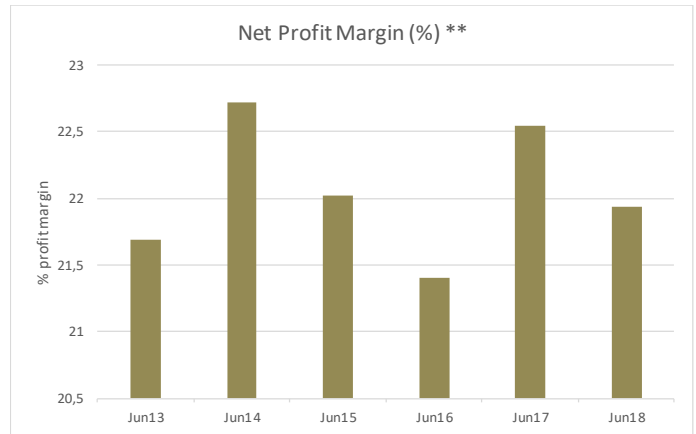
Pieter-Jan van Niekerk, Ben Petersen, Schalk Louw

EQUITY REPORT

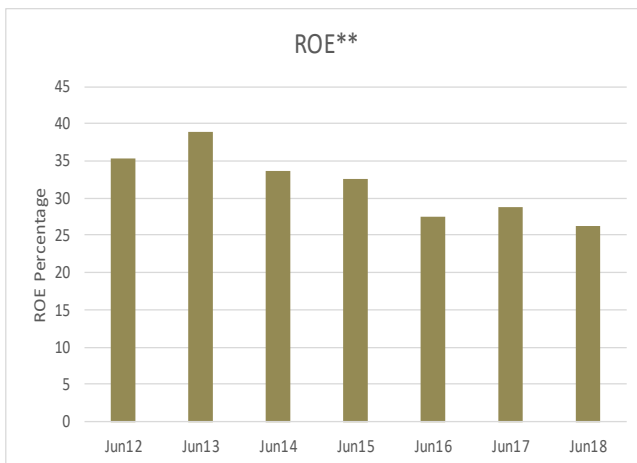
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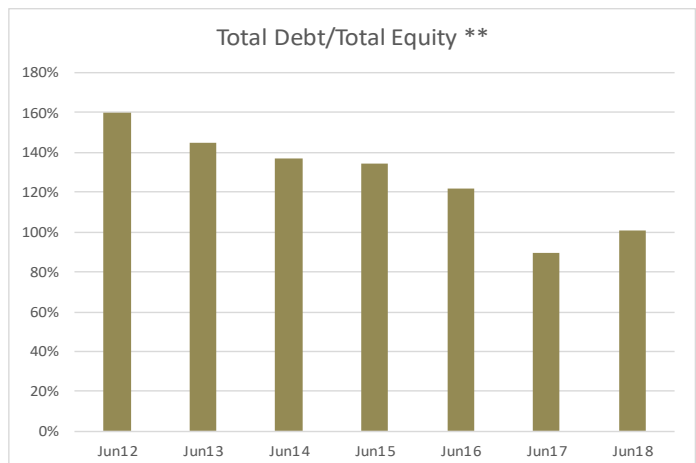
Net cash flow from operations has increased substantially since 2012.



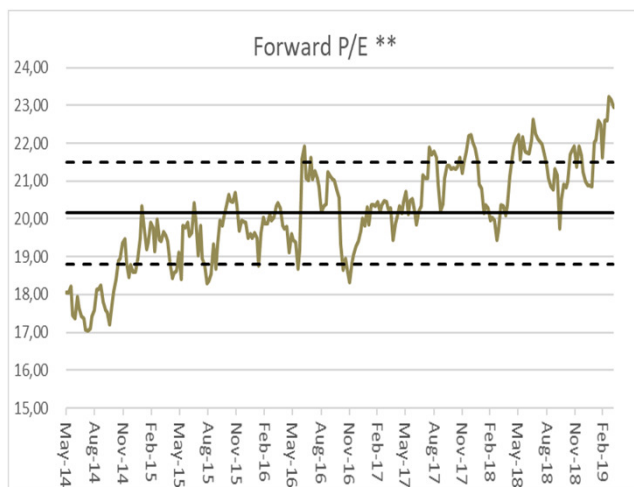
Margins declined slightly in the FY18, but remains at acceptable levels.



The group reported a positive ROE of 26.5% for FY18, well above the industry mean of 14.5%.



Total debt-to-equity has declined since FY12.

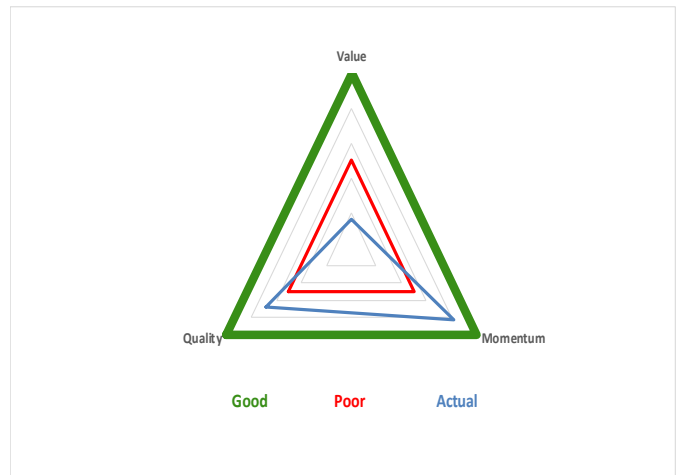
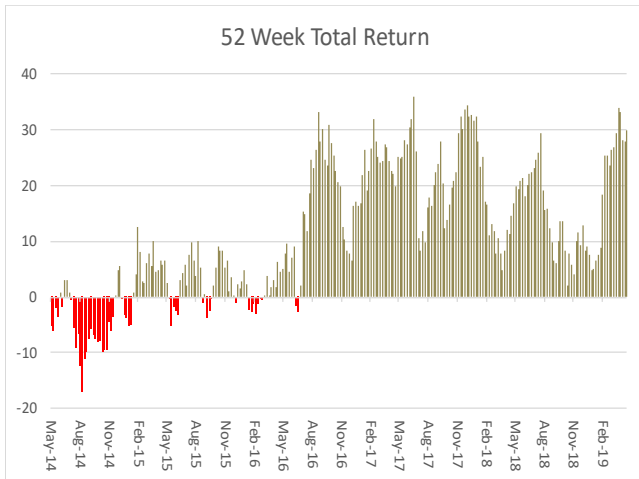


The company's forward PE is 22.96, which is more than one standard deviation above the long-term average of 20.15.



The company's PB is at 8.07, which is more than one standard deviation above the long-term average of 6.41.

** Data provided by Thomson Reuters



Diageo's 52-week high/low is £31.84/£24.71 respectively, currently trading at £31.83 per share. The company's year to date performance is 13.89% and the share at the time of writing, was trading above its 50-day and 200-day moving averages. The RSI and stochastic oscillator are now at overbought levels. Support can be found at the 50-day moving average around £30.71.



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