



**ALLIED DOMEcq**

Results for the Full Year  
to 31 August 2001



ALLIED DOMEcq

***Philip Bowman***

Chief Executive

## Allied Domecq - August 2001 Results Highlights

	2001	2000	Growth%
Turnover (£m)	2,879	2,602	11
Trading profit (£m)	543	487	11
Profit before tax (£m)	453	404	12
Profit before tax incl Mexican excise rebate (£m)	500	404	24
Normalised earnings per share (p)	31.0	27.4	13
Normalised eps incl Mexican excise rebate (p)	33.9	27.4	24
Dividend (p)	12.1	11.0	10
Return on investment (%)	9.6	9.3	

Note: The results above are at reported exchange rates. Profits and earnings in the presentation exclude those of discontinued operations in 2000 and the Mexican excise rebate unless otherwise stated.

# Allied Domecq Delivers

Growth  
1999 - 2001

- Spirits & Wine Revenue +22%
- Spirits & Wine A&P +20%
- Spirits & Wine Trading Profit +24%
- Quick Service Restaurants Trading Profit +36%
- Profit before taxation +30%
- EPS +28%

# Strategic Intent

- Managing our existing assets more effectively
- Strengthening our brand portfolio
- Gaining critical mass in key markets
- Developing a world class premium wine business
- Catalysing industry consolidation from a position of strength

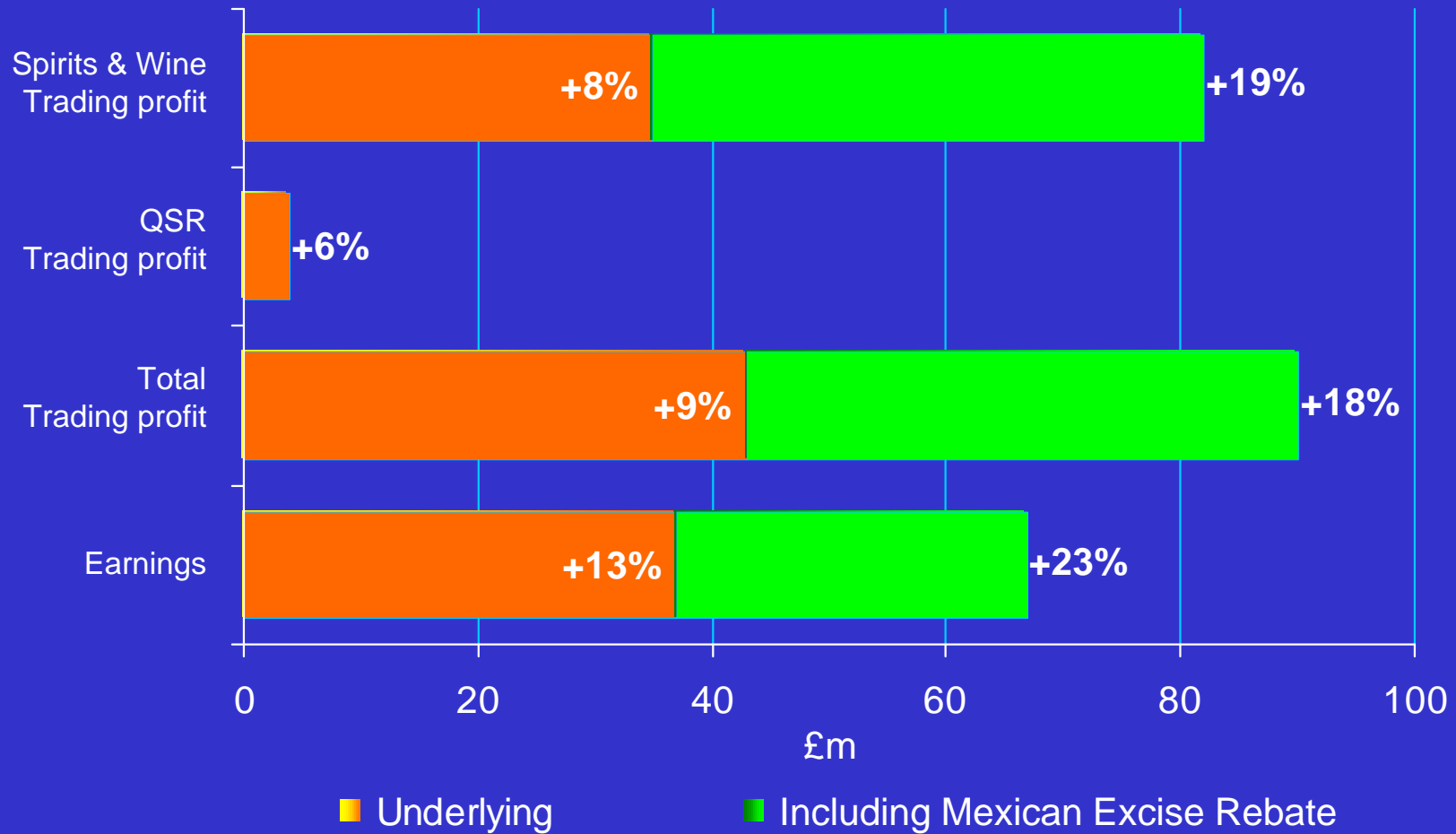


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***Graham Hetherington***

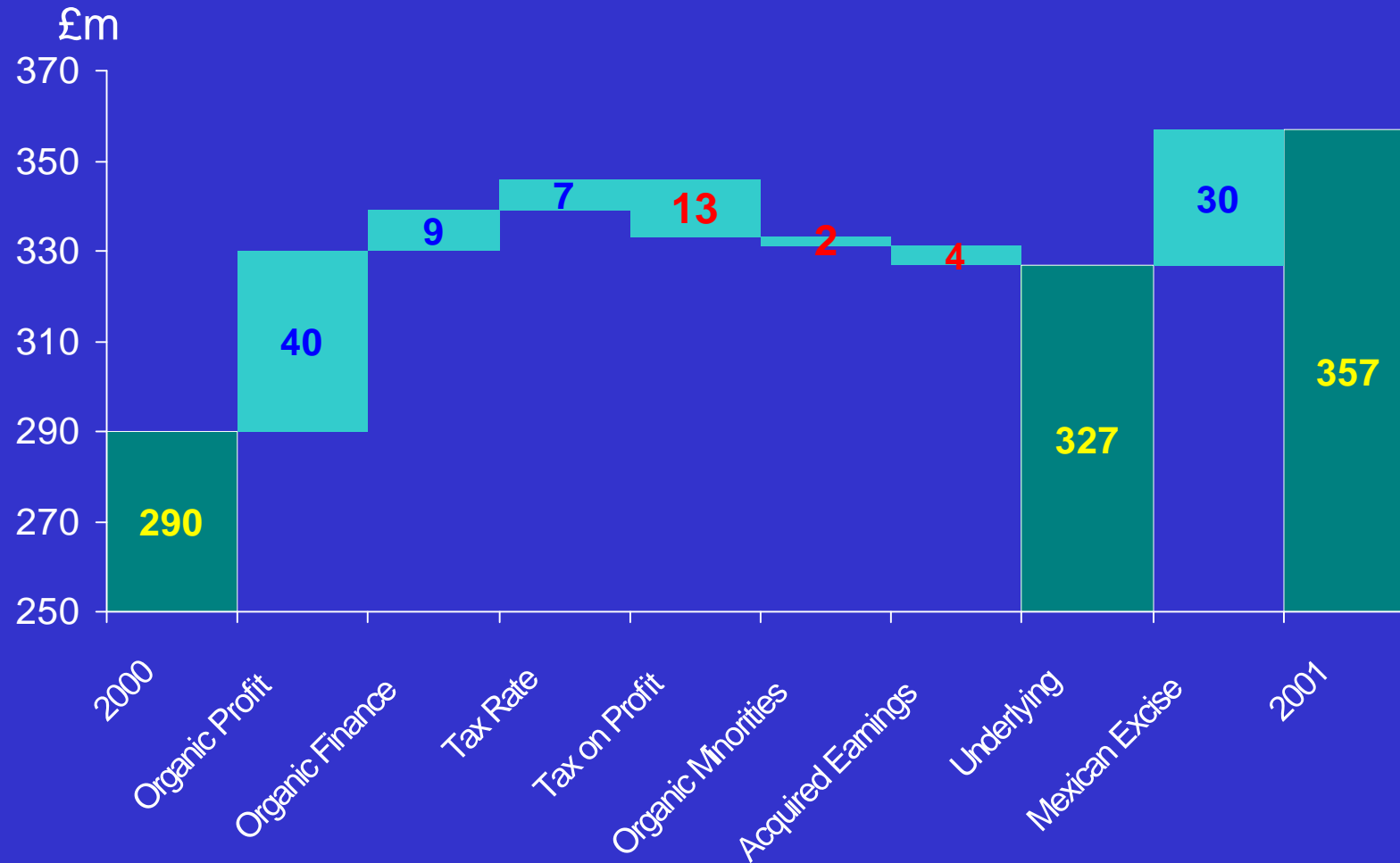
Chief Financial Officer

# Earnings Growth



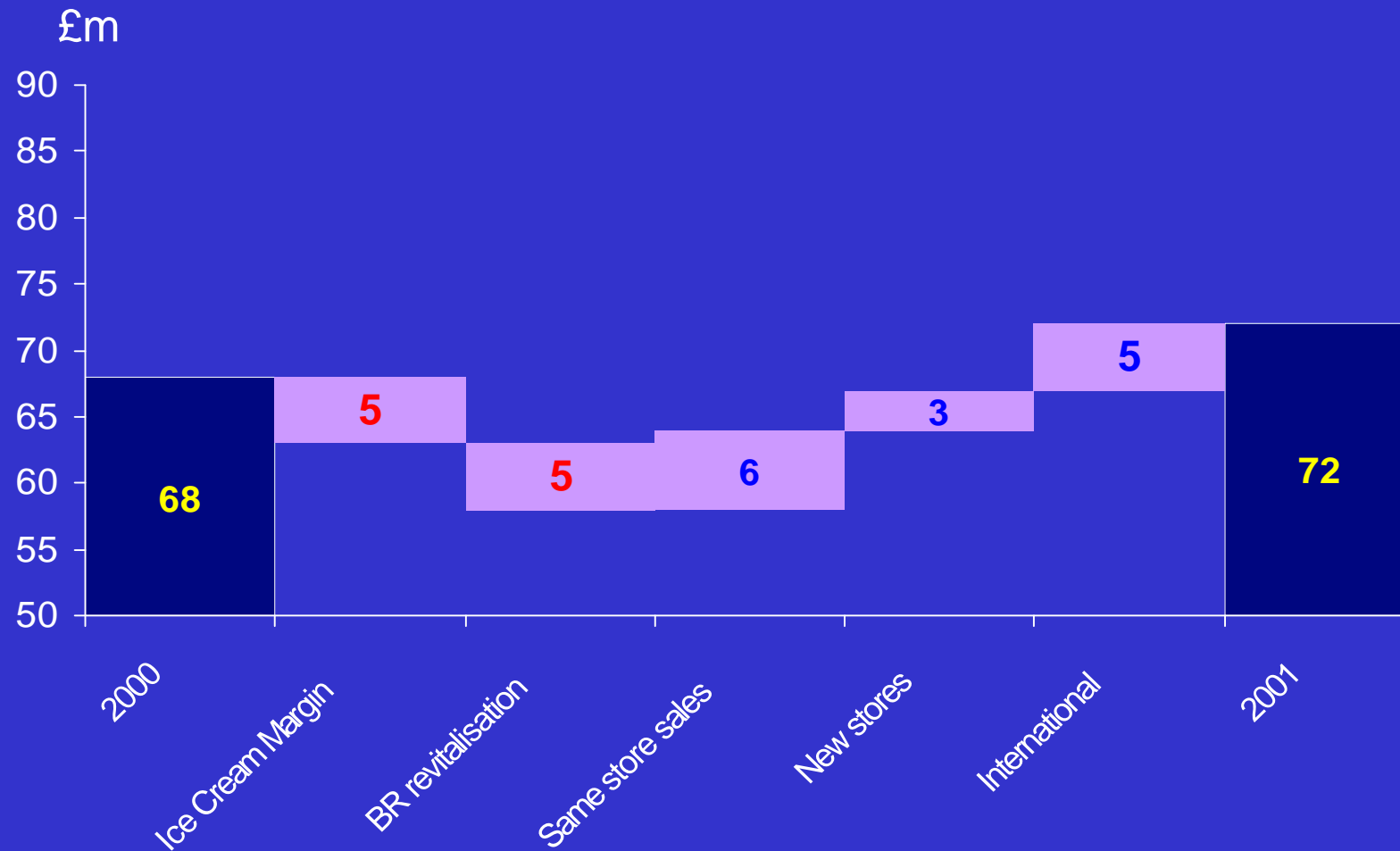
Note: Unless otherwise stated trading profit analysis in the presentation is at constant exchange rates.

# Allied Domecq Earnings Drivers



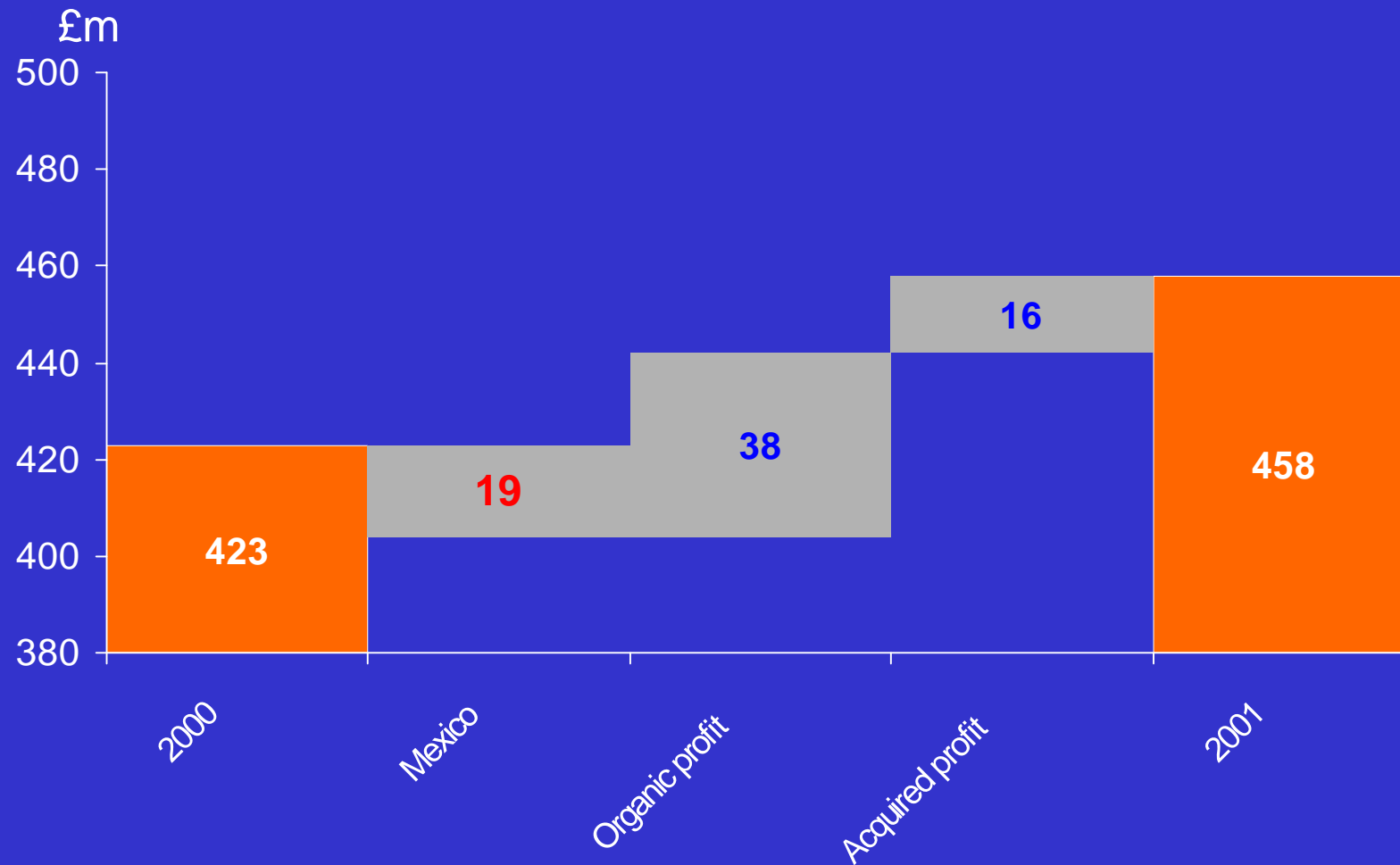
Growth shown in blue, decline in red

# QSR Profit Drivers



Growth shown in blue, decline in red

# Spirits & Wine Profit Drivers



Growth shown in blue, decline in red

# Volume Profile

- Ballantine's
  - Europe +5%
  - Asia +10%
- Beefeater Spain +10%
- Sauza US +13%
- Canadian Club Canada +20%
- Fundador Philippines +12%
- Imperial South Korea\* +12%
- Maker's Mark US +10%
- Mexican Brandy -25%
- Sauza Mexico -55%
- US Price repositioned brands -5%

\* organic

# Spirits & Wine Trading Profit

	2001 £m	2000 £m	Growth %
Net turnover	<u>1,966</u>	<u>1,814</u>	8
Gross margin	1,146	1,068	7
A&P	<u>330</u>	<u>308</u>	7
Net brand contribution	816	760	7
Overheads	<u>358</u>	<u>337</u>	6
Trading profit (excl rebate)	<u>458</u>	<u>423</u>	8
Trading profit (incl rebate)	<u>505</u>	<u>423</u>	19

The profit and loss account is stated excluding Mexican excise rebate.

# Investment for the Future

## People, Brands & Customers

- Reward & Remuneration
- Brand building & innovation
- Stakeholder communication
- Global customer management

## Business Structures

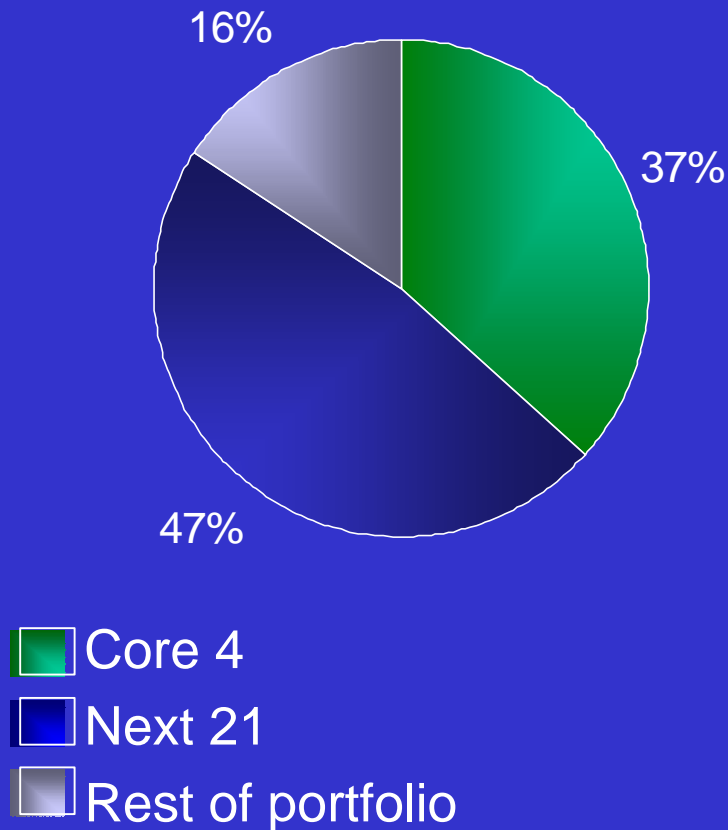
- Business reorganisation & refocus
- Integrated business risk management
- Increased developing market debt protection

## Systems

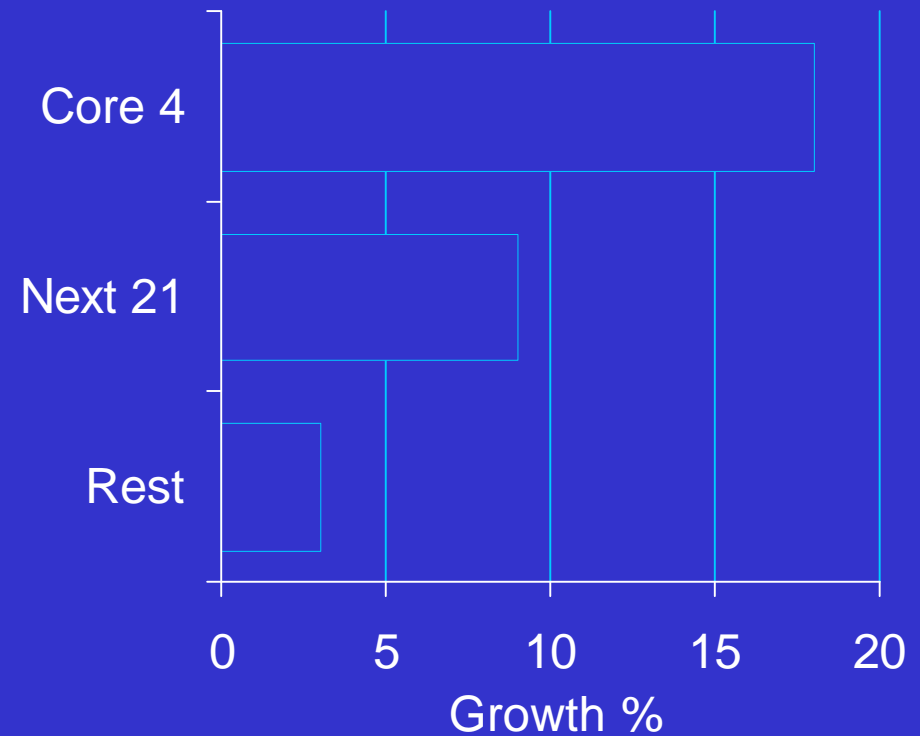
- IT infrastructure and SAP
- Global supply management system
- North American supply chain
- Harmonised profit and loss

# Net Brand Contribution Portfolio Analysis

## Shape of Portfolio

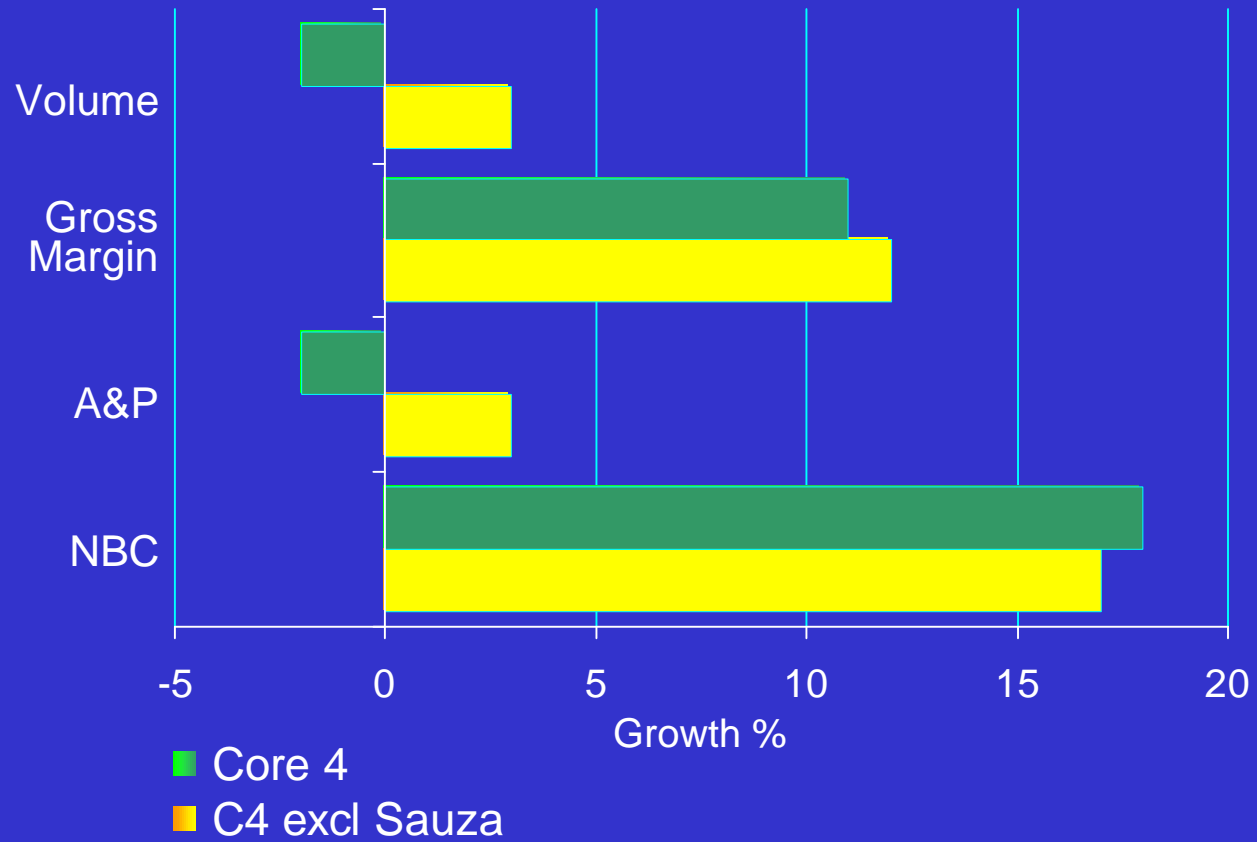


## Growth of Portfolio



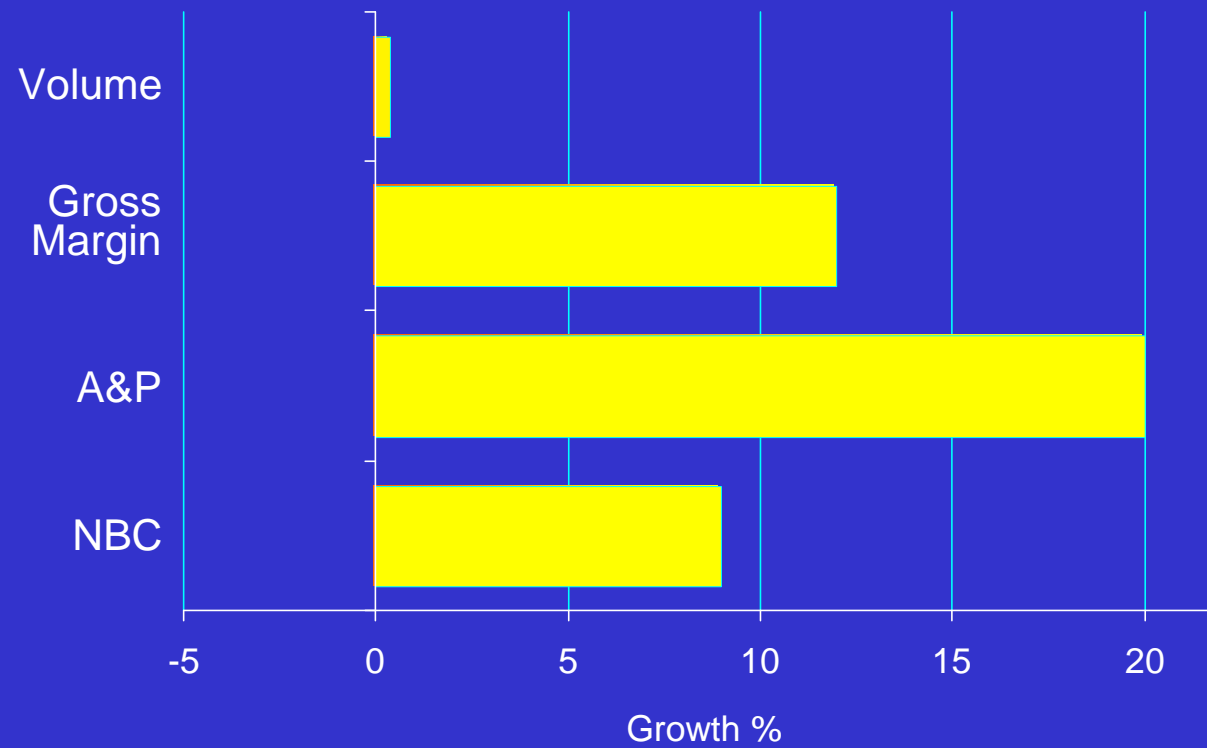
# Core 4 Brands

## Net Brand Contribution Drivers



# Next 21 Brands

## Net Brand Contribution Drivers



# Total Spirits & Wine - Regional Growth

	Volume %	Net Turnover %	A&P %	Trading Profit %
Europe	2	6	8	14
North America	4	15	6	14
Latin America	(15)	(8)	(1)	(30)
Asia Pacific	25	40	21	79
<b>Total</b>	<u>(1)</u>	<u>8</u>	<u>7</u>	<u>8</u>

# Balance Sheet Management

- Working capital management
- Funding flexibility

# Acquisitions

	EBIT	EBITDA
Multiple	12x	10x
2002	£90m	£105m

Mumm Perrier-Jouët  
£364m

Montana  
£406m

Feb

Apr

Jun

Aug

Jan

Mar

May

Jul

Sep

Stolichnaya

Buena Vista  
and Graffigna  
£91m

Kuemmerling  
£128m

# Summary

- Delivering in the short term
- Building for the long term



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***Kim Manley***

Chief Marketing Officer

**Marketing**

**CONSUMERS**

Innovation

Market Strategy

Trademark Strategy

Brand Market Prioritisation

Activation

**CONSUMERS**

# Prioritisation and Activation

## Brand Market Prioritisation

- Focus
  - 25 Brand/Market Combinations
    - = 55% Revenue
    - = 55% A&P
- Process
  - Resource Allocation
- Future
  - 20 Brand/Marketing Combinations
    - = 70% Revenue
    - = 65% A&P

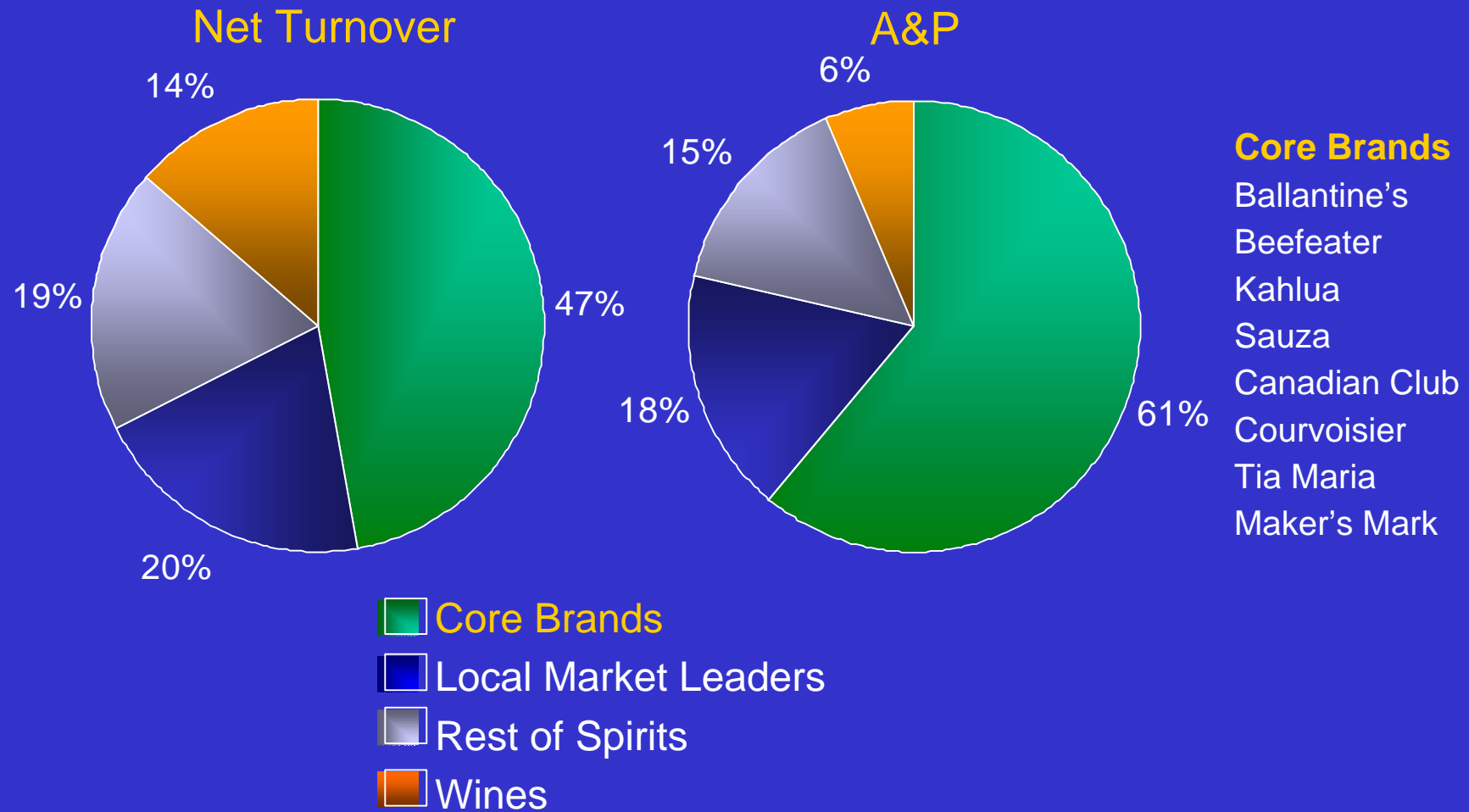
## Activation

- Process
  - ABP (Annual Brand Planning)

# Structuring for Growth

- New portfolio structure
- New marketing team
- Effective marketing process
- Agency alignment
- Innovation investment

# New Portfolio Structure



2001 Portfolio performance

# New Marketing Team

- 17 Recruits from top marketing companies
- International Marketing Executive
  - Building one Marketing Team
  - Driving step change growth
- A new 'AD Way of Marketing'
  - Becoming truly marketing-led

# Agency Alignment

Partnership Approach

£20m Cost Saving  
Reinvested in Marketing

Consistent Execution  
of Strategy

Creative Excellence,  
Efficiency & Effectiveness

- Above the line 21 to 3
- Below the line 139 to 1
- Media buying 7 to 1
- Research and planning 1 process
- Specialist agencies as required



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***Kim Manley***

Chief Marketing Officer

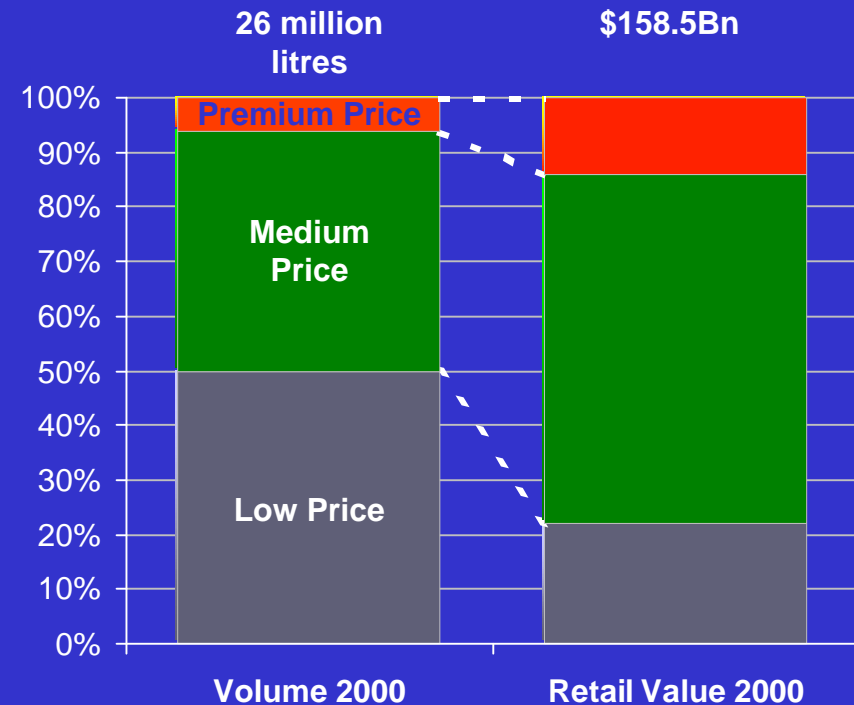
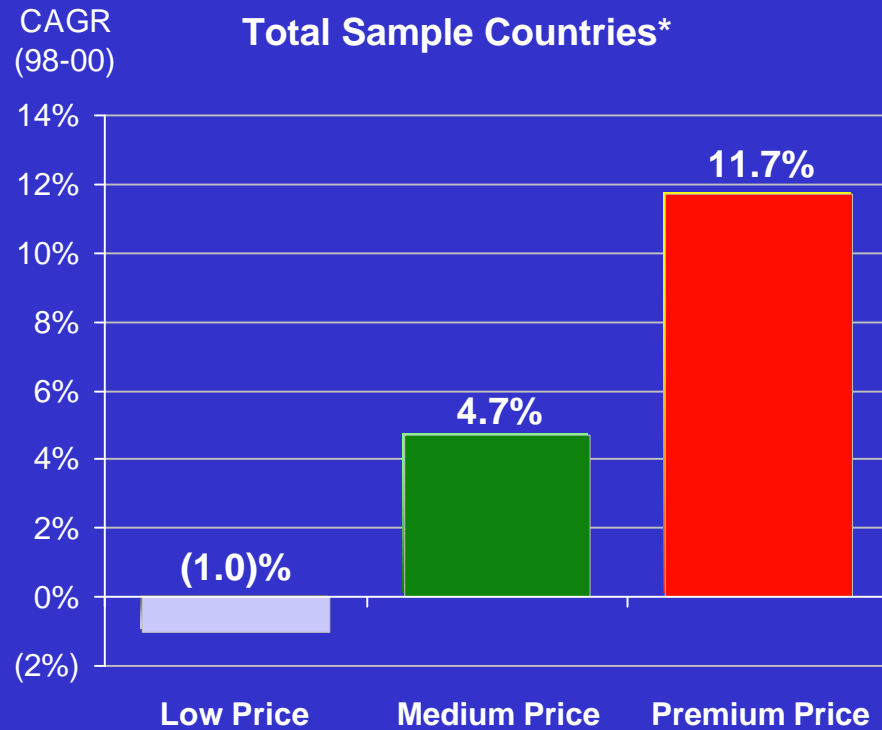


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***Philip Bowman***

Chief Executive

# Developing a World-Class Premium Wine Business



\* sample countries include Australia, UK, Chile, South Africa, and US  
sample split applied to worldwide volume and value

# Developing a World-Class Premium Wine Business

Volume growth (1995-2000)

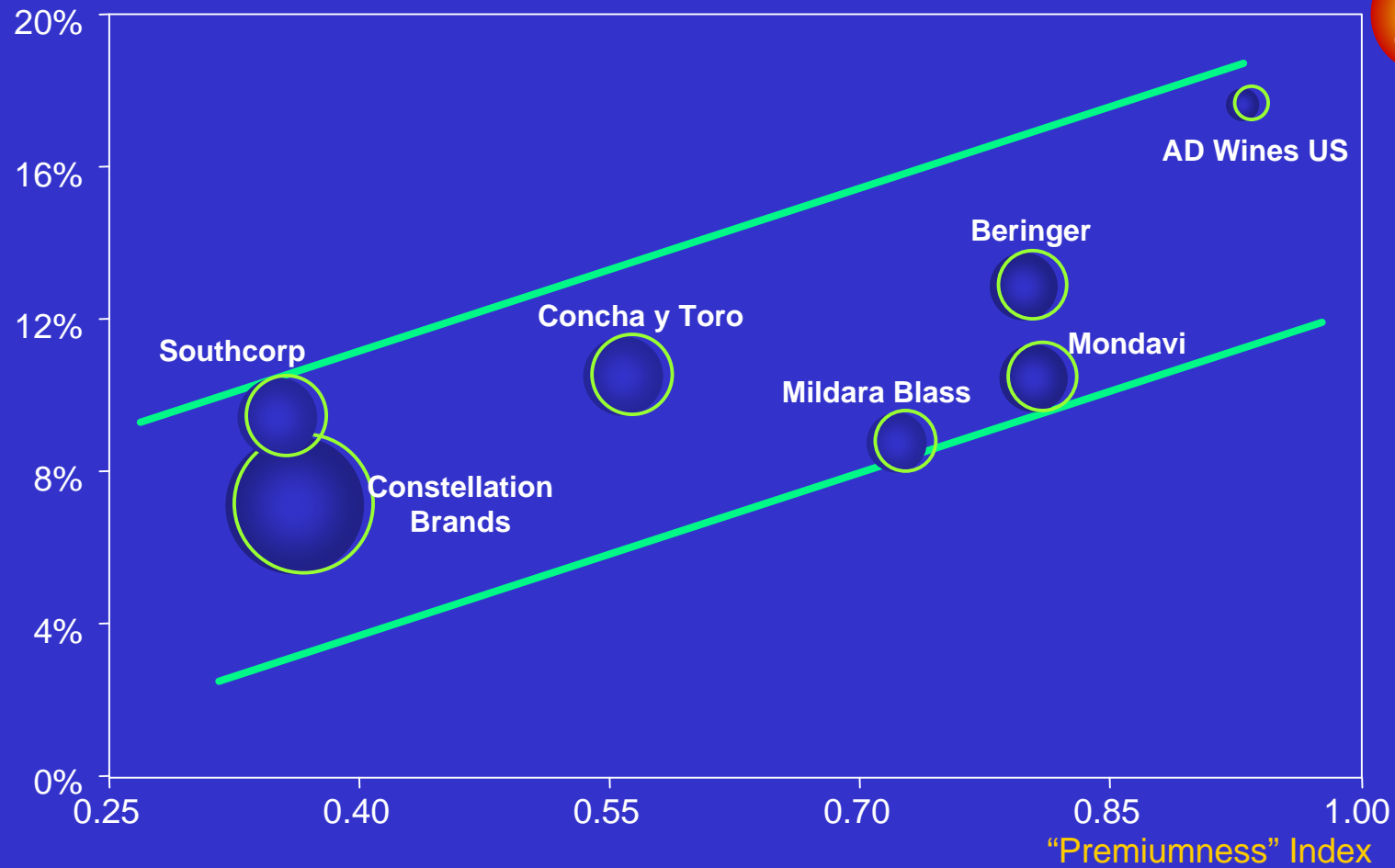
New World	-0.1%	11.9%
Old World	0.2%	6.8%
	Non- Branded	Branded

\* branded wines are estimated from samples

# Developing a World-Class Premium Wine Business

ROCE (%) 3-year avg

Scale:  
25M  
Cases



# Wine Acquisition Criteria

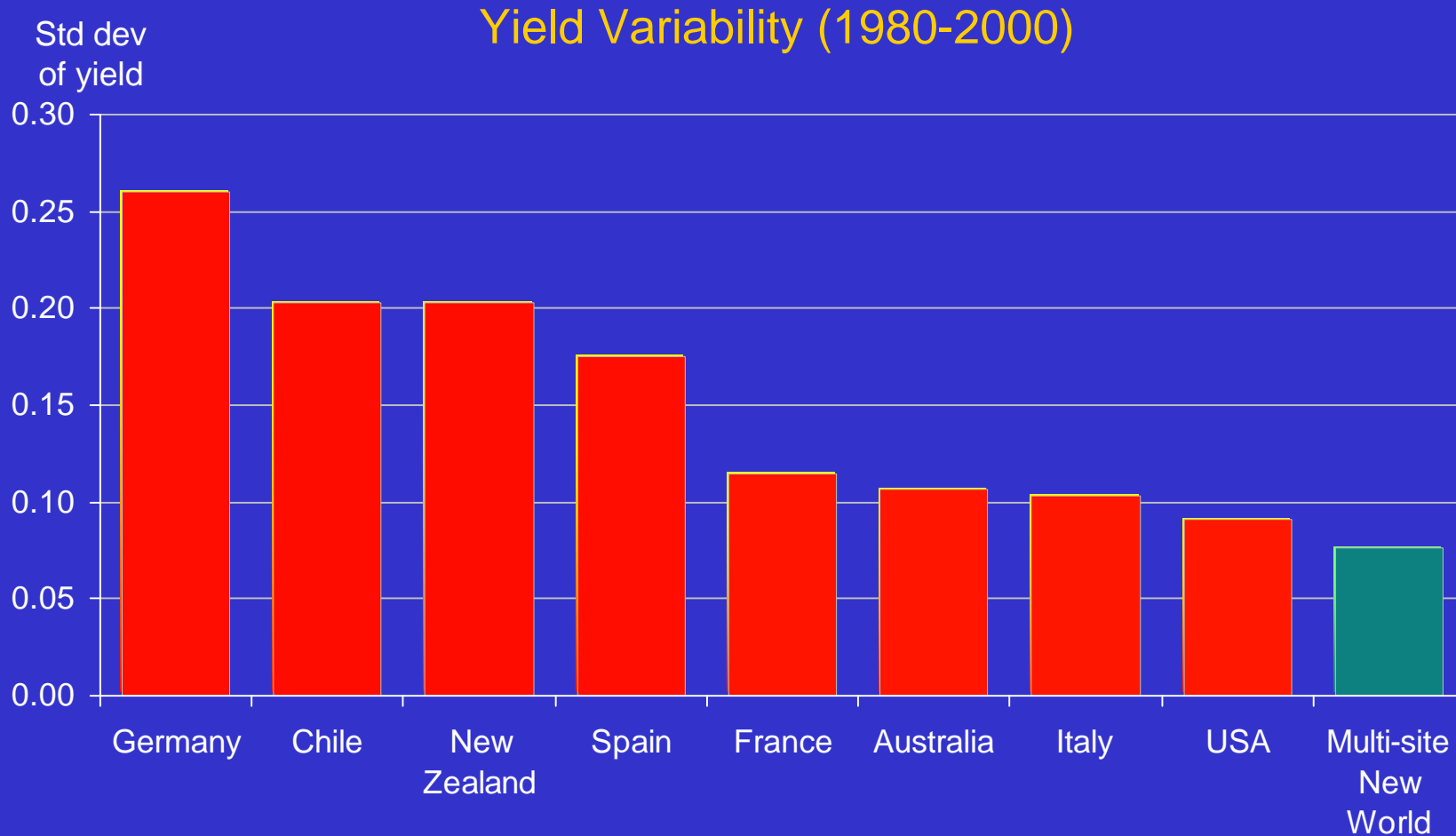
- Premium, distinctive, branded wines
- US, Australasia, South America, South Africa
- Strong and defensible position in home market or ability to deliver through merger with existing business
- Opportunities for international expansion

# Recent Acquisitions

	Mumm/PJ	Montana	Buena Vista	Graffigna	Bodegas y Bebidas
Strength of position acquired	✓✓✓	✓✓✓	✓	✓	✓✓
Premium positions - better margins	✓✓✓	✓	✓✓	✓	✓
Achieve in country scale for AD	✓	✓✓✓	✓	✓✓	✓✓
Opportunity for synergies/ efficiencies		✓	✓✓	✓✓	✓✓
Opportunity for further branding	✓	✓✓	✓✓	✓	✓
International opportunity	✓✓	✓✓✓	✓	✓✓	✓

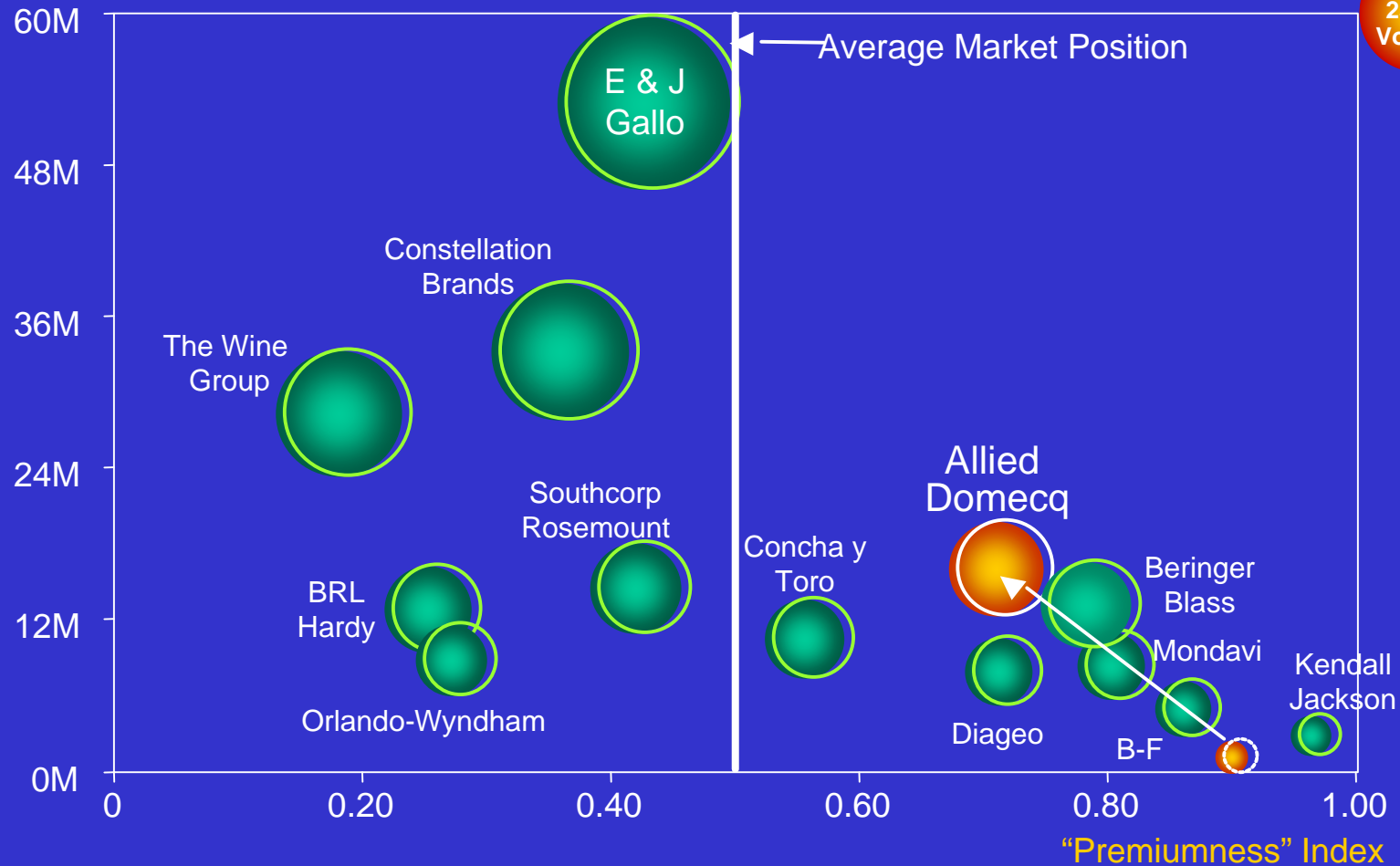
✓✓✓ = Significant impact

# Managing Wine Assets for the Long-Term



# Impact of the Wine Acquisitions

Volume (m cases 2000)



Scale:  
25.0M  
Volume

Table wine only

# Developing the Wine Business

- Focused management
- “The Wine Company”
  - Wines people want to drink
  - Separate identity
- Seek future convergence with spirits
- Further acquisitions
  - Geography
  - Brands

## Priorities for the Year Ahead

- Integrate acquisitions and deliver synergies
- Create Wine division
- Accelerate new product launches
- Continue to improve A&P effectiveness
- SAP implementation
- US supply chain efficiency
- Evaluate acquisitions within strategic parameters
- Consolidation