



**Interim results for the six months to 28 February**

City Presentation - 29 April 1999



## Summary of Results

	1999	1998	Change %
Turnover on continuing activities (£m)			
- actual	1,698	1,732	(2)
- constant FX	1,698	1,693	-
Trading profit (normalised) (£m)			
- actual	347	372	(7)
- constant FX	347	364	(5)
Profit before tax (normalised) (£m)			
- actual	292	320	(9)
- constant FX	292	313	(7)
EPS (normalised) (p)			
- actual	20.4	21.3	(4)
- constant FX	20.4	20.8	(2)

## Interim Dividends

(Paid as foreign income dividends)

	1999	1998
Payment	15.0p	9.73p
Date of payment	1 April	24 July

## Sector Analysis of Trading Profits

	At constant FX		
	1999 £m	1998 £m	Change %
Spirits & Wine - continuing	207	209	(1)
Cantrell & Cochrane	24	22	9
Spirits & Wine	231	231	-
Retailing	107	119	(10)
First Quench/Victoria Wine	3	7	
Other businesses	6	7	
<b>Total businesses</b>	<b>347</b>	<b>364</b>	<b>(5)</b>

## Spirits & Wine Geographical Analysis of Trading Profits

(Based on marketing regions, at constant FX rates)

	1999 £m	1998 £m	Change %
Europe (excluding Cantrell & Cochrane)	75	69	9
Cantrell & Cochrane	24	22	9
Europe	99	91	9
North America	65	60	8
Latin America	2	6	(67)
Mexico	25	28	(11)
Asia Pacific	13	14	(7)
All others	27	32	(16)
<b>Total businesses</b>	<b>231</b>	<b>231</b>	<b>-</b>

## Trading Profit Movements - Spirits & Wine

(At constant currencies - excluding Cantrell & Cochrane)

	£m
1998	209
Volume	(13)
Price	18
Mix/other	11
Cost of goods	(16)
Gross profit	-
Profit on bulk sales of spirits	(10)
DBM	8
Other	-
1999	207

## Retailing - Trading Profits

	1999 £m	1998 £m	Change %
Pubs - Managed	70	80	(13)
- Leased	25	25	-
- Total	95	105	(10)
Foodservice - US	19	18	6
- International	(7)	(4)	
Continuing Total	107	119	(10)
First Quench/Victoria Wine	3	7	
Retailing Total	110	126	(13)

## Managed House - Sales Trends

	Total %	Per House %
Drink	- 2.5	+2.0
Food	+6.3	+11.0
Total	- 0.7	+3.5
Machines	- 4.2	-
<b>Total</b>	<b>- 0.9</b>	<b>+3.3</b>

## Managed House - Operational Gearing

		Change £m
Sales	Down 1%	(3)
Gross Profit	Down 1%	(2)
Operating Costs	Up 4%	(8)
<b>Trading Profit</b>	<b>Down 13%</b>	<b>(10)</b>

## Exceptional Items

	Operating costs £m	Finance charges £m	Asset disposals £m	Disposal of businesses £m
Profit on C&C disposal	-	-	-	189
Loan stock redemption	-	(33)	-	-
Surplus property rentals	(18)	-	-	-
Associates & investments	(36)	-	-	(13)
Year 2000 / EMU	(13)	-	-	-
Asset writedowns	(22)	-	-	-
Other items	(14)	-	(2)	-
<b>Net profit £38m</b>	<b>(103)</b>	<b>(33)</b>	<b>(2)</b>	<b>176</b>

## Balance Sheet Changes

- ❑ **Gearing - Feb 99 47%, Aug 98 68%**
- ❑ **Interest cover - Feb 99 6.3x, Aug 98 6.8x**
- ❑ **Cantrell & Cochrane disposal**
- ❑ **Repayment/redemption of high coupon debt**
- ❑ **Repayment of preference shares**
- ❑ **Global MTN facility established**
- ❑ **Reduced average cost of debt**

## Cash Flow

	1999 £m	1998 £m
<b>Operating cash net of fixed assets</b>	186	197
Taxation	(82)	(60)
Interest	(65)	(62)
Dividends	(165)	(161)
<b>Free cash flow</b>	(126)	(86)
Once-off dividends to minorities	-	(26)
Acquisitions and disposals	459	(35)
Currency translation of borrowings	(45)	12
Other items	(5)	17
<b>Decrease /(increase) in borrowings</b>	<b>283</b>	<b>(118)</b>
Gearing - balance sheet	47%	54%
- enterprise value	18%	17%

## Future Agenda

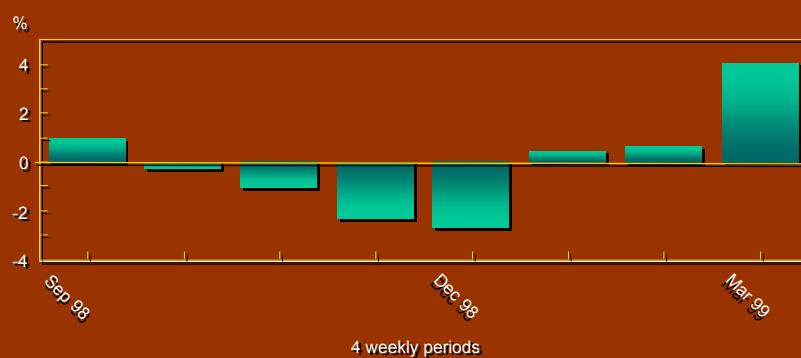
- ❑ Financial review of balance sheet content and structure
- ❑ Improved appraisal and audit of capital expenditure
- ❑ Continue progressive improvement of management information
- ❑ Disclosure of results in a transparent way
- ❑ Reporting in line with best practice for industry group





## Managed Pubs - Sales Trend

Total Sales (% change year on year)



## **Managed Pubs - Options Considered**

- ❑ **Short term cost reduction initiatives**
- ❑ **Substantial capex increase**
- ❑ **Building customer traffic and spend**
- ❑ **Reallocating capex**

## **Managed Pubs - Action Plans**

- ❑ **Building traffic and spend**
  - **Restricted retail price increases**
  - **Improved food/menu value**
  - **Increased promotional activity**
- ❑ **Reallocated capex**
  - **Smaller spend/faster payback projects**
  - **Firkin**

## Managed Pubs - Action Plans

### **Firkin (188 outlets)**

#### **Strengths**

- scale, awareness, beer, sport

#### **Weaknesses**

- some decline in consumer appeal

#### **Immediate Actions**

- new management team
- subtle redesign
- new food menu:
  - launch period 50% growth
- roll out of 29 new style Firkins

## Managed Pub Brands

### **Mr Q's ( 249 outlets)**

- UK's leading and most robust 'Locals' brand

### **Big Steak Pub ( 363 outlets)**

- food growth +24% this calendar year

## Managed Pubs - Summary

- ❑ **Margin recovery through overhead cost reduction**
- ❑ **Review of estate**
  - transfers to lease
  - disposals
- ❑ **Financial benefits from this autumn**

## Foodservice - Summary

### US

- ❑ **Same store sales growth rate**
  - Dunkin' Donuts + 5%
  - Togo's + 4%
  - Baskin- Robbins < 1%
- ❑ **Togo's systemwide sales + 23%**

### International

- ❑ **More focused under new management**
- ❑ **£3m restructuring**

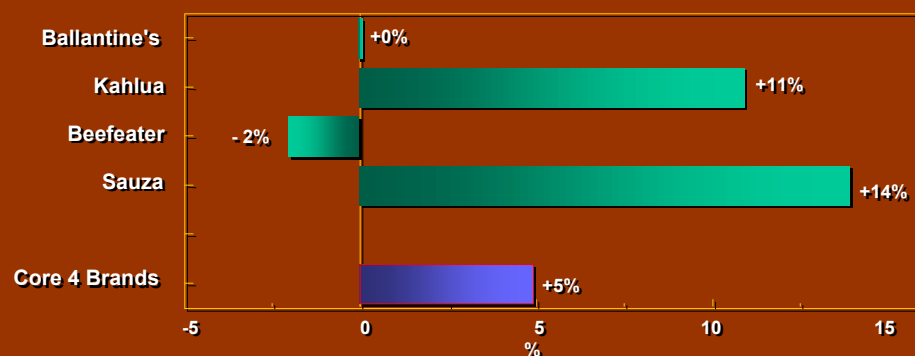
## Spirits & Wine - Overview

Further delivery on stated strategy:

- Focus on core brands / BMCs
- Leading edge customer / distribution techniques
- Attack the cost base

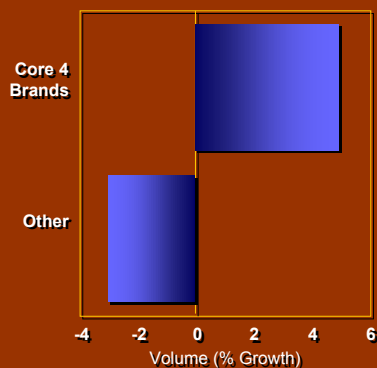
## Spirits & Wine - Core Brands

Volume Change (%)

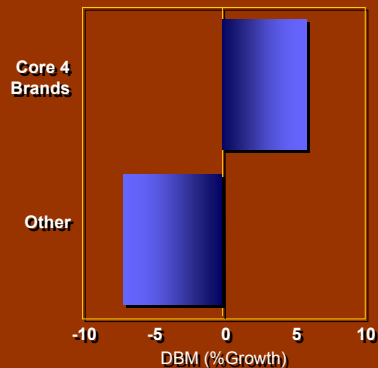


## Spirits & Wine - Core 4 Brands

### Volume Growth



### DBM Growth



## Spirits & Wine - Europe

- ❑ **Profits** +9%
- ❑ **Volume:**
  - Core 4 brands +4%
  - Total - 6%
- ❑ **DBM:**
  - Core 4 brands +4%
  - Total - 2%
- ❑ **Ballantine's volumes:** Spain +11%      Germany +6%
- ❑ **Beefeater volumes:** Spain +5%

## Spirits & Wine - North America

■ Profits	+8%
■ Volume:	
- Core 4 brands	+14%
- Total	+3%
■ DBM	
- Core 4 brands	+11%
- Total	+0%
■ Core brand US depletions:	
- Kahlua (excluding RTD)	+5%
- Sauza	+21%

## Spirits & Wine - Rest of World

- Mexico:
  - Profits -11%, Volume +5%
  - Sauza volumes +15%
  - Adverse market conditions / duty changes
- Latin America:
  - Trading conditions continue to be difficult
- Asia Pacific:
  - Showing signs of recovery

## Spirits & Wine - Pricing and Costs

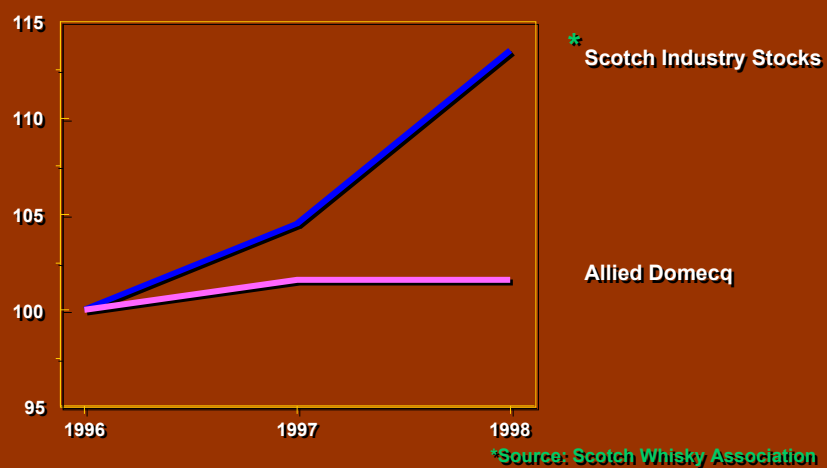
### Pricing

- ▣ Selective price increases being achieved
- ▣ +1% to +1.5% overall in mature markets
- ▣ Difficult pricing environment in Mexico

### Costs

- ▣ Productivity - cases per employee up 7% on last year
- ▣ Efficiency improvements in Mexico, Scotland and France

## Spirits & Wine - Scotch Whisky Stocks





## **Allied Domecq - Conclusion**

- ❑ **Spirits & Wine and US foodservice continue to improve**
- ❑ **UK pubs and International foodservice have defined aggressive action plans to correct short term issues**
- ❑ **Value enhancing strategic opportunities remain a high priority**