

PepsiCo: Bubly Hard Seltzer

Team 2 - Megan Chow | Rock Jia | Nikko Smith | Bonnie Ting | Linh Tran

bubly™
hard seltzer



Meet our team



Megan Chow

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Financial Analyst at
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Bonnie Ting

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Incoming
Strategy Analyst at
Deloitte Consulting

Agenda

1. External and Internal Analysis

2. Our Recommendations

3. Projected Financial Performance

4. Risks and Mitigation

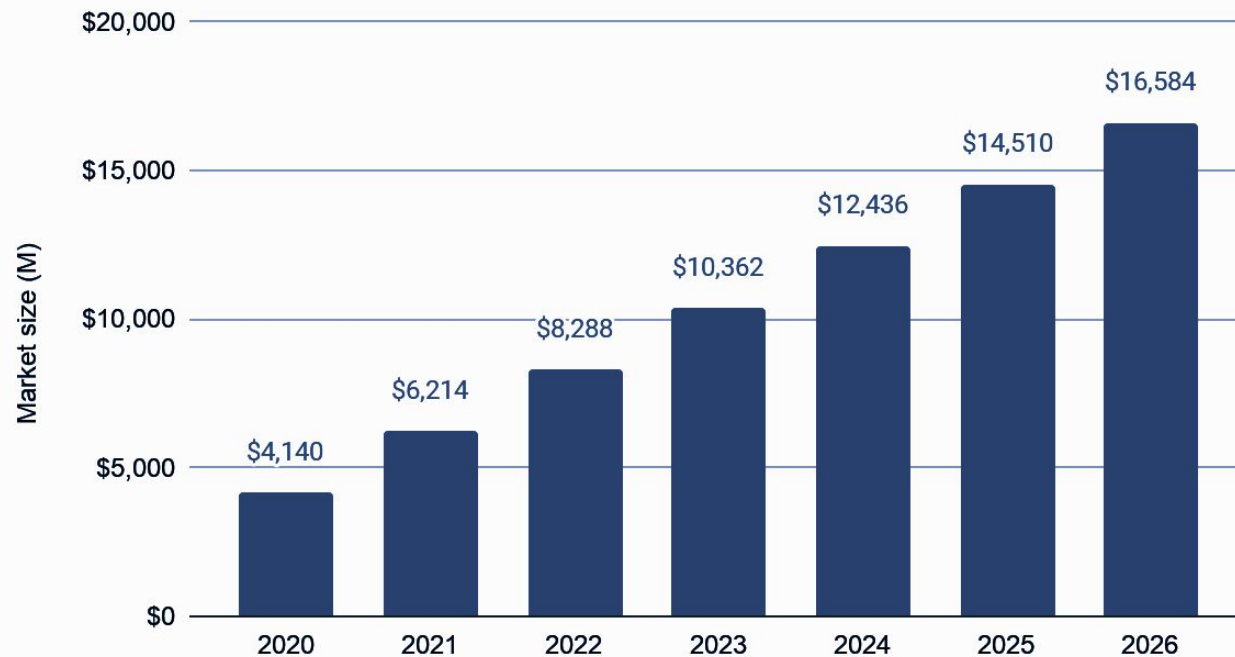
5. Appendix

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The hard seltzer market is a rapidly growing industry

Hard Seltzer Market Projection



**Projections from Grandview Research*

Growth By the Numbers

- 2016 Market Size: **\$41 Million**
- 2020 Market Size: **\$4.141 Billion**
- 2022-2026 CAGR: **14.88%**
- Reached **>15%** share of the Beer/FMB/Cider category up from **<2%** 18 months prior
- In just April 2020, **1 million** U.S. households bought hard seltzer for the **first** time
- **Sustainable** growth trajectory

Market Leaders

- White Claw & Truly
- Controls ~80% of the market
- First mover advantage
- Propelled by social media marketing
- Slowly losing market share to competitors



New Entrants

- Leveraging pre-existing seltzer water brand
- Coca-Cola partnered with Molson Coors to produce Topo Chico
- Topo Chico is currently only sold in Latin America



Other Alcohol Conglomerates

- Anheuser-Busch Inc., Molson Coors Beverage Co., Constellation Brands Beer
- Make up less than 20% of the market share
- Backed by popular beer brands (i.e. Budweiser, Corona, etc.)



Proposed

- Pepsi leverages its own sparkling water product - Bubly
- Flavoring is already developed
- Excels in distribution and marketing
- Partner with Diageo for production





ABOUT PEPSICO

- Leading multinational American producer and distributor of foods and beverages for over 50 years
- Diversified portfolio with over 23 brands consumed in over 200 countries and territories around the world
- PepsiCo includes seven divisions - PepsiCo Beverages North America (PBNA), 2 North American foods brands and 4 international divisions.



PEPSICO BEVERAGE NORTH AMERICA

- PBNA's portfolio includes 21 brands, ranging from energy drinks, juice, waters, sport drinks to kombucha, introduced to the market by either internal development, acquisitions, or joint ventures.
- PBNA alone accounts for 32% of PepsiCo's net revenue and 19% of its operating profit
- 49% of sales volume is in low- or zero-calorie drinks
- Operating margin: 10%

Brand Image

- Powerful influence
- Recognizable branding and campaigns can be recycled
- 24.1% market share of CSD category in 2019

Subsidiaries

- Diverse portfolio of companies
- Bubly - successful subsidiary
- 10% market share (bubly)

Marketing

- Established marketing channels for Bubly
- <\$100 MM spent in digital, print, TV ads
 - Michael Buble superbowl ad
- 78 marketing headcount

Distribution

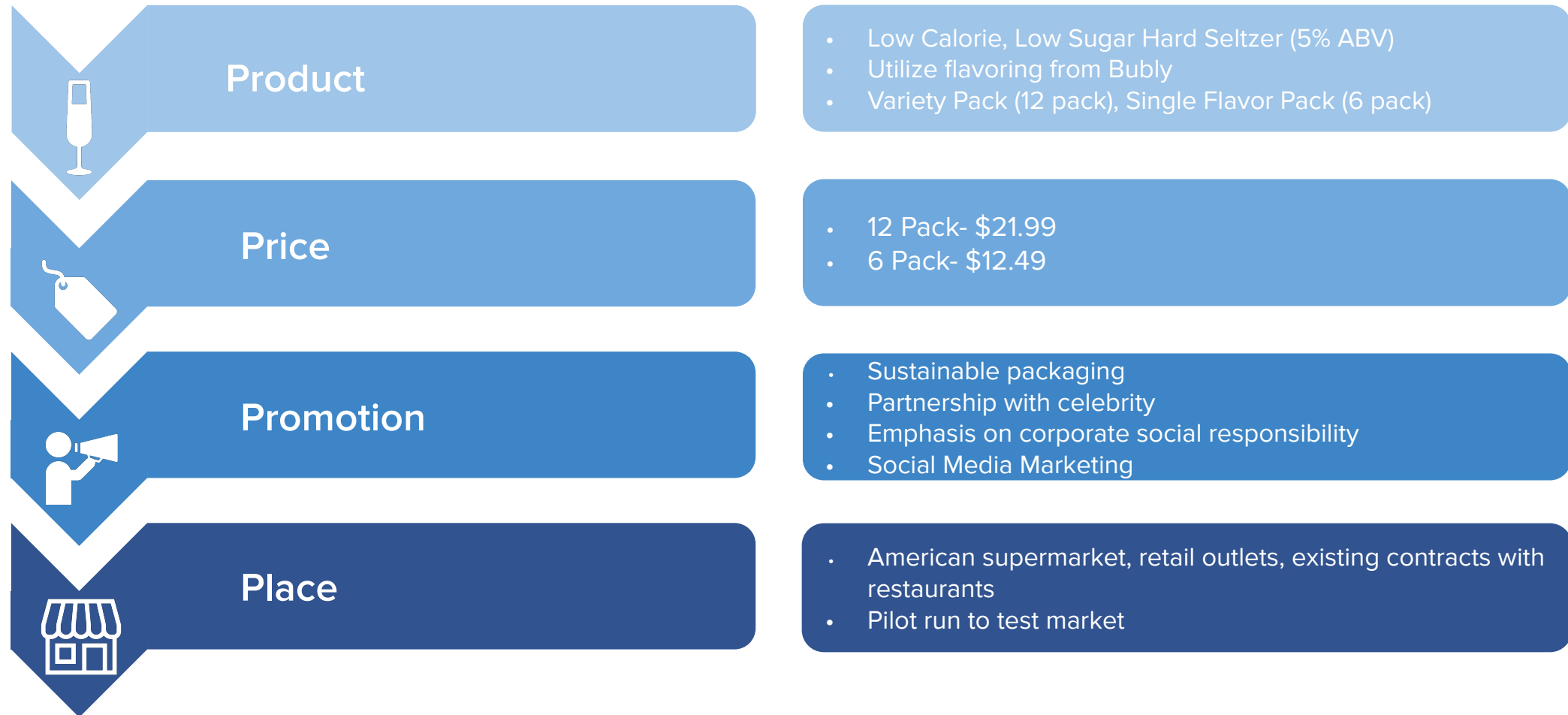
- Economies of scale
- Established three-channel distribution
- Extensive network of retailers and restaurants



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With a highly dynamic industry, marketing is key



Target customer profile: generation Z & millennials

Age 21-38



"78% of millennials choose to spend money on a desirable experience rather than buying physical products".

-Eventbrite

Tech Savvy



"Social media marketing is the best way to reach Gen Z and Millennials population"
- Business Insider

Healthy Lifestyle

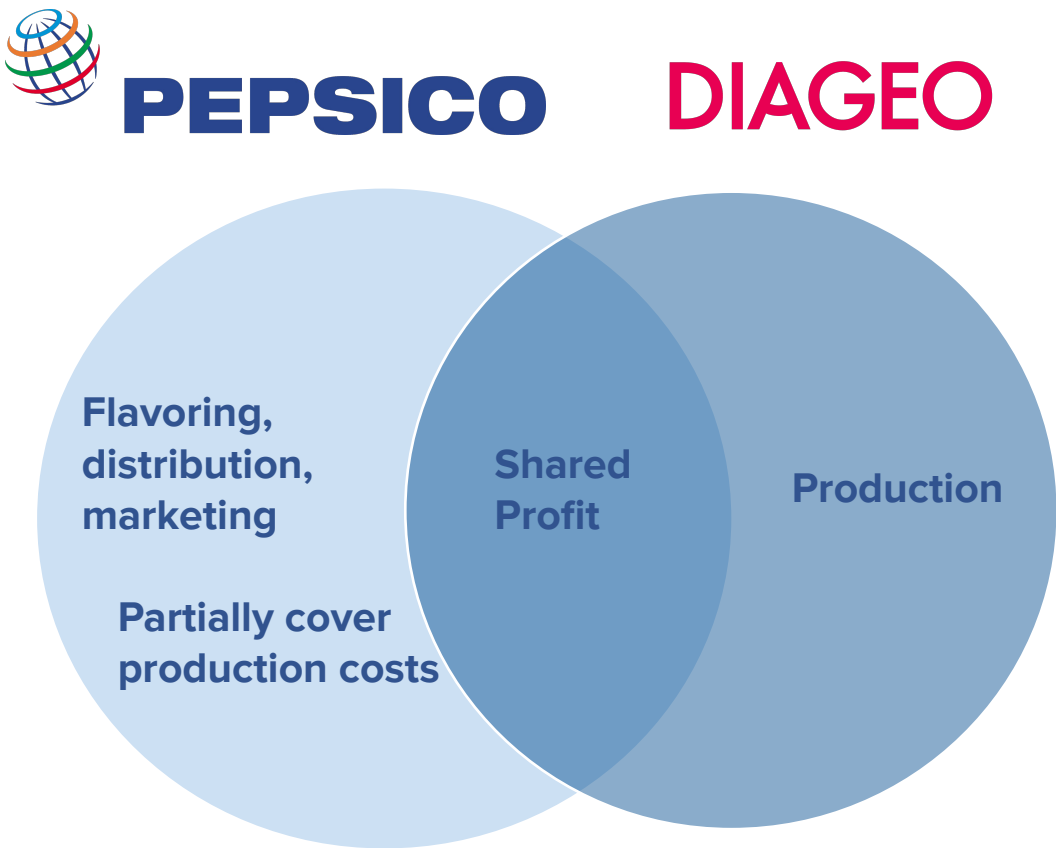
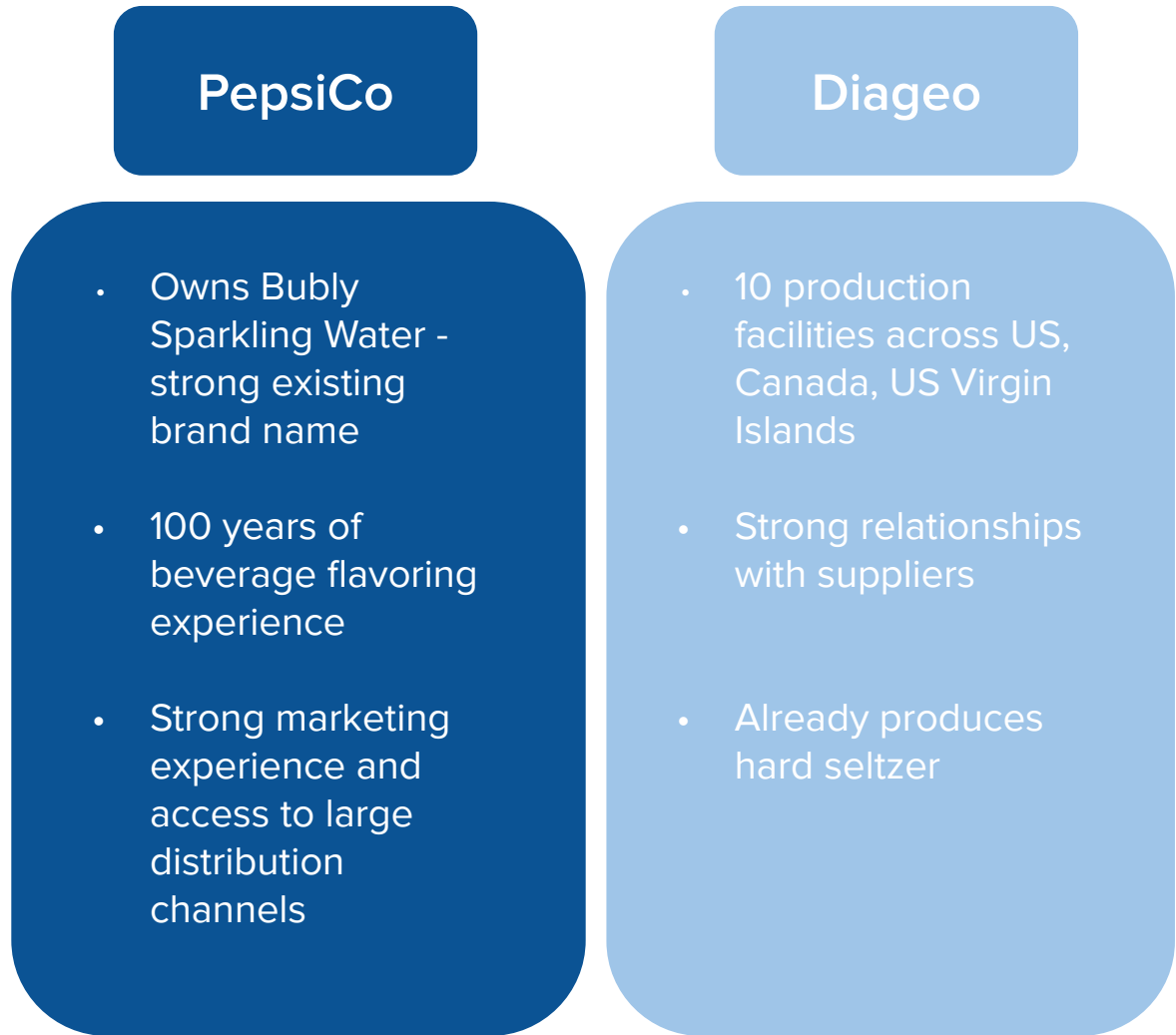


- Prefer low calorie drinks
- Ready-to-drink beverages
- Becoming more health-conscious
- Prefers a variety of fruit flavored drinks

Care about Corporate Social Responsibility



- Interested in social values
- Cares about the environment and carbon footprints
- Purchase products that support their values





Direct Store Delivery

Direct Store Delivery delivers items directly to retail locations, and empowers PepsiCo to stock with greatest perceivability.



Customer Warehouses

Delivering to customer warehouses is a less expensive option and good for locations that have less profitability potential.



Third Party Distribution

Third party distributor networks allow us to reach smaller locations such as eateries, organizations, schools, and stadiums.

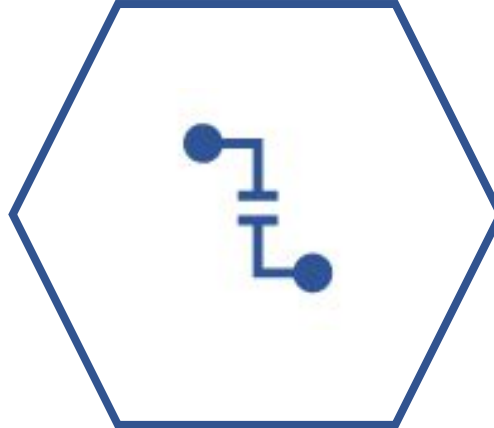
A strong employee team is necessary for success

PepsiCo Hard Seltzer will **sit as its own separate brand** within the PepsiCo Beverages North America (PBNA), one of the seven divisions under PepsiCo.



Hire seasoned executive from competitor:

We want to hire an executive with past hard seltzer experience to lead, ideally from White Claw or Truly. They will be compensated similar to PepsiCo VPs (225k salary + 200k stock options).



Work Jointly with Existing Bubly team:

The Hard Seltzer team will work jointly with existing Bubly team, allowing for marketing, sales, and distribution synergies



Provide abundant resources:

New employees will be hired or transferred into marketing, R&D, and business operation roles. The team will report to the head of PBNA as well as the PepsiCo C-Suite.

- 5 year pro-forma based off industry reports on market size and analyst forecasts
- Used potential market share revenues with a projected income statement to find cash flows
- Expense ratios were found by common sizing comparable income statements

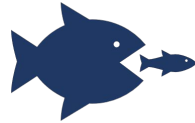
- Discounted cash flows along with perpetuity TV at WACC of 6.8% based on DB equity research
- 14.88% hard seltzer industry CAGR
- Boston Beer Company, Constellation, Molson Coors and Diageo as comps
- Found Net Present Value of \$739.52 million

(in millions of \$)	2020	2021	2022	2023	2024	2025	2026		
Market size (M)	\$4,140	\$6,214	\$8,288	\$10,362	\$12,436	\$14,510	\$16,584	Avg Growth Rate	21.88%
Growth Rate		50.10%	33.38%	25.02%	20.02%	16.68%	14.29%	CAGR	14.88%
PEP Mkt %			1.60%	1.60%	5.00%	8.40%	10.00%	PBNA 2019 Rev	\$21,000.00
PEP Seltzer Revenue			132.608	165.792	621.800	1,218.840	1,658.400	WACC	6.80%
Net Income			10.766	13.460	50.480	98.949	134.634		
TV							699.260		
FCF + TV			10.766	13.460	50.480	98.949	833.894		
NPV			\$739.52						

* See appendix for projected income statement

Risks

Fierce competition



Consumer taste not matching our flavors



Partnership conflicts



Implementation Challenges



Mitigations

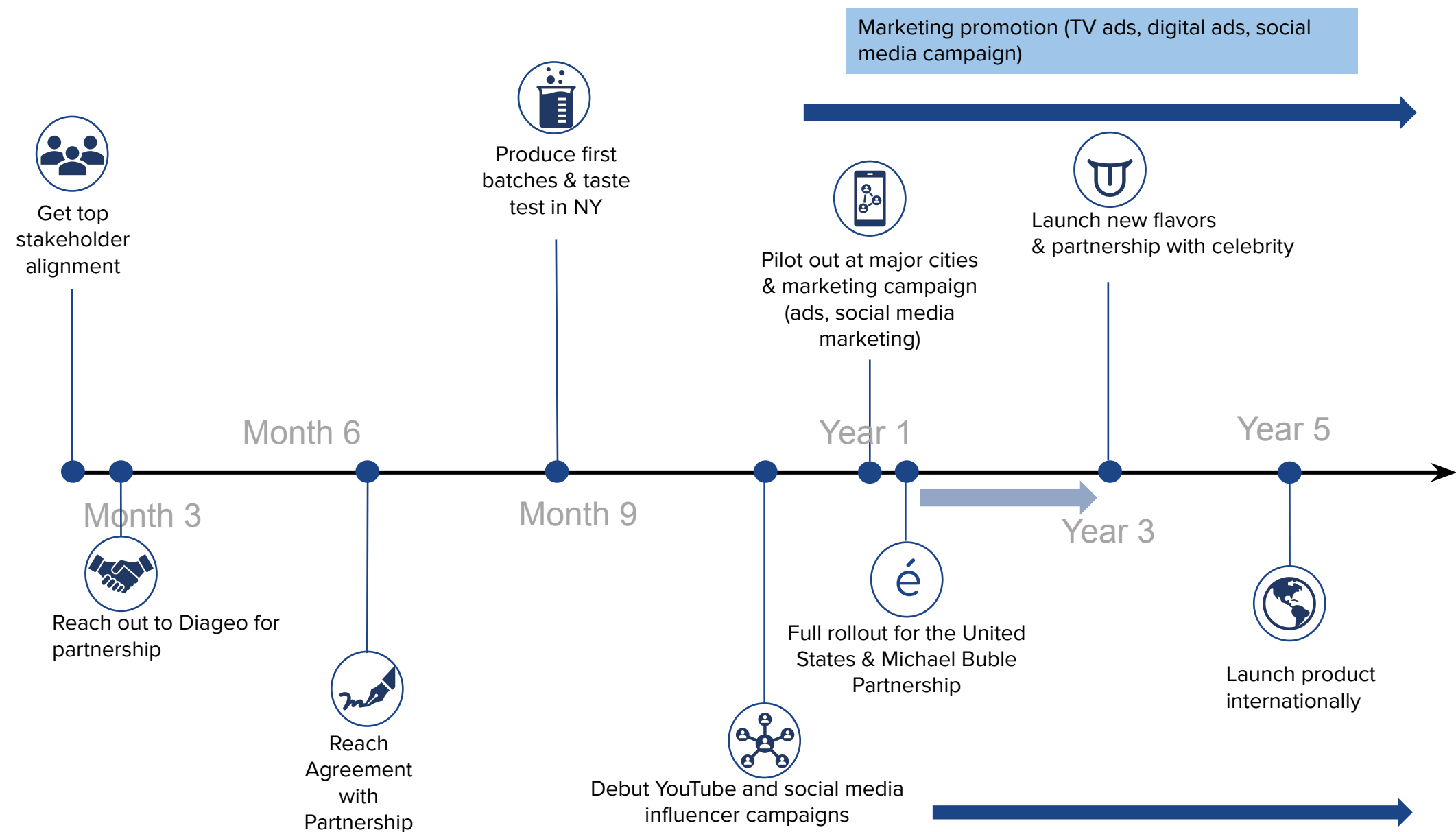
Utilize Pepsi's strong marketing skills and undercutting price of major competitors

Multiple pilot runs, phased rollout plan

Provide strong incentives, hold multiple and continuous meetings between management

Direct access to management, provide ample resources, structured plan before launch

Timeline



Industry Background



- 2016 hard seltzer market: \$41 million
- Projected 2026 hard seltzer market: \$16.58 billion

Pepsi Background



- Highly successful with marketing
- Achieved economies of scale with distribution

Strategic Plan



- Leverage Bubly for branding and flavoring
- Partner with Diageo for production

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Marketing Plan



- Target segment: Gen Z & Millennials
- Social media marketing & partnerships with celebrities

Distribution Plan



- Direct store delivery
- Customer warehouses
- Third party distribution

Financial outcome



- Overall Project NPV: \$739.52 Million

Base Slides

3: Agenda
4: Hard Seltzer Industry
5: Competitive Landscape
6: PepsiCo and PepsiCo Beverage North America
7: Positioning, Competitive advantage, core competency
8: 4 Ps
9: Target Market
10: Partnership
11: Distribution Model
12: Human Resource Organization
13: Investor Analysis
14: Risks and Mitigations
15: Timeline
16: Summary

Further Industry Analysis

18: Bubly
19: Porter's 5 Forces
20: SWOT Analysis
21: VRIO Framework
22: Current Key Players
23: Diageo Partnership

Financial Breakdown

24: Income Statement Pro-Forma
25: SAM Comps
26: STZ Comps
27: TAP Comps
28: DEO Comps



Porter's 5 Forces

Threat of new Entrants	<ul style="list-style-type: none"> • Successful entrants to the market have had to have a “compelling value proposition—e.g., price point, flavors and branding—and an activation plan to articulate and drive awareness to these specific differentiators” • Non-alcoholic beverage companies are beginning to enter the hard seltzer industry • Coca-Cola is not in the US hard seltzer market, but currently in the Latin American Market with their new hard seltzer, Topo Chico 	Medium-High
Threat of Substitutes	<ul style="list-style-type: none"> • There are plenty of different alcoholic drinks to choose from (i.e. beer, wine, hard liquor etc.) • Ready-to-drink substitutes do not offer the flavor options that hard seltzer provides - many consumers choosing hard seltzer were previously underserved by the current beverage alcohol market, looking for alternatives that are refreshing and flavorful while low calorie and low sugar. • Consumers are choosing hard seltzer over their previously normal drink of choice out of the house • Drinks with similar alcohol content often have more carbs, sugar, and calories 	Medium
Bargaining Power of Suppliers	<ul style="list-style-type: none"> • Ingredients used to make hard seltzers are commodities (water, flavoring, yeast, sugar etc.) 	Low
Bargaining Power of Consumers	<ul style="list-style-type: none"> • 55% of alcohol consumers drink Hard Seltzers once per week • Switching cost is low to none • Consumers Prioritize Flavoring 	Medium
Competitive Rivalry	<ul style="list-style-type: none"> • 65 brands are currently competing in the hard seltzer market • Half of the current hard seltzer brands are utilizing their existing beer brand name • Market share is dominated by White Claw (55%) and Truly (24%), other players in the market have a far smaller market share • White Claw and Truly are trying to target new customers and create a new segment by introducing tea flavors for its hard seltzers • Minimal differences in price points for different hard seltzer brands 	High

STRENGTHS

- **Diversified portfolio** under both PepsiCo brand and the beverage category
- Strong **brand** awareness & customer loyalty
- Dominant **marketing** strategy that appeals to young adults
- Sophisticated **distribution** channel
- Extensive **R&D** with knowledge about consumer taste and trend
- Modernized **manufacturing** processes
- International presence in **200+ countries**
- **High growth** that gains trust from shareholders and ensure stable fund allocation

OPPORTUNITIES

- Capitalize on the current economies of scale in distribution and marketing
- Offer a variety of flavors with low calories to meet the demands from health conscious consumers
- Increase brand equity and customer loyalty
- Increase social media marketing and online distribution channel



WEAKNESSES

- Late entry to the hard seltzer industry that miss out the early mover advantage to many competitors
- Potential reliance on a partner to enter the industry to achieve cost and effectiveness efficiency

THREATS

- Fierce competition from both existing and new competitors
- Rising raw material cost
- Falling demand for sugary drinks
- Healthy lifestyle trend

	Is the resource, capability, or competency valuable?	Is the resource, capability, or competency rare?	Is the resource, capability, or competency costly to imitate?	Is the firm organized to capture value?	Does the firm have a sustained competitive advantage?
Bubly sparkling water brand	Yes - high brand awareness through marketing	Yes - many substitutes & competitors but unique branding	No - many players are able to cheaply enter the market	Yes - firm is profitable with solid marketing share	No - top brands such as LaCroix have fallen
Strong distribution channels	Yes - strong connections to retailers & influence	Yes - three channel distribution network	Yes - extensive infrastructure is very costly	Yes - firm has high control especially DSD	Yes - strong connections are hard to outperform
Knowledge of consumer trends, marketing	Yes - firm has seen growth tied to these efforts	Yes - high budget for R&D and established marketing	Yes - high marketing and R&D cost to break in	Yes - marketing efforts have driven success	Yes - celebrity partnerships, PEP capital injection

Figure 1: Hard Seltzer Segment Key Metrics

Period Ending 08/08/2020	% Breakdown	\$ Sales % Chg.			2-yr Stack \$ Sales % Chg.		Sales-weighted EQ Volume % Chg.			2-yr Stack EQ % Chg.		Dollar Share			YoY Dollar Share Chg.		
		L4W	L12W	L52W	L4W	L12W	L4W	L12W	L52W	L4W	L12W	L4W	L12W	L52W	L4W	L12W	L52W
HARD SELTZER	100%	133.7	180.7	233.4	329.7	362.6	129.0	175.2	229.4	322.0	357.1						
MARK ANTHONY BRANDS	55%	87.2	142.8	242.0	363.5	393.3	80.0	135.1	235.2	349.3	379.7	47.2	48.4	54.6	-11.7	-7.5	1.4
WHITE CLAW HARD SELTZER	55%	87.2	142.8	242.0	363.5	393.3	80.0	135.1	235.2	349.3	379.7	47.2	48.4	54.6	-11.7	-7.5	1.4
BOSTON BEER	24%	130.6	157.4	177.8	300.3	316.9	123.1	148.7	172.5	292.8	313.7	25.7	25.7	23.9	-0.4	-2.3	-4.8
TRULY HARD SELTZER	24%	130.6	157.4	177.8	300.3	316.9	123.1	148.7	172.5	292.8	313.7	25.7	25.7	23.9	-0.4	-2.3	-4.8
ANHEUSER-BUSCH INC.	12%	375.4	419.0	362.6	417.7	465.2	372.1	415.7	363.9	419.8	469.0	12.9	12.4	11.9	6.6	5.7	3.3
BUDWEISER	7%											10.0	9.6	7.0	10.0	9.6	7.0
BON VIV SPIKED SELTZER	2%	-53.9	-47.7	-1.4	-20.8	-12.1	-57.2	-51.6	-0.8	-18.6	-8.9	1.2	1.2	2.4	-4.8	-5.1	-5.8
NATURAL	2%	251,121.9	732,946.4	2,808,038.5			251,097.3	740,408.5	2,836,670.6			1.5	1.4	2.3	1.5	1.4	2.3
DIAGEO/GUINNESS	3%	39.0	65.6	64.2	119.5	158.1	36.4	62.9	64.2	118.1	157.6	2.7	3.0	2.6	-1.8	-2.1	-2.7
SMIRNOFF	3%	39.0	65.6	64.2	119.5	158.1	36.4	62.9	64.2	118.1	157.6	2.7	3.0	2.6	-1.8	-2.1	-2.7
MOLSON COORS BEVERAGE CO	2%	167.3	195.2	137.1	269.7	306.3	166.5	484.7	181.4	282.1	606.2	2.6	2.5	1.8	0.3	0.1	-0.7
VIZZY	1%											2.1	2.0	1.0	2.1	2.0	1.0
CONSTELLATION BRANDS BEEHIVE	3%	59,422.8	49,496.2	13,238.1	59,344.1	49,429.4	59,422.8	49,496.3	13,238.9	59,345.1	49,430.9	6.1	5.5	3.1	6.0	5.5	3.1
CORONA	3%											6.1	5.5	3.1	6.1	5.5	3.1

Source : Nielsen, Deutsche Bank analysis

Why Diageo will partner with us

Period Ending 08/08/2020	% Breakdown	\$ Sales % Chg.			2-yr Stack \$ Sales % Chg.		Sales-weighted EQ Volume % Chg.			2-yr Stack EQ % Chg.		Dollar Share			YoY Dollar Share Chg.		
		L4W	L12W	L52W	L4W	L12W	L4W	L12W	L52W	L4W	L12W	L4W	L12W	L52W	L4W	L12W	L52W
DIAGEO/GUINNESS	3%	39.0	65.6	64.2	119.5	158.1	36.4	62.9	64.2	118.1	157.6	2.7	3.0	2.6	-1.8	-2.1	-2.7
SMIRNOFF	3%	39.0	65.6	64.2	119.5	158.1	36.4	62.9	64.2	118.1	157.6	2.7	3.0	2.6	-1.8	-2.1	-2.7

- Despite having been in the hard seltzer market for 4 years, they have struggled with acquiring market share and only captured 3% of the entire hard seltzer market in 2020
- This market share is decreasing while the three largest brands capture 91% of the total market

Diageo is in a state where they have already made investments into hard seltzer, but has not succeeded. Given this, they would want to make use of their prior investments and partner with PepsiCo, who has a higher potential of succeeding in this market.

Income Statement Pro-Forma

Income Statement Pro-Forma

PepsiCo Hard Seltzer

	2022E	2023E	2024E	2025E	2026E	Avg
Revenue	\$132.61	\$165.79	\$621.80	\$1,218.84	\$1,658.40	100.00%
Cost of Goods Sold	\$66.03	\$82.55	\$309.60	\$606.86	\$825.72	49.79%
Cost of Goods PEP pays for	\$16.51	\$20.64	\$77.40	\$151.72	\$206.43	0.25
Gross profit	\$116.10	\$145.15	\$544.40	\$1,067.12	\$1,451.97	
Gross profit after profit sharing	\$58.05	\$72.58	\$272.20	\$533.56	\$725.98	50%
Operating expenses						
Sales, General and administrative	\$33.33	\$41.67	\$156.28	\$306.34	\$416.82	25.13%
Total operating expenses	\$38.71	\$48.39	\$181.49	\$355.76	\$484.05	29.19%
Operating income	\$19.35	\$24.19	\$90.71	\$177.81	\$241.93	
Interest expense	\$5.43	\$6.79	\$25.46	\$49.91	\$67.91	4.09%
Other income (expense)						
Income before taxes	\$13.91	\$17.40	\$65.25	\$127.90	\$174.02	
Provision for income taxes	\$2.58	\$3.23	\$12.12	\$23.75	\$32.32	18.57%
Net income from continuing operations	\$11.33	\$14.17	\$53.13	\$104.15	\$141.70	
Other	-\$0.57	-\$0.71	-\$2.65	-\$5.20	-\$7.07	-0.43%
Net income	\$10.77	\$13.46	\$50.48	\$98.95	\$134.63	

Comparable Income Statement Expense Analysis

BOSTON BEER CO INC CLASS A (SAM) CashFlowFlag INCOME STATEMENT

Fiscal year ends in December. USD in m	2015-12	2016-12	2017-12	2018-12	2019-12	2015-12	2016-12	2017-12	2018-12	2019-12	Avg
Revenue	960	906	863	996	1250	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenue	458	447	413	483	636	47.71%	49.34%	47.86%	48.49%	50.88%	48.86%
Gross profit	502	460	450	512	614	52.29%	50.77%	52.14%	51.41%	49.12%	51.15%
Operating expenses											
Sales, General and administrative	345	322	332	396	468	35.94%	35.54%	38.47%	39.76%	37.44%	37.43%
Total operating expenses	345	322	332	396	468	35.94%	35.54%	38.47%	39.76%	37.44%	37.43%
Operating income	156	137	118	117	146	16.25%	15.12%	13.67%	11.75%	11.68%	13.69%
Interest expense											
Other income (expense)	-1	0	-2	0	-1	-0.10%	0.00%	-0.23%	0.00%	-0.08%	-0.08%
Income before taxes	155	137	116	116	144	16.15%	15.12%	13.44%	11.65%	11.52%	13.58%
Provision for income taxes	57	50	17	24	34	5.94%	5.52%	1.97%	2.41%	2.72%	3.71%
Net income from continuing operations	98	87	99	93	110	10.21%	9.60%	11.47%	9.34%	8.80%	9.88%
Other											
Net income	98	87	99	93	110	10.21%	9.60%	11.47%	9.34%	8.80%	9.88%
Net income available to common share	98	87	99	93	110	10.21%	9.60%	11.47%	9.34%	8.80%	9.88%
Earnings per share											
Basic	7.46	6.93	8.18	7.9	9.26	7.46	6.93	8.18	7.90	9.26	7.95
Diluted	7.25	6.79	8.09	7.82	9.16	7.25	6.79	8.09	7.82	9.16	7.82
Weighted average shares outstanding											
Basic	13	13	12	12	12	13.00	13.00	12.00	12.00	12.00	12.40
Diluted	14	13	12	12	12	14.00	13.00	12.00	12.00	12.00	12.60
EBITDA	199	187	169	169	202	20.73%	20.64%	19.58%	16.97%	16.16%	18.82%

Comparable Income Statement Expense Analysis

CONSTELLATION BRANDS INC A (STZ) CashFlowFlag INCOME STATEMENT

Fiscal year ends in February. USD in millions excep	2016-02	2017-02	2018-02	2019-02	2020-02	2016-02	2017-02	2018-02	2019-02	2020-02	Avg
Revenue	6548	7332	7585	8116	8344	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenue	3606	3802	3768	4036	4192	55.07%	51.85%	49.68%	49.73%	50.24%	51.31%
Gross profit	2942	3529	3817	4080	4152	44.93%	48.13%	50.32%	50.27%	49.76%	48.68%
Operating expenses											
Sales, General and administrative	1177	1392	1533	1668	1622	17.97%	18.99%	20.21%	20.55%	19.44%	19.43%
Total operating expenses	1177	1392	1533	1668	1622	17.97%	18.99%	20.21%	20.55%	19.44%	19.43%
Operating income	1765	2137	2284	2412	2530	26.95%	29.15%	30.11%	29.72%	30.32%	29.25%
Interest Expense	314	333	332	367	429	4.80%	4.54%	4.38%	4.52%	5.14%	4.68%
Other income (expense)	50	290	390	2100	-3047	0.76%	3.96%	5.14%	25.87%	-36.52%	-0.16%
Income before taxes	1501	2093	2343	4145	-945	22.92%	28.55%	30.89%	51.07%	-11.33%	24.42%
Provision for income taxes	441	554	12	686	-967	6.73%	7.56%	0.16%	8.45%	-11.59%	2.26%
Net income from continuing operations	1061	1539	2331	3459	21	16.20%	20.99%	30.73%	42.62%	0.25%	22.16%
Other	-6	-4	-12	-23	-33	-0.09%	-0.05%	-0.16%	-0.28%	-0.40%	-0.20%
Net income	1055	1535	2319	3436	-12	16.11%	20.94%	30.57%	42.34%	-0.14%	21.96%
Net income available to common shareholders	1055	1535	2319	3436	-12	16.11%	20.94%	30.57%	42.34%	-0.14%	21.96%
Earnings per share											
Basic	5.42	7.79	12.04	18.24	-0.07	5.42	7.79	12.04	18.24	-0.07	8.684
Diluted	5.18	7.52	11.55	17.57	-0.07	5.18	7.52	11.55	17.57	-0.07	8.35
Weighted average shares outstanding											
Basic	197	199	195	191	192	197	199	195	191	192	194.8
Diluted	204	204	201	219	192	204	204	201	219	192	204
EBITDA	2036	2721	2968	4845	-190	31.09%	37.11%	39.13%	59.70%	-2.28%	32.95%

Comparable Income Statement Expense Analysis

MOLSON COORS BEVERAGE CO SHS -B- NON-VOTING (TAP) CashFlowFlag INCOME STATEMENT

Fiscal year ends in December. USD in mill	2015-12	2016-12	2017-12	2018-12	2019-12	2015-12	2016-12	2017-12	2018-12	2019-12	Avg
Revenue	3568	4885	11003	10770	10579	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenue	2164	3003	6217	6585	6378	60.65%	61.47%	56.50%	61.14%	60.29%	60.01%
Gross profit	1404	1882	4786	4185	4201	39.35%	38.53%	43.50%	38.86%	39.71%	39.99%
Operating expenses											
Sales, General and administrative	1052	1597	3032	2803	2728	29.48%	32.69%	27.56%	26.03%	25.79%	28.31%
Total operating expenses	1052	1597	3032	2803	2728	29.48%	32.69%	27.56%	26.03%	25.79%	28.31%
Operating income	352	285	1753	1382	1473	9.87%	5.83%	15.93%	12.83%	13.92%	11.68%
Interest Expense	120	272	349	306	281	3.36%	5.57%	3.17%	2.84%	2.66%	3.52%
Other income (expense)	179	3022	-22	284	-712	5.02%	61.86%	-0.20%	2.64%	-6.73%	12.52%
Income before taxes	411	3035	1382	1360	480	11.52%	62.13%	12.56%	12.63%	4.54%	20.67%
Provision for income taxes	52	1051	-53	225	234	1.46%	21.51%	-0.48%	2.09%	2.21%	5.36%
Net income from continuing operations	359	1985	1435	1135	246	10.06%	40.63%	13.04%	10.54%	2.33%	15.32%
Other	-3	-6	-22	-18	-4	-0.08%	-0.12%	-0.20%	-0.17%	-0.04%	-0.12%
Net income	360	1976	1414	1116	242	10.09%	40.45%	12.85%	10.36%	2.29%	15.21%
Net income available to common shareh	360	1976	1414	1116	242	10.09%	40.45%	12.85%	10.36%	2.29%	15.21%
Earnings per share											
Basic	1.94	9.32	6.57	5.17	1.12	1.94	9.32	6.57	5.17	1.12	4.824
Diluted	1.93	9.26	6.53	5.15	1.11	1.93	9.26	6.53	5.15	1.11	4.796
Weighted average shares outstanding											
Basic	185	212	215	216	217	185	212	215	216	217	209
Diluted	186	213	216	217	217	186	213	216	217	217	209.8
EBITDA	845	3695	2544	2524	1620	23.68%	75.64%	23.12%	23.44%	15.31%	32.24%

Comparable Income Statement Expense Analysis

DIAGEO PLC ADR (DEO) CashFlowFlag INCOME STATEMENT

Fiscal year ends in June. GBP in milli	2016-06	2017-06	2018-06	2019-06	2020-06	2016-06	2017-06	2018-06	2019-06	2020-06	Avg
Revenue	10485	12050	12163	12867	11752	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenue	4251	4680	4634	4866	4654	40.54%	38.84%	38.10%	37.82%	39.60%	38.98%
Gross profit	6234	7370	7529	8001	7098	59.46%	61.16%	61.90%	62.18%	60.40%	61.02%
Operating expenses											
Sales, General and administrative	1562	1798	1882	2042	1841	14.90%	14.92%	15.47%	15.87%	15.67%	15.37%
Total operating expenses	3485	3811	3838	3959	3610	33.24%	31.63%	31.55%	30.77%	30.72%	31.58%
Operating income	2749	3559	3691	4042	3488	26.22%	29.54%	30.35%	31.41%	29.68%	29.44%
Interest Expense	470	459	409	506	571	4.48%	3.81%	3.36%	3.93%	4.86%	4.09%
Other income (expense)	579	459	458	699	-874	5.52%	3.81%	3.77%	5.43%	-7.44%	2.22%
Income before taxes	2858	3559	3740	4235	2043	27.26%	29.54%	30.75%	32.91%	17.38%	27.57%
Provision for income taxes	496	732	596	898	589	4.73%	6.07%	4.90%	6.98%	5.01%	5.54%
Net income from continuing operati	2362	2827	3144	3337	1454	22.53%	23.46%	25.85%	25.93%	12.37%	22.03%
Other	-118	-110	-122	-177	-45	-1.13%	-0.91%	-1.00%	-1.38%	-0.38%	-0.96%
Net income	2244	2662	3022	3160	1409	21.40%	22.09%	24.85%	24.56%	11.99%	20.98%
Net income available to common sh	2244	2662	3022	3160	1409	21.40%	22.09%	24.85%	24.56%	11.99%	20.98%
Earnings per share											
Basic	3.58	4.24	4.87	5.22	2.4	3.58	3.58	3.58	3.58	3.58	3.58
Diluted	3.56	4.22	4.84	5.2	2.39	3.56	3.56	3.56	3.56	3.56	3.56
Weighted average shares outstanding											
Basic	627	628	621	604	586	627	627	627	627	627	627
Diluted	630	631	624	607	588	630	630	630	630	630	630
EBITDA	3801	4379	4642	5115	4453	36.25%	36.34%	38.16%	39.75%	37.89%	37.68%