

Get to Know Your Stock: Diageo

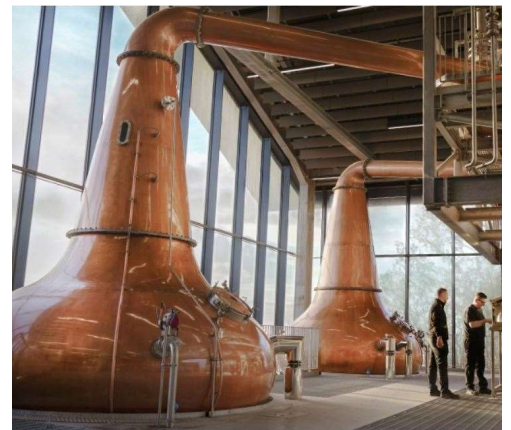
Diageo (NYSE: DEO) is a globally operated beverage company headquartered in Park Royal, London, England, formed in 1997 through the merger of Guinness plc, founded in 1759, and Grand Metropolitan, a property and manufacturing conglomerate that was founded in 1934. The merger brought Guinness's beverages to Grand Met's food and beverage locations - mostly hotels and casinos. This alliance also brought with it the 9,000-year lease signed in 1759 by



Arthur Guinness for the St. James's Gate Brewery in Dublin, Ireland – one of the most famous real estate deals in history. The company's slogan, "Celebrating Life, Every Day, Everywhere," is a reference to its name, which is half Latin and half Greek. Today, the company owns over 200 brands in nearly 180 countries, employing more than 30,000 people. Diageo's most recognizable brands include Guinness, Smirnoff, Bailey's liqueur, Captain Morgan rum, Tanqueray, and Gordon's Gin. Distilleries owned by Diageo are said to produce 40% of all Scotch whisky through the company's 24 brands.

After the merger in 1997, Diageo owned several brands it would soon divest to focus on its core alcoholic beverage category. The first divestiture was its Pillsbury Company to General Mills in the year 2000 for \$10.5 billion, and shortly following was its sale of Burger King to Texas Pacific for \$1.5 billion in 2002. That didn't quite quench its thirst for acquisitions and investments, however. Having already acquired Seagram's spirits in 2001, it acquired a 50% stake in Don Julio for \$100 million in 2003, sold Grand Marnier to Campari in 2016, and acquired Casamigos in 2017, among others. A unique move the company made in 2007 included an "equal-share venture" with rap artist Sean Combs to promote the Cîroc brand, which led to the purchase of DeLeón Tequila in 2013, however, most recently in 2024, that partnership was terminated, leaving Diageo as the sole owner of both brands.

Drinkers may not realize that non-alcoholic markets are booming: worth about \$1 billion in sales today, this category is expanding at five times the rate of conventional alcoholic beverages. To establish a toehold in this segment, Diageo purchased a majority stake in Seedlip, "the world's first distilled non-alcoholic spirit brand." In 2023, Diageo announced alcohol-free variants of Gordon's, Tanqueray, and Guinness, and most recently continued the trend with Captain Morgan. Recent trademarks the company has applied for - "Don't Mind If I Don't" and "Drink Interesting" – show Diageo plans to continue growing this business.



While looking forward, the company is also dedicated to history: it renovated the famous Scottish Brora whisky distillery, founded in 1819 and closed since 1983. After a brick-by-brick restoration, Brora opened its gates again in 2021. The Port Ellen distillery on the Island of Islay (above photo) was next; now open to visitors after more than four decades, Port Ellen is making some of the best Scotch in the world.