

19th May 2016

Food & Beverages

Diageo

Price 1,844p

Mr Javier Ferran to become the next chairman of Diageo

Fair Value 1790p (-3%)

NEUTRAL

Bloomberg	DGE LN
Reuters	DGE.L
12-month High / Low (p)	1,950 / 1,640
Market Cap (GBPm)	46,401
Avg. 6m daily volume (000)	3 878

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.2%	1.0%	-2.2%	-0.7%
Food & Bev.	-1.6%	1.9%	-6.7%	-3.7%
DJ Stoxx 600	-1.9%	2.6%	-11.0%	-7.7%

	06/15	06/16e	06/17e	06/18e
P/E	20.9x	21.7x	20.9x	19.6x
Div yield (%)	3.1%	3.2%	3.4%	3.6%

ANALYSIS

- Yesterday, Diageo has announced that Mr Javier Ferran will succeed Mr Franz Humer as chairman on 1 January 2017. Meanwhile, he will be appointed as a non-executive director from 22 July 2016. Mr Ferran who is a partner at Lion Capital began his career at Lloyds before joining Bacardi Group. He was CEO of the company in 2003-2004 and oversaw the acquisition of Grey Goose vodka. Diageo has recently made a number of changes in its management team. Former CFO Deirdre Mahlan is now CEO of North America and has been replaced by Ms Kathryn Mikells.

VALUATION

- At yesterday's share price, the stock is trading at 18.5x EV/EBIT 2015/16e and 17.9x EV/EBIT 2016/17e, 2% and 8% above the peer average.

NEXT CATALYSTS

- 2015/16 results due on July 28th

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Distribution of stock ratings

BUY ratings 72%

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