

COMMERCE

Diageo hit by double-digit profit losses in 2023

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Despite economic uncertainty, the company looks forward to flipping the script by the end of its 2024 fiscal year. Image credit: Diageo

By LUXURY DAILY NEWS SERVICE

British spirits distributor Diageo is reporting declines as its most recent fiscal period concludes.

For the company's H1 2024 earnings, which covers the six months ending Dec. 31, 2023, its reported operating profits are down 11.1 percent year-over-year (y-o-y). The fall is credited to underperformance in Latin America and the Caribbean, which saw organic net sales tumble by 23 percent, and unfavorable foreign exchange rates.

"The first half of fiscal 24 was challenging for Diageo and our sector, particularly as we lapped strong growth in the prior year and faced an uneven global consumer environment," said Debra Crew, CEO of Diageo, in a statement.

"Excluding Latin America and the Caribbean, our group organic net sales grew 2.5 percent, driven by good growth in Europe, Asia Pacific and Africa," Ms. Crew said. "While North America delivered sequential improvement in line with our expectations, we are focused on returning to high-quality share growth as consumer behavior continues to normalize in our largest region."

Slowdown continues

As macroeconomic pressures continue to loom over the luxury sector, many companies are not coming away unscathed; Diageo now joins this group.

In North America, the distributor's largest region by revenue, net sales declined by 2 percent but still managed to represent well over a third of the conglomerate's overall net sales for the fiscal period. Europe, the second-largest market, saw its net sales increase by 10 percent during the span, as Scottish whisky distiller Johnnie Walker performed exceptionally across the segment.

Asia Pacific also saw its net sales boosted by 2 percent y-o-y. Its last reported region, Africa, saw net sales fall by 12 percent, as all product categories except beer underperformed.



Diageo saw mixed results around the globe to end 2023. Image credit: Diageo

Across Diageo's luxury brands which include French vodka brand Croc, Johnnie Walker and Tequila Don Julio the beverages fell in organic net sales by 23 percent, 5 percent and 1 percent, respectively. Across all sectors and subsidiaries, the company brought in just under \$11 billion in net sales, with \$3.3 billion in profits.

The distributor is not alone in its struggles, as Italian fashion group Aeffe ([see story](#)), British automaker Bentley ([see story](#)) and the overall luxury watch market ([see story](#)) are currently experiencing economic uncertainty. Despite this, Diageo looks forward to flipping the script by the end of its 2024 fiscal year.

"Looking ahead to the second half of fiscal 24, despite continued global economic volatility, we expect to deliver improvement in organic net sales and organic operating profit growth at the group level, compared to the first half," Ms. Crew said.

"While the macro environment will continue to present challenges, I am confident that we remain well positioned and resilient for the long term," she said. "We are diversified by category, price point and region, and will continue to invest behind our iconic brands to maintain our position as an industry leader in total beverage alcohol - an attractive sector with a long runway for growth."

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