

ALLIED DOMECQ PLC
Form 6-K
April 26, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 or 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For April 21, 2005

ALLIED DOMECQ PLC

(Exact name of Registrant as specified in its Charter)

ALLIED DOMECQ PLC

(Translation of Registrant's name into English)

The Pavilions

Bridgwater Road

Bedminster Down

Bristol BS13 8AR

England

(Address of Principal Executive Offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:

Form 20-F: Form 40-F:

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes: No:

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

Allied Domeccq

is a dynamic marketing-led brands company. We operate globally in the businesses of Spirits & Wine and Quick Service Restaurants. We are delivering growth through a relentless focus on maximising our portfolio, our presence and the talents of our people. There's a lot happening at Allied Domeccq. It's time to take a new look

Financial highlights

	2005	2004	Growth %	Growth at constant currency %
Group turnover	£1,700m	£1,704m	0	3
Group trading profit	£349m	£337m	4	9
Group profit before tax	£285m	£266m	7	13
Normalised earnings per share	19.2p	18.0p	7	12
Dividend	6.5p	5.83p	11	
Net cash flow from operating activities	£225m	£244m		
Free cash flow (after dividends)	£42m	£38m		

Figures are stated before goodwill and exceptional items.

Business highlights

Spirits & Wine

Net turnover up 1%

Marketing spend up 1%

Net brand contribution up 2%

Trading profit up 6%

Premium wine

Volumes up 2%

Net turnover up 5%

Marketing spend up 11%

Trading profit up 14%

Core spirits brands

Volumes up 2%

Net turnover up 2%

Marketing spend up 6%

Net brand contribution up 3%

Quick Service Restaurants

Distribution points up 6%

System-wide sales up 15%

QSR turnover up 28%

Trading profit up 36%

Delivering improved efficiencies and cash flow

Good operational leverage Spirits & Wine trading margin up over 110 basis points

Efficiency improvements Spirits & Wine overheads reduced by 2%

Sustained cash generation £42m free cash flow (£149m before dividends)

Net debt reduction further £118m reduction

Figures here and in the Operating and Financial Review are stated before goodwill and exceptional items and comparative information is based on constant exchange rates unless otherwise specified.

Operational highlights

Portfolio

- Stolichnaya distribution agreement enhances portfolio strength
- Increased investment in core brand marketing
- Refreshed marketing initiatives across several core brands
- Innovation in new flavours for Malibu and Tia Maria
- Greater growth momentum behind core UK and US premium wine markets
- Innovation, same store sales and new store openings drive profit growth at QSR

Presence

- Roll-out of our selection of partner of choice distributors in the US nears completion
- Benefiting from efficiencies in distribution in challenging Western European markets
- Improving distribution strength in emerging markets, eg China and Eastern Europe
- Geographic expansion of QSR into Charlotte, Cleveland, Tampa and Cincinnati

People

- Strengthened management team with new appointments
- Restructured operations to deliver efficient ways of working

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Cautionary statement regarding forward-looking information

Some statements in this Interim Report contain forward-looking statements as defined in Section 21E of the United States Securities Exchange Act of 1934. They represent our expectations for our business, and involve risks and uncertainties. You can identify these statements by the use of words such as believes, expects, may, will, should, intends, plans, anticipates, estimates or other similar words. We have based our forward-looking statements on our current expectations and projections about future events. We believe that our expectations and assumptions with respect to these forward-looking statements are reasonable. However, because these forward-looking statements involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control, our actual results or performance may differ materially from those expressed or implied by such forward-looking statements.

Explanatory notes

Comparative information in the Operating and Financial Review is based on constant exchange rates. Net turnover is turnover after deducting excise duties. Profit and normalised earnings are stated before goodwill and exceptional items. Volumes are quoted in nine-litre cases unless otherwise specified.

Brands

All brands mentioned in this Interim Report are trademarks and are registered and/or otherwise protected in accordance with applicable law.

Operating and financial review

Summary

At constant currency, normalised earnings per share have grown by 12% and reported normalised earnings per share have increased by 7% to 19.2p. The three key drivers have been:

The growth of the core brands, which contributed the majority of the incremental Spirits & Wine gross profit;

The good profit growth of the premium wine brands; and

The strong growth in Quick Service Restaurants.

From a geographic perspective, the growth in Spirits & Wine profit has been driven by good trading in North America and strong value growth in the premium wine portfolio in the US and UK. We also made progress in key markets in Latin America and Asia Pacific. Tough trading conditions in Western Europe constrained volume and turnover growth but careful cost management helped to deliver improved profits. The Quick Service Restaurants business has delivered double-digit profit growth by pursuing their strategy of driving same store sales growth and new store openings.

At constant exchange rates, Group turnover grew 3% to £1,700m while it remained flat at reported currencies. This was driven by both Spirits & Wine and Quick Service Restaurants. At constant exchange rates, Spirits & Wine turnover grew £21m (1%) to £1,577m. The Quick Service Restaurants business, Dunkin' Brands, increased turnover by £27m (28%) to £123m.

At constant currency, normalised profit before tax increased by 13%. Reported profit before tax increased 7% to £285m which reflects an adverse foreign currency translation and transaction movement of £14m as a result of restating the profit for the prior period at this year's rates.

The Directors have declared an interim dividend of 6.5p per share, an increase of 11%.

Business drivers

Our strategy is delivering good growth in the core spirits and premium wine brands and from Quick Service Restaurants. We focus on three areas to drive competitive advantage and sustainable future growth:

Portfolio: By building and innovating our brand portfolio through effective marketing, we will retain consumers who enjoy our brands, and attract and excite new consumers to win greater market share.

Presence: Through prioritising, developing and extending our geographic presence, we will establish strong positions in key markets across the world.

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People: By developing our people, harnessing their talents and being an employer of choice, we will attract and retain the best people to deliver our business goals.

Our increased investment in these areas, particularly advertising and promotion, over the past five years is driving robust brand growth and strong financial results.

Spirits & Wine

	2005	2004	Growth %
Volume (9L cases)	35.7m	36.0m	(1)
Net turnover	£1,236m	£1,224m	1
Gross profit	£743m	£729m	2
Advertising and promotion	£217m	£215m	1
Trading profit	£298m	£281m	6

Spirits & Wine net turnover has increased through the growth of our core spirits brands and premium wine brands. Net turnover grew 1% while volumes fell by 1%, reflecting two percentage points of price and mix improvement. The core brands and premium wines are the key drivers of the gross profit improvement. Gross profit increased by £14m, or 2%, reflecting price and mix improvements (£11m) and a lower cost of goods (£9m) which have been partly offset by reduced volumes of non-core brands (£6m). As a result, trading profit grew £17m or 6%. We successfully reduced overheads by 2% through a range of cost-saving initiatives that we began last year.

Marketing investment

During the period, we increased our investment in advertising and promotion by 1% in line with net turnover growth. We also increased the investment focus on the core brands and growth markets directing more behind the core brands including new campaigns and innovation. This reflects the increasingly rigorous way in which we allocate investment between brands and markets. Our investment in the core brands increased by 6% on a like-for-like basis while we reduced our investment in the local market leaders by 14% and other Spirits & Wine brands by 12%. The increased marketing investment in the core brands has been directly behind selected brand market combinations, particularly Malibu in the US and UK, Beefeater in the US and Spain,

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Courvoisier in the US, Stolichnaya in the US, Ballantine's in Spain, Canadian Club in the US and Sauza in Mexico. As a result, we have increased our investment in quality brand building programmes behind the core brands in key markets. We have continued to invest in innovation opportunities but with a different phasing from last year. The first half of last year included the launch costs of Kuya in the US and the Christmas spend on Tia Lusso in the UK. The focused approach to our investment allocation is helping us to achieve a greater impact from our marketing spend.

Brand review

We manage the Spirits & Wine portfolio as four groups: core brands, local market leaders, premium wine and other Spirits & Wine brands.

The growth in gross profit was driven primarily by the growth of the core brands with their premium positioning and correspondingly higher margins. The average gross profit per case of the core brands is more than twice that of the rest of the portfolio. Therefore we continue to direct our investment and resources to drive core brand growth.

Spirits & Wine volume and net turnover growth

	Volume million 9L cases	Volume growth %	Net turnover growth %
Core brands			
Ballantine's	2.8	(4)	(1)
Beefeater	1.0	(9)	(3)
Canadian Club	1.3	5	(1)
Courvoisier	0.7	4	0
Kahlúa	1.6	(4)	(3)
Maker's Mark	0.3	15	19
Malibu	1.5	10	14
Sauza	1.6	15	3
Stolichnaya	1.0	3	5
Core brands	11.8	2	2
<i>Core brands (previous definition)</i>	<i>11.1</i>	<i>1</i>	<i>1</i>
Local market leaders	5.4	(4)	(3)