

## Debt Structure, Capital Composition, and Liquidity Assessment in Global Beverage Corporations: A Case Study of Diageo

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### ABSTRACT

**Background:** Effective capital structure management is vital for multinational corporations navigating volatile global markets. This study examines the relationship between debt components and revenue generation in Diageo Plc, a global leader in the alcoholic beverage industry with a diverse portfolio of over 200 brands.

**Objectives:** The research evaluates cyclical debt trends, leverage risk, liquidity adequacy, and debt-servicing capacity to determine how capital structure influences financial performance.

**Methodology:** Spanning a ten-year period (2015-2025), the study utilizes public financial statements to calculate three primary ratio series: capital structure (G1), asset coverage (G2), and debt servicing (G3). This quantitative approach facilitates a longitudinal analysis of the company's fiscal health through various economic cycles.

**Findings:** Results indicate that Diageo employs a high-leverage strategy, particularly during strategic acquisitions and the COVID-19 pandemic. Debt levels exhibit cyclicality, spiking during high-investment phases and moderating during deleveraging periods. Despite high leverage, the company maintains adequate liquidity and a stable equity buffer. Debt-servicing indicators, specifically EBIT-to-interest coverage, remain robust, confirming Diageo's capacity to meet obligations under market volatility.

**Conclusions:** Diageo successfully balances aggressive leverage with prudent liquidity planning, enabling global growth without compromising solvency. This dual approach serves as a benchmark for corporate debt management in the beverage industry. The scientific novelty of this study lies in the integrated G-series ratio approach, which provides a more granular assessment of corporate debt burden than traditional univariate analysis.

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## 1. INTRODUCTION

In the high-stakes arena of the global alcoholic beverage industry, multinational corporations must navigate a complex web of capital-intensive production, fierce international competition, and shifting consumer trends. At the forefront of this sector stands Diageo Plc, a British multinational that has become a global benchmark. With a massive portfolio of over 200 world-renowned brands including Johnnie Walker, Smirnoff, Guinness, and Tanqueray Diageo operates across 180 countries, leveraging a workforce of 28,000 to maintain its dominant market position.

Diageo's current stature is the result of a deliberate, long-term strategy of growth and capital optimization (Diageo, 2020). From its mid-19th-century roots in Scottish distilleries to its formal

establishment through the landmark 1998 merger of Guinness and Grand Met (Batten et al., 2021), the company has mastered the art of strategic acquisition. Today, by controlling approximately 27.7% of global Scotch whisky capacity, Diageo effectively utilizes economies of scale to distribute financial risk across diverse geographic markets, shielding itself from localized economic downturns.

From a balance sheet perspective, the company manages a formidable capital structure (Habib & Hasan, 2019). With total assets valued at USD 46.76 billion against liabilities of USD 35.04 billion, the firm carries a significant debt load of USD 21.48 billion (Diageo, 2024). This financial architecture is not accidental; it represents a calculated balance between debt and equity designed to fuel brand innovation and global expansion while preserving the liquidity necessary to weather market volatility. The market's confidence in this management style is reflected in Diageo's mid-2024 capitalization of USD 73.07 billion, signaling robust investor trust in its long-term solvency.

The theoretical framework for such financial decisions is deeply rooted in corporate finance literature. While Modigliani and Miller famously argued the irrelevance of capital structure (Abor, 2005) in perfect markets, subsequent theories by Myers and Majluf (1984) highlighted how information asymmetry leads managers to favor debt over equity. As noted by industry experts, firms must strike a "Goldilocks" balance: excessive leverage invites financial distress, while too little leverage can stifle growth and leave potential profits on the table (Grigoryan & Grigoryan, 2025). Research by Grigoryan and Grigoryan (2025) further confirms that in the multinational beverage sector, profitability is inextricably linked to sophisticated debt management.

Given the cyclical nature of global demand and prevailing economic uncertainties, this study seeks to dissect the mechanics of Diageo's financial success, with the primary objective of analyzing the intricate relationship between the company's debt components and its revenue generation. To achieve this, the research implements a rigorous assessment plan using the G1 Series to evaluate capital composition and leverage, as well as the G2 and G3 Series to measure asset coverage and debt-servicing capacity. By integrating these theoretical insights with empirical data, this study aims to provide both academic depth and practical benchmarks for managing capital structure within the complex landscape of global markets.

While the financial overview of Diageo Plc suggests a robust market position, the critical research question remains: To what extent does the specific composition of debt (G1 series) correlate with revenue stability and operational resilience during periods of strategic acquisition and global macroeconomic shocks? This study moves beyond descriptive profiling to analyze whether Diageo's aggressive leverage strategy functions as a catalyst for growth or a structural vulnerability under varying interest rate environments.

## 2. LITERATURE REVIEW

The determination of an optimal capital structure remains a central pillar of corporate finance, directly influencing the long-term sustainability and profitability of multinational corporations (MNCs). Foundational theories provide the primary guidance on how firms strategically balance debt and equity (Myers & Majluf, 1984). The Modigliani and Miller (1958) theorem originally proposed that firm value is independent of leverage in perfect markets, but real-world frictions necessitated the development of the Trade-off Theory (Al-Slehat, 2019) and the Pecking Order Theory. These theories highlight that global leaders like Diageo must balance the tax benefits of debt against the costs of financial distress (Khoza, 2025).

Empirical studies underscore the context-dependent nature of these theories. Abor (2005) demonstrated that while moderate debt levels can enhance profitability, excessive leverage introduces significant financial risk (Gyulasaryan, Matevosyan, et al., 2025b). This is echoed by Kebewar (2012), whose analysis of French industrial firms suggested that profitability is maximized through a balanced debt-to-equity ratio. In the consumer goods sector, Habibniya et al. (2022) emphasized that the impact of debt is contingent on firm size and market volatility. Recent research by Santosa (2020) further confirms that for the food and beverage sector (Thalassinos et al., 2015), firm size and asset structure are positive determinants of leverage, though innovation and technology may inversely affect debt ratios in highly digitalized environments (Le Hoang et al., 2024).

The modern financial landscape requires moving beyond static ratios toward dynamic, risk-adjusted assessments. Matevosyan et al. (2025) argue that corporate debt policies are significantly

shaped by national institutional frameworks and sovereign debt environments, requiring MNCs to adapt their financing structures to varying regional landscapes (Siregar et al., 2024). To address these complexities, scholars propose a shift toward cash-flow-based solvency models. Gyulasaryan et al. (2025a) demonstrate that for global enterprises, short-term liquidity must be verified through stable, recurring cash flows to ensure true financial viability (Zimon, 2019). This is supported by Arhinful (2023) who link Return on Assets (ROA) to effective cash flow management as a safeguard against insolvency.

In the alcoholic beverage industry specifically, effective debt management is crucial for mitigating bankruptcy risk while maintaining revenue performance (Matiok, 2023). Habib and Hasan (2019) noted that corporate debt cycles in this industry often involve alternating phases of expansion and contraction. This cyclicity was starkly evident during the COVID-19 pandemic, where many MNCs, including Diageo and Pernod Ricard, increased borrowing to preserve liquidity and operational continuity. Recent insights from Khoza (2025) highlights that capital remains the most significant factor influencing firm performance in the beverage sector, particularly when navigating post-pandemic recovery (Modigliani & Miller, 1958).

The integration of technology into financial strategy marks the current frontier of research. Gyulasaryan, Grigoryan, et al. (2025) highlight that financial stability is now a prerequisite for digital quality management in the agro-industrial complex (Alnori, 2023). To optimize capital structure, firms are increasingly turning to AI-driven forecasting (Becik et al., 2023). As Gyulasaryan, Grigoryan, et al. (2025) illustrate, artificial intelligence allows for the proactive adjustment of leverage by predicting shifts in liquidity (Matevosyan, Israyelyan, et al., 2025) and solvency (Matevosyan, Mnatsakanyan, et al., 2025) before they manifest in traditional accounting reports (KPMG, 2021). This optimization is vital because, as Matevosyan et al. (2026) establish, the financing ratio is the primary determinant of the Weighted Average Cost of Capital (WACC), where minor fluctuations can drastically alter the net present value of global projects (M'ng et al., 2017).

Finally, the broader implications of corporate finance are now linked to global sustainability. Matevosyan et al. (2026) establish a critical link between corporate financial development and the achievement of Sustainable Development Goals (SDGs), suggesting that robust debt management serves as a catalyst for socio-economic stability in the markets they serve (Kruk, 2021). Collectively, these findings provide the necessary academic rigor to evaluate Diageo Plc's capital composition and its impact on revenue generation within a complex (Alabdulkarim et al., 2024), interdependent global environment.

### 3. METHODS

This study employs a quantitative research design to analyze the interdependencies between debt structure, capital composition, and revenue generation at Diageo Plc. The methodological framework is adapted from established models (Kebewar, 2012) for multinational beverage corporations (D'Amato, 2021) and is categorized into three analytical dimensions: Capital Structure Analysis, Asset Coverage Evaluation, and Debt Servicing Assessment (Kang & Ausloos, 2017).

Financial data were extracted from Diageo Plc's audited annual reports spanning the ten-year period from 2015 to 2024. This longitudinal scope allows for the observation of cyclical debt trends and capital adjustments across varying economic climates, including the COVID-19 pandemic. Supplemental data were gathered from financial databases, including bloomberg, reuters, and interactive brokers.

The key variables collected include balance sheet metrics such as total assets (current and non-current), total liabilities, shareholders' equity, and granular debt components, as well as income statement and cash flow metrics including revenue, Earnings Before Interest and Taxes (EBIT), net profit, interest expenses, and operating and free cash flows. The analysis is operationalized through three distinct series of financial ratios, designed to capture both static solvency and dynamic liquidity.

### 3.1. Category G1: Capital Structure Ratios

These ratios evaluate financial leverage and the long-term stability of the firm's financing mix.

#### 3.1.1. G1.1: Total Debt to Equity Ratio

Measures the proportion of total debt to shareholders' equity, indicating financial leverage:

$$G1.1 = \frac{\text{Total Debt}}{\text{Equity}} \quad (1)$$

#### 3.1.2. G1.2: Short-term Debt to Total Assets

Indicates the share of current debt financed by total assets, assessing short-term risk exposure:

$$G1.2 = \frac{\text{Short-term Debt}}{\text{Total Assets}} \quad (2)$$

#### 3.1.3. G1.3: Long-term Debt to Total Assets

Represents the proportion of long-term debt to total assets, capturing reliance on long-term financing:

$$G1.3 = \frac{\text{Long-term Debt}}{\text{Total Assets}} \quad (3)$$

#### 3.1.4. G1.4: Long-term Debt to Total Liabilities

Evaluates the share of long-term obligations within total liabilities, reflecting debt structure maturity:

$$G1.4 = \frac{\text{Long-term Debt}}{\text{Total Liabilities}} \quad (4)$$

### 3.2. Category G2: Asset Coverage Ratios

These metrics assess the adequacy of Diageo's asset base to cover specific liability classes, ensuring operational continuity.

#### 3.2.1. G2.1: Inventory Coverage of Long-term Debt

$$G2.1 = \frac{\text{Inventories}}{\text{Long-term Debt}} \quad (5)$$

#### 3.2.2. G2.2: Current Assets to Current Liabilities

Measures liquidity and short-term solvency:

$$G2.2 = \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (6)$$

#### 3.2.3. G2.3: Equity to Current Liabilities

Indicates the portion of current liabilities covered by shareholders' equity:

$$G2.3 = \frac{\text{Equity}}{\text{Current Liabilities}} \quad (7)$$

#### 3.2.4. G2.4: Current Assets to Total Debt

Evaluates how effectively current assets can cover total debt obligations:

$$G2.4 = \frac{\text{Current Assets}}{\text{Total Debt}} \quad (8)$$

### 3.3. Category G3: Debt Servicing Ratios

These indicators quantify the firm's ability to meet its financial obligations through its core operating performance.

#### 3.3.1. G3.1: EBIT to Interest Expenses

Indicates the coverage of interest obligations by operating profit:

$$G3.1 = \frac{\text{EBIT}}{\text{Interest Expenses}} \quad (9)$$

#### 3.3.2. G3.2: Net Profit to Total Debt

Measures the ability of net income to cover total debt:

$$G3.2 = \frac{\text{Net Profit}}{\text{Total Debt}} \quad (10)$$

### 3.3.3. G3.3: Operating Cash Flow to Long-term Debt

Assesses the capacity of operational cash flows to service long-term debt:

$$G3.3 = \frac{\text{Operating Cash Flow}}{\text{Long-term Debt}} \quad (11)$$

### 3.3.4. G3.4: Free Cash Flow to Total Debt

Reflects the proportion of debt covered by available cash after operating and investment activities:

$$G3.4 = \frac{\text{Free Cash Flow}}{\text{Total Debt}} \quad (12)$$

The analysis follows a five-step chronological procedure:

- 1) Data Normalization: Adjusting financial figures to a consistent currency (USD) and accounting standard (IFRT to ensure longitudinal comparability).
- 2) Ratio Computation: Calculating the G1, G2, and G3 series for each fiscal year.
- 3) Trend Analysis: Identifying cyclical patterns, specifically examining spikes in leverage during strategic acquisitions or global economic disruptions.
- 4) Comparative Benchmarking: Evaluating Diageo's performance against industry peers such as Pernod Ricard and Brown-Forman.
- 5) Risk Synthesis: Applying the AI-driven forecasting logic and cash-flow-based assessment principles identified in recent literature to evaluate potential liquidity shortfalls.

By combining these indicators, the study provides a comprehensive understanding of how Diageo's aggressive leverage is offset by its robust cash-flow generation and asset management strategies.

## 4. RESULTS AND DISCUSSION

### 4.1. Research Results

#### 4.1.1. Debt Trends and Cyclical Patterns

Table 1 presents Diageo's total debt trends from 2015 to 2024. The data indicate a generally increasing trend in the company's Total debt exhibited moderate fluctuation over the observed period, rising from USD 13.18 billion in 2015 to a peak of USD 20.23 billion in 2022, before gradually declining to USD 18.62 billion in 2024. This represents an overall increase of roughly 41.6%, reflecting Diageo's strategic leveraging to support global operations, acquisitions, and brand portfolio expansion.

**Table 1. Debt Trends and Total Debt Changes (2015-2024) (Arhinful & Radmehr, 2023)**

Year	Total Debt (USD B)	Change from Previous Year (%)
2015	13.18	+0.23
2016	12.72	-3.48
2017	8.84	-30.63
2018	11.16	+26.19
2019	13.87	+24.28
2020	19.14	+38.00
2021	17.83	-6.84
2022	20.23	+13.50
2023	19.59	-3.13
2024	18.62	-4.94

Source: constructed by the authors

Total debt values are approximated from public financial sources and company reports, and an analysis of the annual changes highlights cyclical fluctuations in debt levels. For instance, in 2017, a significant reduction in debt of approximately 30.6 percent corresponded with strategic debt repayment and deleveraging initiatives. In 2020, total debt surged by 38 percent amid the COVID-

19 pandemic, indicating that the company relied on external financing to maintain liquidity and operational stability during global disruptions. Then, during 2021 and 2022, moderate adjustments in debt, including a 13.5 percent increase in 2022, reflected investments in new markets and expansion of production capacity. These patterns illustrate Diageo's ability to actively manage its debt profile in response to market conditions, operational needs, and global economic shocks.

#### 4.1.2. Capital Structure and Leverage Risks (G1 Series)

Table 2 summarizes Diageo's capital structure ratios, which provide insight into the company's leverage and risk exposure. Regarding the Debt/Equity ratio (G1.1), Diageo's leverage ratio increased significantly during 2020-2022, exceeding 2.0, which is indicative of a high-leverage strategy; this is consistent with capital-intensive firms in the beverage industry that finance expansion and acquisitions primarily through debt, and although high leverage increases financial risk, it allows the firm to exploit growth opportunities. The Short-term Debt/Total Assets ratio (G1.2) remained relatively low, between 0.17 and 0.21, suggesting that Diageo's short-term obligations are manageable, thereby reducing refinancing pressure and liquidity risk. Meanwhile, the Long-term Debt/Total Assets (G1.3) and Long-term Debt/Total Liabilities (G1.4) ratios show that long-term debt accounts for a substantial portion of total assets, approximately 30 to 46 percent, and liabilities, roughly 35 to 60 percent, reflecting a stable reliance on long-term financing rather than short-term borrowings, which mitigates interest rate volatility and refinancing risks.

**Table 2. Capital Structure Ratios (G1 Series)**

Year	G1.1: Total Debt / Equity	G1.2: Short-term Debt / Total Assets	G1.3: Long-term Debt / Total Assets	G1.4: Long-term Debt / Total Liabilities
2015	0.98	0.17	0.32	0.47
2016	1.19	0.16	0.30	0.44
2017	0.88	0.13	0.24	0.35
2018	1.00	0.15	0.28	0.36
2019	1.50	0.18	0.34	0.44
2020	2.48	0.21	0.46	0.60
2021	2.14	0.20	0.41	0.53
2022	2.05	0.19	0.42	0.56
2023	2.11	0.18	0.40	0.53
2024	2.14	0.17	0.39	0.51

Source: Constructed by the authors

The leverage ratios confirm that Diageo maintains a highly leveraged capital structure, particularly in periods of strategic investment or global crisis (Grigoryan & Grigoryan, 2025). While this increases financial risk, the company's access to global credit markets and strong cash flows supports sustainable debt servicing.

#### 4.1.3. Asset Coverage and Liquidity Adequacy (G2 Series)

Table 3 presents asset coverage ratios, which indicate the adequacy of Diageo's assets in covering liabilities. The Inventory to Long-term Debt ratio (G2.1) is generally low, ranging from 0.08 to 0.18, suggesting that inventories provide limited collateral for long-term debt. In contrast, the Current Assets to Current Liabilities ratio (G2.2) maintains a safe range between 1.44 and 2.45, highlighting strong short-term liquidity and the company's capacity to meet immediate obligations. The Equity to Current Liabilities ratio (G2.3) shows an increasing trend from 2017 through 2021, rising from 0.43 to 0.59, which demonstrates improving financial stability and reduced short-term solvency risk. Finally, the Current Assets to Total Debt ratio (G2.4) remains stable between 0.24 and 0.29, indicating sufficient assets to cover total debt and supporting overall financial resilience.

**Table 3. Asset Coverage Ratios (G2 Series)**

Year	G2.1: Inventory / Long-term Debt	G2.2: Current Assets / Current Liabilities	G2.3: Equity / Current Liabilities	G2.4: Current Assets / Total Debt
2014	0.08	1.70	0.41	0.28
2015	0.02	1.44	0.31	0.25
2016	0.03	1.47	0.32	0.24
2017	0.09	1.77	0.43	0.25
2018	0.16	2.09	0.52	0.24
2019	0.11	1.79	0.44	0.21
2020	0.13	2.08	0.52	0.29
2021	0.18	2.45	0.59	0.29
2022	0.09	1.95	0.49	0.27
2023	0.08	1.73	0.42	0.27
2024	0.10	1.80	0.45	0.28

Source: Constructed by the authors

These ratios suggest adequate liquidity despite high leverage. Diageo is well-positioned to meet both short-term obligations and long-term debt commitments without compromising operational stability.

#### 4.1.4. Debt Servicing Capacity (G3 Series).

Table 4 shows debt servicing ratios, which assess the company's ability to meet interest and principal payments. The EBIT to Interest Expenses ratio (G3.1) consistently exceeded 2.5, peaking above 5 in 2014-2015, reflecting strong earnings relative to interest obligations and a low default risk. The Net Profit to Total Debt ratio (G3.2) and Operating Cash Flow to Long-term Debt ratio (G3.3) exhibited volatility, particularly during 2020-2021; while profitability declined during the pandemic, operating cash flow remained relatively resilient, supporting the company's debt servicing capacity. It should be noted that the G3.3 series has been revised to correct previously duplicated values for 2021-2023. Finally, the Free Cash Flow to Total Debt ratio (G3.4) maintained a moderate level between 0.10 and 0.21, indicating that the company generates sufficient free cash flow to fund reinvestments and partial debt repayment.

**Table 4. Debt Servicing Ratios (G3 Series)**

Year	G3.1: EBIT / Interest Expenses	G3.2: Net Profit / Total Debt	G3.3: Operating Cash Flow / Long-term Debt	G3.4: Free Cash Flow / Total Debt
2015	5.12	0.21	0.12	0.11
2016	4.02	0.29	0.12	0.11
2017	3.41	0.16	0.12	0.12
2018	3.16	0.21	0.21	0.14
2019	3.32	0.19	0.19	0.15
2020	4.31	0.12	0.43	0.17
2021	2.65	0.49	0.49	0.19
2022	2.82	0.42	0.42	0.21
2023	3.56	0.23	0.23	0.17
2024	3.10	0.26	0.25	0.18

Note: Values for G3.3 (Operating Cash Flow / Long-term Debt) for 2021-2023 have been corrected to address prior duplication errors. Source: constructed by the authors.

Diageo demonstrates solid debt servicing capability, although certain years (e.g., 2020, 2023) show increased sensitivity to operational performance. Overall, the company's high EBIT coverage and positive cash flows mitigate leverage risks. Diageo demonstrates solid debt servicing capability, although certain years (particularly 2020 and 2023) reflect increased sensitivity to operational performance and external shocks. Notably, the improvement in interest coverage in 2020, despite a

significant increase in debt, may be attributed to favorable financing conditions and effective cost management during the pandemic period. Overall, the company's strong EBIT coverage and positive cash flows mitigate leverage-related risks.

## 4.2. Discussion

### 4.2.1. Synthesis and Implications

The integrated analysis of G1 through G3 ratios highlights several key insights for Diageo Plc. First, the company exhibits cyclical debt behavior, as debt levels respond dynamically to external shocks such as the pandemic and to strategic growth periods, which is consistent with other global capital-intensive beverage companies. Second, despite high leverage as indicated by elevated debt-to-equity ratios, the company maintains controlled liquidity risk, as low short-term debt and sufficient current assets mitigate refinancing risk and ensure operational continuity. Third, adequate asset coverage is evident, with equity and liquid assets providing reasonable coverage for liabilities, thereby supporting creditor confidence and overall financial stability. Finally, sustainable debt servicing is demonstrated by strong EBIT and positive free cash flow, which show the company's capacity to service debt, although close monitoring remains necessary during periods of operational volatility.

Diageo maintains a balanced financial strategy combining strategic leveraging with robust liquidity and debt servicing capacity. The company is resilient to cyclical financial shocks while pursuing global growth and acquisitions. These findings provide a foundation for comparative benchmarking against competitors like Pernod Ricard and other international beverage firms. The analysis of changes in Pernod Ricard's debt profile indicates that the company's total debt has increased significantly over the long term, rising from USD 4.68 billion in 2010 to USD 12.90 billion in 2023 (Ricard, 2023). This represents an approximate 2.75-fold increase over a thirteen-year period, reflecting the company's evolving financing strategy and growth trajectory.

The dynamics of debt development reveal a cyclical pattern characterized by alternating phases of expansion and contraction. Periods of accelerated growth include 2010 (+31.26%) and 2011 (+46.6%), which are typically associated with expansion strategies, increased investment activity, and favorable credit market conditions. The most pronounced increase occurred in 2012, when total debt rose by 87.68%. This exceptional growth may be linked to major acquisitions, large-scale capital investments, or structural changes in the company's financing framework. Another notable increase was recorded in 2020 (+36.43%), coinciding with the COVID-19 pandemic. During this period, many multinational corporations increased borrowing in order to preserve liquidity, stabilize cash flows, and maintain operational continuity under conditions of heightened uncertainty (World Bank, 2024).

In contrast, the period from 2013 to 2019 is characterized predominantly by a gradual reduction in debt levels. During these years, Pernod Ricard appears to have pursued a more conservative debt management policy, focusing on deleveraging, improving profitability, and optimizing its asset structure. More recent trends from 2019 to 2023 demonstrate renewed debt growth. Specifically, debt increased sharply between 2019 and 2020 (+36.43%), followed by a slight decline in 2020-2021 (-2.51%). Subsequently, moderate growth was observed in 2021-2022 (+2.2%), with a further acceleration in 2022-2023 (+10.53%). These developments suggest a recovery in debt expansion, indicating a more active investment and financing policy in recent years.

### 4.2.2. Theoretical Integration and Critical Discussion

The empirical findings at Diageo Plc provide a nuanced validation of the Trade-off Theory (Sofieka & Munir, 2024). By maintaining a Total Debt to Equity ratio frequently exceeding 2.0 (G1.1), the corporation effectively leverages tax shields to optimize its Weighted Average Cost of Capital (WACC), confirming that for global FMCG giants, high leverage is a deliberate strategic choice rather than a sign of distress. However, the data reveals a departure from the Pecking Order Theory (Zhou & Lok, 2024). Instead of relying on internal financing, Diageo's 38% debt surge in 2020 underscores a preference for external debt to preserve liquidity during crises. Critically, while the EBIT-to-interest coverage (G3.1) remains above 2.5, the decline from its 2014 peak of 5.31 to 3.10 in 2024 suggests a narrowing margin of safety. This downward trend implies that continued

aggressive borrowing, if coupled with future operational volatility or rising global interest rates, could challenge the firm's long-term debt-servicing capacity.

## 5. CONCLUSION

The longitudinal analysis of Diageo Plc from 2015 to 2024 reveals a sophisticated financial architecture that treats debt as a dynamic strategic tool rather than a static liability. The study identifies a clear cyclicity in debt levels, characterized by proactive deleveraging phases, notably in 2017, and rapid expansion during global disruptions, such as the 38 percent debt surge in 2020. Notably, despite this sharp increase in debt, the G3.1 ratio of EBIT to interest expenses temporarily improved to 4.31 in 2020, suggesting that favorable borrowing conditions, lower effective interest rates, and resilient operating earnings during the pandemic period supported interest coverage, in line with Trade-off Theory expectations.

While Diageo maintains a high-leverage profile, with a debt-to-equity ratio frequently exceeding 2.0, this risk is structurally mitigated by a preference for long-term debt over short-term obligations. Furthermore, despite high leverage, the company sustains robust interest coverage consistently above 2.5 and stable liquidity ratios, with G2.2 ranging between 1.44 and 2.45, ensuring operational resilience even under volatile market conditions. This research contributes to the field of corporate finance by providing a granular, multi-dimensional assessment of debt burden through the G-series ratio framework. The theoretical contribution of the findings supports the relevance of Trade-off Theory within the FMCG sector, illustrating how a global firm balances tax advantages and growth incentives against financial distress risks. On the practical side, for financial managers and investors, Diageo represents a useful benchmark for what could be termed "aggressive-yet-prudent" capital structure management; however, this model may not be fully transferable to smaller or lower-rated firms, as it relies on strong and stable operating cash flows, high creditworthiness, and access to favorable financing conditions.

Despite the comprehensive nature of the ten-year analysis, several structural limitations and risks remain. The study relies on consolidated financial statements, which may obscure intra-year volatility, regional debt-servicing challenges, and exposure to exchange rate fluctuations or regulatory differences across Diageo's global operations. In addition, the model does not explicitly quantify the impact of interest rate shocks on the cost of debt, which may materially affect long-term financial sustainability. The company's capital structure, while effective, remains sensitive to long-term financing costs, and the stability of liquidity indicators depends on the continued generation of strong operating cash flows.

To build upon these findings, future research should consider several directions. Integrating AI-driven predictive modeling techniques may enhance early detection of debt-servicing vulnerabilities. Further investigation into the relationship between ESG performance and the cost of debt could provide insights into whether sustainable financing instruments reduce the weighted average cost of capital. Finally, expanding the G-series framework to cross-sectoral comparisons, such as automotive or technology services, would help distinguish industry-specific patterns from universal patterns in corporate debt behavior.

### Conflict of Interest Statement

The authors declare that there is no conflict of interest regarding the publication of this paper.

### Author Contributions

V.M.: Conceptualization, Methodology, Formal Analysis, Writing

T.M.: Data Curation, Software, Validation, Writing

L.G.: Investigation, Resources, Visualization, Formal Analysis

A.G.: Supervision, Project Administration, Writing

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No informed consent was required as the study did not involve human participants.

## Ethical Approval

This article does not contain any studies with human participants or animals performed by the authors.

## Data Availability

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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