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Diageo unveils $500 million cost-saving plan to reduce debt and counter US tariffs

British beverage giant aims for increased efficiency and resilience as it faces significant tariff impact and global market challenges

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Diageo, the British company known for brands like Smirnoff and Guinness, announced on Monday a cost-saving plan of $500 million aimed at reducing its debt. The company is also assessing the impact of new U.S. tariffs on its business, which it estimates at $150 million annually. Diageo’s CEO, Debra Crew, stated that this strategic program will strengthen the company by increasing efficiency, agility, and resilience. Crew said more details about the plan will be shared in August.

The initiative targets generating $3 billion in free cash flow per year starting in 2026. It also aims to lower the company’s overall debt. Diageo owns several other well-known brands, including Baileys, Kilkenny, and Johnnie Walker. The company faces a 10% tariff on British and European products imported into the United States, which it expects will have a significant financial impact.

According to Diageo’s statement, the company believes it can offset about half of the tariff impact through measures already in place before any price adjustments. The remaining impact will likely be addressed through price increases. Aarin Chiekrie, an analyst at Hargreaves Lansdown, noted that implementing these measures will take some time.

Diageo reported third-quarter revenue of $4.376 billion, an increase of 2.9%. The company assumes that imports of Mexican and Canadian spirits into the United States will remain exempt from tariffs and that there will be no further changes to U.S. trade policy affecting its products. Diageo also indicated that tariffs between the United States and China do not have a significant effect on its operations.

The announcement comes as Diageo continues to navigate a challenging global market for alcoholic beverages. The company is focusing on maintaining profitability and managing costs amid shifting trade policies and economic uncertainty. The cost-saving plan is part of a broader effort to ensure long-term stability and growth for one of the world’s largest beverage companies.