



# Britvic plc Prelims 2020

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## PRELIMINARY RESULTS PRESENTATION

### Simon Litherland – Operational review and strategy

- *Successfully delivered our near-term priorities during the pandemic*
- *New 20-year agreement with PepsiCo in GB*
- *Excellent progress made on our strategic ambitions*

### Joanne Wilson – Financial performance

- *Strong At-Home performance partly offsetting OOH challenges*
- *Relentless focus on cash and cost efficiency*
- *Robust liquidity position and strong balance sheet*

### Simon Litherland – Looking forward

- *Britvic is well positioned for future growth*
- *We are responding with agility to changing consumer and customer trends*
- *Clear growth strategy to deliver compelling returns*



Q&A

**BRITVIC**



## Simon Litherland – Chief Executive Officer

- *Successfully delivered our near-term priorities during the pandemic*
- *New 20-year agreement with PepsiCo in GB*
- *Excellent progress made on our strategic ambitions*

## Excellent progress made in a challenging year

- Delivered on our pandemic priorities
- Decisive action taken early to protect profit and cash
- Strong growth in At Home from our portfolio of trusted brands
- Dividend restored in line with policy
- Extended our relationship with PepsiCo in GB to 2040
- Completed sale of juice assets in France – simplifying and focusing the business on higher margin brands
- Acquired The Boiling Tap Company to complement our capability beyond the bottle



## **We delivered on our pandemic priorities**

### **Safeguarded our people**

- Implemented Government and Health Authority guidelines
- Protected vulnerable employees and supported those taken ill
- Covid-19 secure workspace and flexible, home working
- Enhanced our wellbeing support with one-stop employee portal

### **Maintained operational agility**

- Maintained high customer service levels and brand availability
- Adapted our commercial plans to reflect the changed environment
- Collaborated with suppliers and customers, ensuring continuity of supply
- Optimised marketing and promotional spend
- Business Capability Programme has facilitated greater flexibility

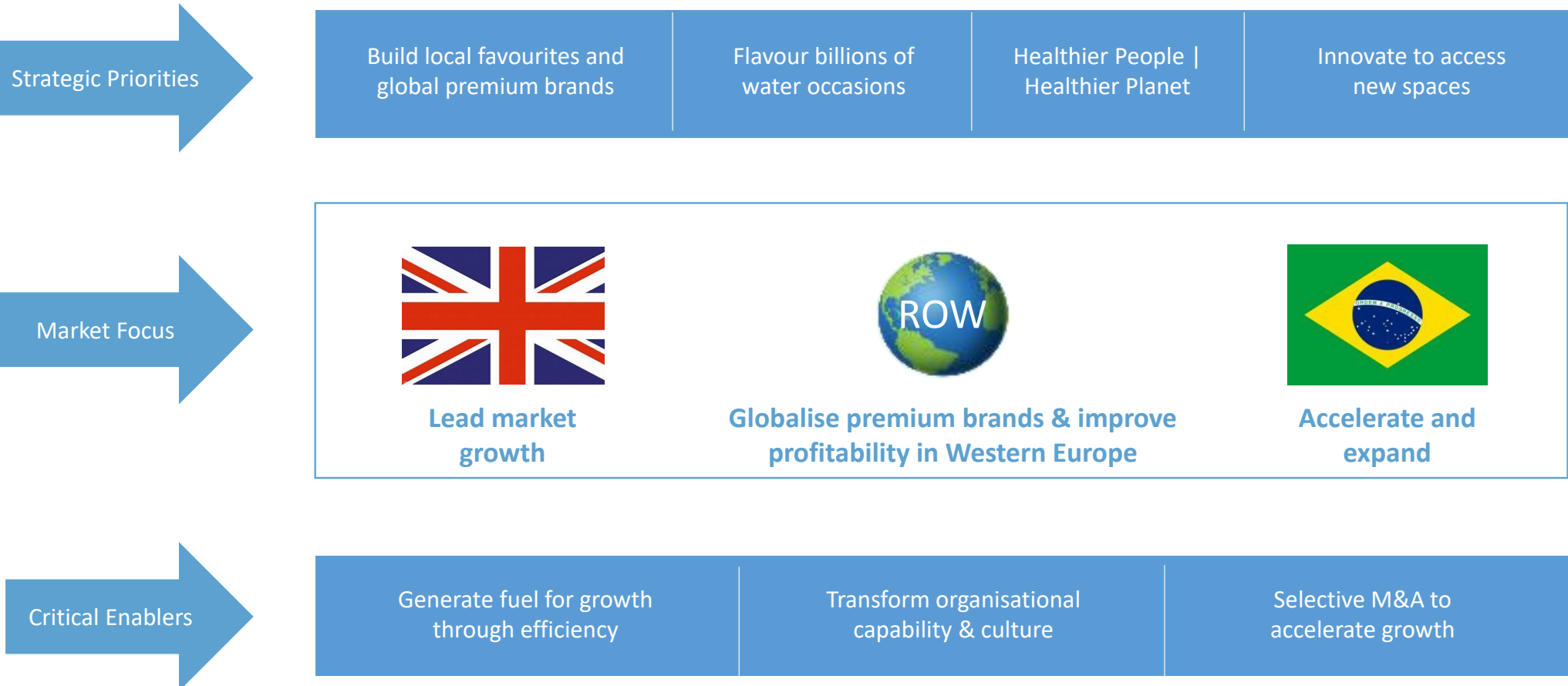
### **Supported customers, suppliers and communities**

- Donated drinks to NHS, hospitals and charities in the UK
- Provided the NHS with warehousing facility in Norwich
- Supplied PPE across our markets
- Working capital support to smaller customers & suppliers

### **Maintained financial strength**

- Supportive banking syndicate and long-term USPP debt holders
- Cut all non-essential discretionary and capital spend
- Strong working capital and cash management
- Deferred dividend decision during the height of the lockdown

## Our strategy is fit for the future





Build local favourites and global premium brands

## Winning with consumers in GB with a consistent focus on low/no sugar brands



Total Pepsi  
Value +14%  
Share +180bps



Total 7UP  
Value +31%  
Share +180bps



Total Tango  
Value + 26%  
Share +120bps

Total At-Home  
Market Value  
**+1.5%**

Britvic At-Home  
Market Value  
**+11.3%**

## Accelerating and expanding in Brazil

### Flavour concentrates



New pack formats to broaden appeal and affordability

### RTD Juices



Britvic now the #1 RTD juice company

### Nurturing innovation



Successfully expanded into new categories since 2015

### New category launches



Leveraged the group portfolio to access new spaces

Build local favourites and global premium brands



Source: Nielsen to September 2020

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## Growth in flavour concentrates as consumers turn to trusted family brands

- **Market-leading brands**, rich heritage and trusted by consumers
- Excellent value for money and **healthy way to hydrate**
- Concentrated formula results in: **less packaging | less waste**
- New ranges, flavours and pack formats launched to **broaden appeal**
- H2 revenue **+7.4%**, with **all markets in growth**



## Sustainability remains a core pillar of our strategy

- Secured our first sustainability-linked 'green' credit facility of £400m
- Intent to be in 100% rPET across entire GB portfolio by 2022
- 12% reduction in global manufacturing water intensity ratio
- Now zero to landfill across all our markets globally
- Championed diversity, inclusion and wellbeing across our organisation
  - Women now in 40% of leadership roles
  - Four highly active employee network groups | B-Yourself
  - Nearly 80% of employees feel we supported their wellbeing well through lockdown



## Innovating beyond the bottle

### Acquisition of The Boiling Tap Company

- Acquired in 2020
- Complements our leadership in dispense
- Range of options for business, retail and education
- Sustainable and environmentally friendly
- Under-served opportunity



### Rollout of London Essence Fresh Serve

- Patented micro-dosing technology
- 5 premium tonics on draught
- Uniquely positioned to grow the category
- Plan to roll out in 2021
- Compelling sustainability story



## Platform for growth in GB with new 20-year PepsiCo agreement

### New and enhanced agreement

- Extending relationship in GB to December 2040
- Exclusive access to PepsiCo portfolio of carbonated brands
- Principles of the agreement unchanged
- Adding Rockstar to the portfolio
- A track record of success to build on
- Provides a platform for long-term growth

### Highlights



**Pepsi MAX, the #1 cola variant by volume in the At-Home channel**



**7UP, the #1 lemon and lime brand in the At-Home channel**



**Energy, the #2 category by value (£1.2bn)**

## Completed asset sale in France

- Sale of juice assets to Refresco completed September, including three production sites and private label contracts
- Retained one site for production of flavour concentrates
- Fruit Shoot and Pressade now co-packed as part of a long-term manufacturing agreement
- Simplifies the business and enables team to focus on growing the higher margin branded portfolio





## Operating model aligned to focus on future growth drivers

- Pre-pandemic we shared our framework to create shareholder value
- Supported by operating model review to ensure “fit for purpose”
- Completed reorganisation in Q4 to enable investment in the future growth drivers
- Reinvesting cost savings behind future growth drivers and to support near-term profit delivery



## Summary

- Strong operational management of the pandemic, continuing our track record of agility and resilience
- Significant strategic advances to set us up for the long term
- Disposal of non-core assets
- Renewal and creation of strategic partnerships
- Simplification of the business and set up for future growth





## Joanne Wilson - Chief Financial Officer

- *Strong At-Home performance partly offsetting Out-of-Home challenges*
- *Relentless focus on cash and cost efficiency*
- *Robust liquidity position and strong balance sheet*

## As anticipated, significant impact on finance metrics from COVID-19; decisive action taken on mitigations

Metric	Reported	Adjusted %
Revenue	£1,412.4m	(6.8%)
Adjusted EBIT	£165.8m	(21.9%)
Adjusted EBIT Margin	11.7%	(230bps)
Adjusted EPS	43.2p	(27.8%)
Dividend per share	21.6p	(28.0%)
Adjusted Net Debt/EBITDA	2.4x	0.3x

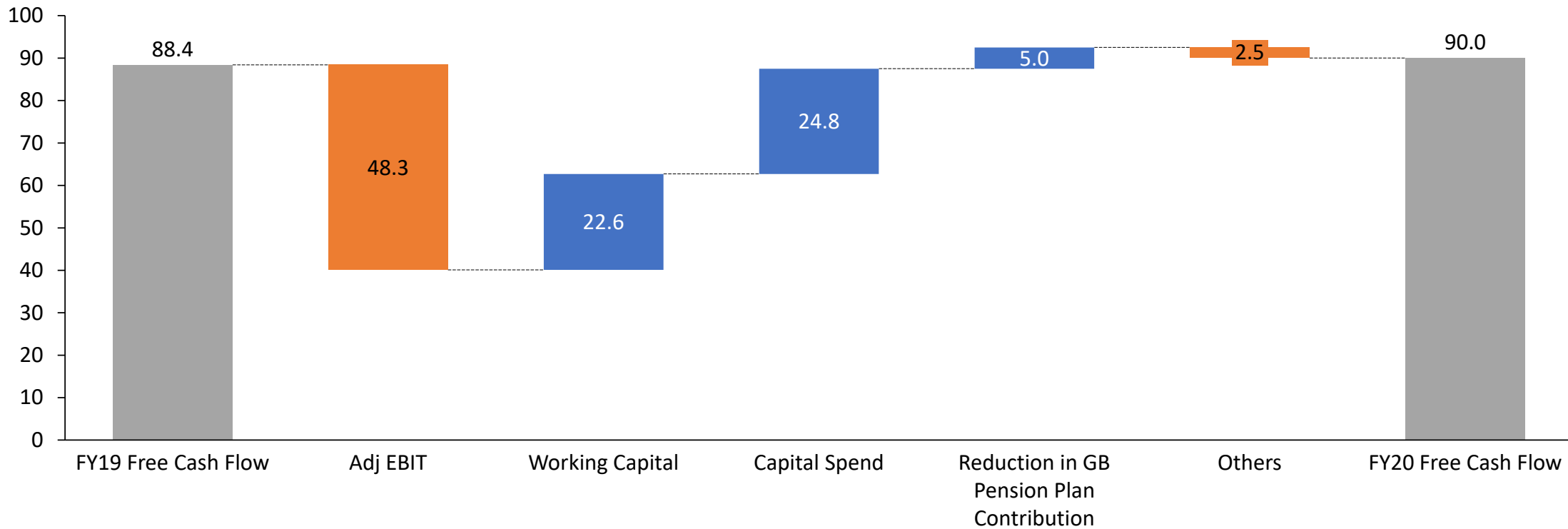


Adjusted EBIT is a non-GAAP measure and is defined as operating profit before adjusting items. Adjusted EBIT margin is Adjusted EBIT as a proportion of group revenue. Adjusted earnings per share is a non-GAAP measure calculated by dividing adjusted earnings by the average number of shares during the period. Adjusted earnings is defined as the profit/(loss) attributable to ordinary equity shareholders before adjusting items. Average number of shares during the period is defined as the weighted average number of ordinary shares outstanding during the period excluding any own shares held by Britvic that are used to satisfy various employee share-based incentive programmes. The weighted average number of ordinary shares in issue for adjusted earnings per share for the period was 265.9m (2019: 264.5m). All numbers are in constant currency.



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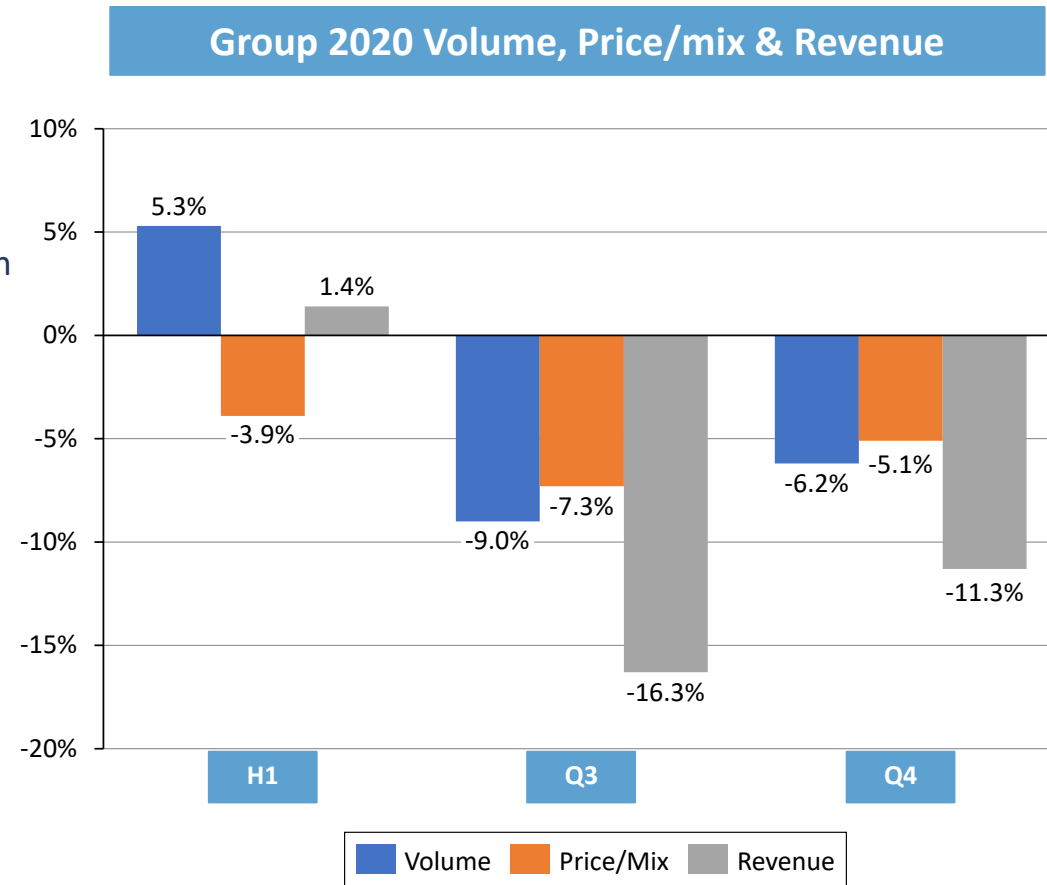
## Disciplined cash management largely offsetting the reduction in profits





## 2020 price/mix adversely impacted by shift to At-Home consumption

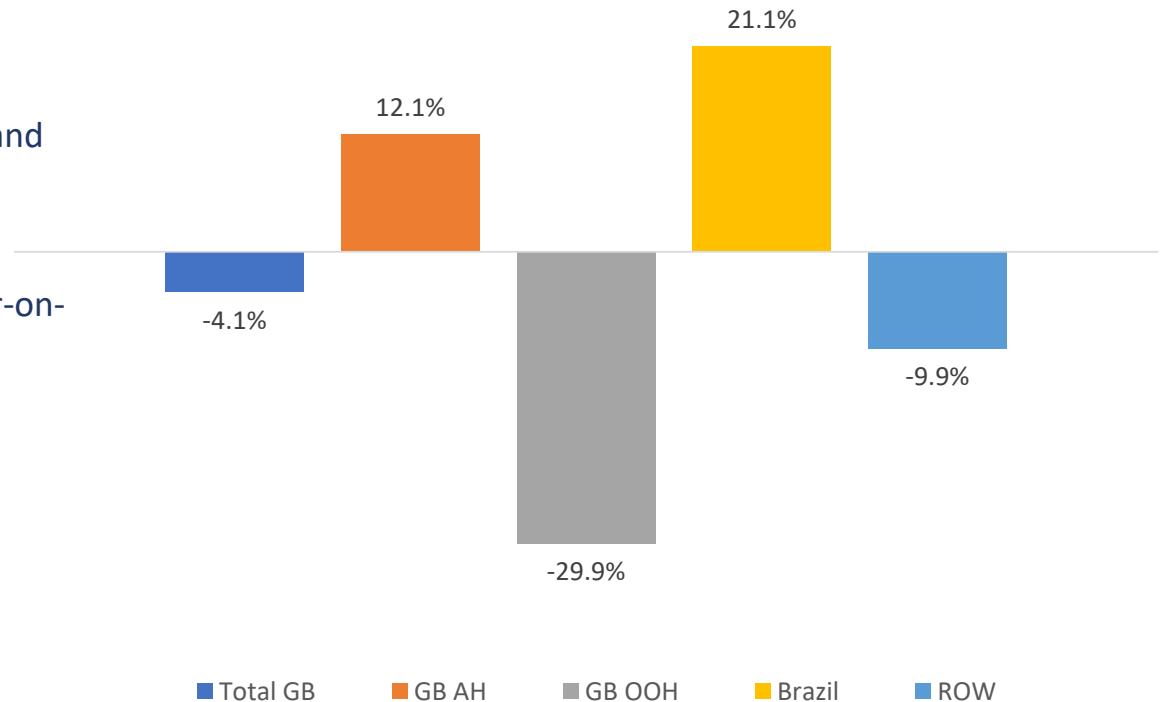
- Robust start to the year with revenue and EBIT growth pre-pandemic
- Q3 (April – June) revenue -16.3% reflecting full impact of spring lockdown
- Q4 (July-Sep) sequential improvement as OOH channels re-opened
- Price/mix decline reflects shift to At-Home channel and large packs and decline of “on-the-go” and socialising consumption



## Early trading in 2021 continues to reflect the impact of pandemic-related restrictions

- At-Home channels continue to be robust, with double-digit volume growth and further market share gains
- Out-of-Home consumption impacted by lockdown restrictions and social distancing measures
- Anticipate current trends will continue to impact price/mix year-on-year through H1 (end of March)
- Impact on price/mix is dependent on scale and frequency of lockdown restrictions

Segmental 2021 Volume Trends



## 2020 Business Unit Highlights

	GB	BRAZIL	REST OF WORLD
Volume	(2.2%)	+13.0%	(6.4%)
ARP per litre	(4.4%)	(0.4%)	(5.8%)
Revenue	(6.4%)	+12.4%	(11.8%)
Brand contribution	(9.8%)	+7.9%	(10.4%)
Brand margin %	(150bps)	(90bps)	+50bps

### GB

- Market share gains in key categories minimised volume impact from COVID-19 restrictions
- Adverse mix impact as consumers switched to large packs for At-Home consumption
- Sequential improvement in Q4 as restrictions eased but OOH still down YOY
- Partially mitigated margin impact through significant A&P savings

### BRAZIL

- Revenue growth led by RTD juices, Puro Coco and Fruit Shoot expansion
- Strong H2 growth for flavour concentrates as consumers switched to At-Home consumption
- Full year PIS/COFINS tax benefit £2.8m
- Brand contribution impacted by sales mix

### REST OF WORLD

- France revenue declined 5.7%, with growth in Q4 led by flavour concentrates
- Ireland revenue declined 15.8%, reflecting OOH restrictions and licensed trade closure
- International revenue declined 26.4%, reflecting restrictions and exit of Fruit Shoot multi-pack in United States



All numbers are in constant currency and are movements compared to last year

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## Rapid and disciplined management of fixed costs

	FY 2020	% Constant Exchange Rate
Total A&P spend	£46.0m	29.7%
A&P as a % of revenue	3.3%	(110bps)
Non-brand A&P	£10.2m	2.9%
Fixed Supply Chain	£131.8m	(10.4%)
Selling Costs	£77.4m	4.0%
Overheads & Other Costs	£120.0m	10.2%
Total fixed cost base	£339.4m	1.4%

- £20m A&P saving in response to pandemic
- 10.4% increase in Fixed Supply Chain due to depreciation, sustainability costs (PRNs) and COVID-19 related costs, including stock write-downs
- 10.2% reduction in overhead costs due to lower reward and discretionary spend



## Adjusting Items ahead of original guidance due to accelerated delivery of strategic initiatives

	£m
Strategic restructuring costs	12.9
Impairment of assets	8.4
M&A	5.2
Other	0.4
<b>Total excluding acquisition-related amortisation</b>	<b>26.9</b>
Acquisition-related amortisation	8.8
<b>Total</b>	<b>35.7</b>



## Strong balance sheet underpins the strategy

### • Financing

- Access to £1bn of debt facilities; £65m of debt maturing in H1 2021
- Ample liquidity with undrawn RCF of £400m at end FY20
- Scenario modelling indicates headroom on banking covenants through FY21

### • Highly disciplined stance to protect cash

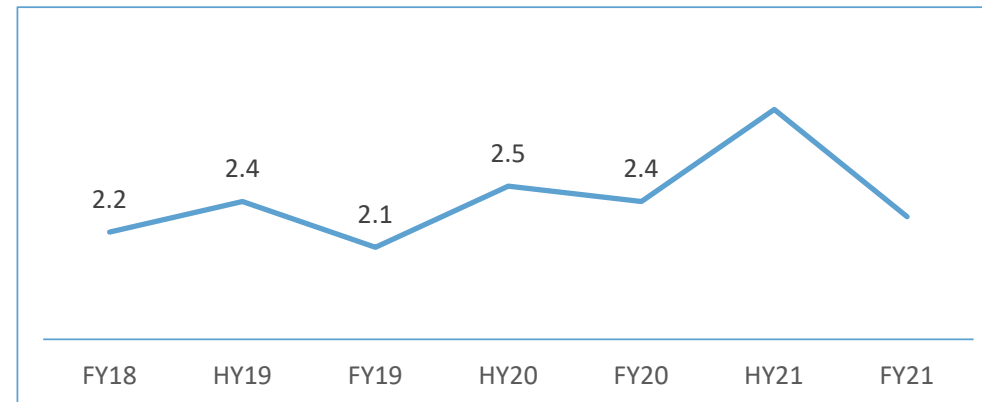
- Relentless focus on working capital management
- Intention to rebuild investment in long-term growth drivers
- Can, and will, flex operating plans in response to changes in the trading environment

### • Dividend

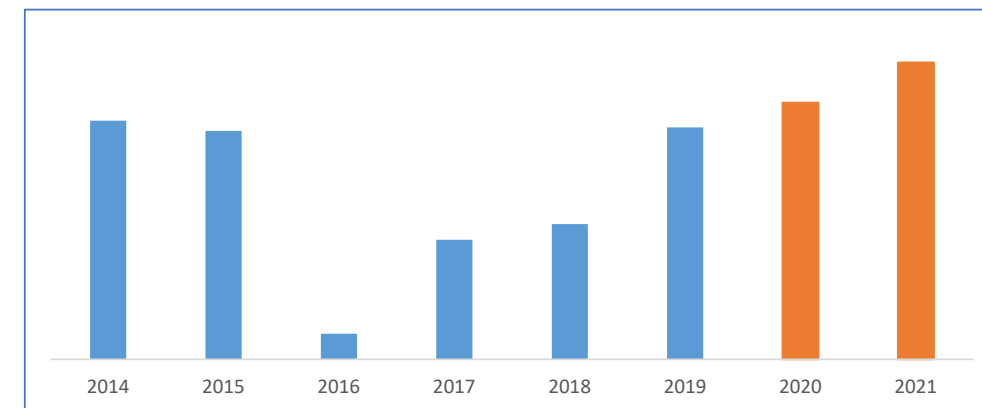
- Proposed final dividend of 21.6p reflects a continued commitment to a 50% pay-out ratio
- Robust 2021 cash modelling underpins decision
- No UK Government furlough support received



All scenario models indicate headroom on debt covenant tests in 2021 with a peak at HY21



FCF conversion



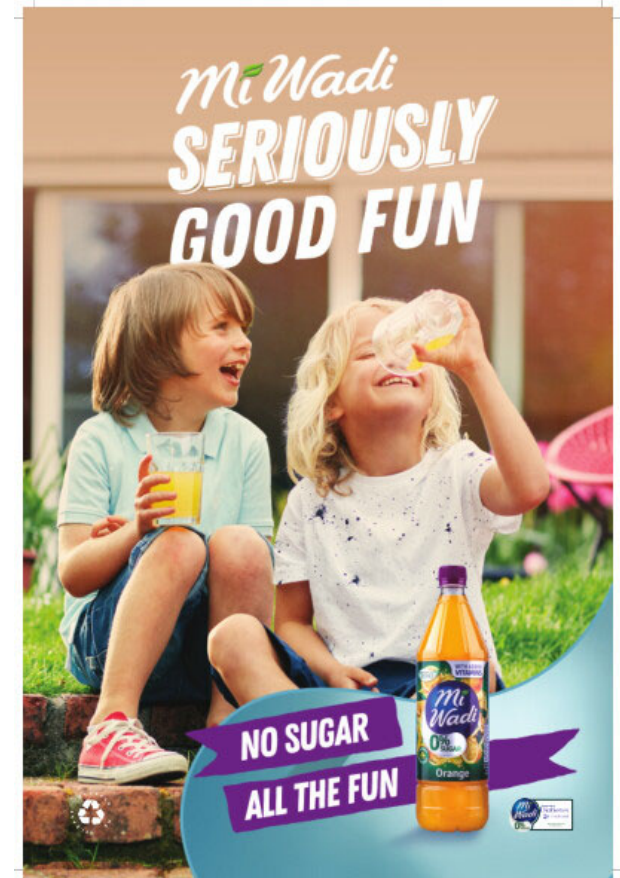
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## 2021 modelling considerations

<b>Input cost inflation</b>	<i>Low single digit inflation</i>
<b>Capital spend</b>	<i>Anticipate £70m to £80m, with H1 spend c.£20m to £25m</i>
<b>Adjusting items</b>	<i>P&amp;L £13m to £15m, including c.£8m of non-cash recurring fair value amortisation. Cash impact £15m to £20m</i>
<b>Pension deficit cash contributions</b>	<i>£10m plus £5m catch-up deferred from 2020</i>
<b>Effective tax rate</b>	<i>21% to 22%</i>
<b>Interest charge</b>	<i>£18.5m to £19.5m</i>
<b>Impact of France disposal</b>	<i>As a proportion of Rest Of World 2020 – 15% of volume and 12% revenue with low margins and profit impact</i>
<b>Pensions</b>	<i>We have agreed lower annual pension contributions of £10m (previously £20m). 2021 will include a £5m 'catch up' payment deferred from 2020</i>

## Robust performance despite significant financial impact from COVID-19 in H2

- **Quick and decisive action** taken to partially mitigate the profit and cash impacts from COVID-19
- Ongoing support for our **people, customers, suppliers and communities**
- Demonstrated **flex and agility** across the business to balance trade-offs and respond quickly
- Tight cash management with **ample liquidity** to support medium-term investment priorities
- **Confidence** in our ability to execute our strategy and **deliver for all stakeholders** despite near-term uncertainty





## Simon Litherland – Chief Executive Officer

### *Looking forward:*

- *Britvic is well positioned for future growth*
- *We are responding with agility to changing consumer and customer trends*
- *Clear growth strategy to deliver compelling returns*

## We are confident in our inherent strengths:

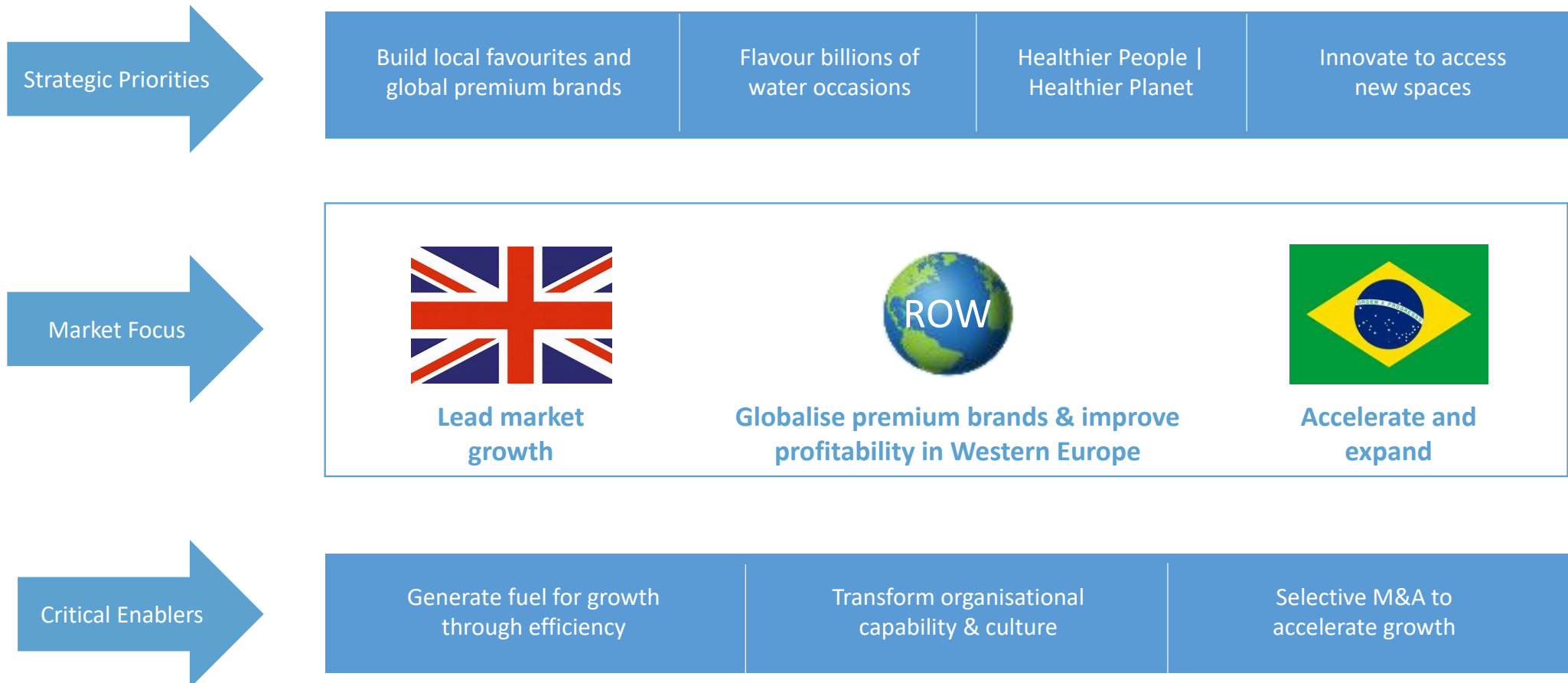
- **Strong multi-channel route to market and exposure to multiple geographies**
- **Broad Portfolio of #1 and #2 brands**, both company-owned and through long-term partnership with PepsiCo
- **Collaborative customer relationships** grounded in **leading category insight**
- Simplified, focused and **agile operating model**, realigned to strategy
- **Creative, dedicated and resilient workforce**
- Financially robust, **cash generative business**



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## Our strategy will drive long term growth



## Britvic is responding to changing consumer trends

### CONSUMERS ARE SEEKING:



- **Trust & family**  
Quality family time, known and trusted brands



- **Value for money:**  
Greater value for money, as the recession starts to bite



- **Wellbeing revolution:**  
Healthier lifestyles



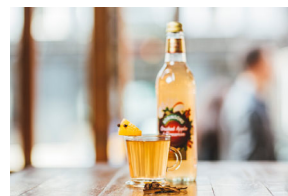
- **Social responsibility:**  
Protecting the planet



- **Elevated experiences:**  
The 'Big Night In'

**BRITVIC**

### BRITVIC IS RESPONDING BY:



- **Investing in our family favourites**



- **Revenue management and using supply chain flexibility to offer great value pack architecture**

- **Driving low sugar and alcohol-free options – healthier consumer choices**



- **Moving to rPET and developing beyond the bottle propositions**

- **Pivoting our socialising portfolio, to At Home, for now**

## Customers are adapting to accelerating trends, largely caused by the pandemic

### CUSTOMERS ARE ADAPTING:



- Rapid expansion of online grocery, takeaway and direct to consumer



- Simplifying offer and range to drive efficiency and security of supply



- Working from home
- Pandemic benefits big grocery and local convenience stores



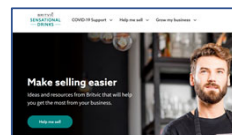
- Recessionary behaviour makes value even more important



- On-Trade consolidation as pandemic restrictions impact capacity and demand

**BRITVIC**

### BRITVIC IS WELL PLACED TO CAPITALISE:



- Upweighting e-commerce and digital
- Building from strength with 22% share in GB



- Portfolio and supply chain optimisation
- Winning space through range reviews



- Flexibly allocating field resource
- Supply chain flexibility



- Revenue management capability
- Self-executing in-store theatre



- Supporting our on trade customers to recover
- Targeting white space channels

## Resilient, robust and confident of future growth

- We have continued to **execute well** through the pandemic
- We have demonstrated tight operational control, **agility, pace** and **resilience**
- We have **reshaped our business** for the future via acquisition, disposals and 20-year renewal of PepsiCo partnership
- We are **confident** our strategy will **drive future growth**
- Within it, we are pivoting to capture **accelerating trends**
- We are **strongly positioned to lead the recovery of soft drinks**



## Q&A

### WEBCHAT

Ask a question through the webcast online chat. The question will be read out for you

### IN PERSON

Dial in using the telephone numbers in the table

UK dial **0203 868 4725**

When prompted enter the access code **597848**

Participants	
<b>Joining by telephone</b>	
 France (Local)	0170 945 053
 Germany (Local)	0322 2109 4927
 Hong Kong Toll Free	800 905 347
 Ireland (Local)	01 525 5946
 Japan (Local)	0345 779 970
 Netherlands (Local)	0858 880 893
 Singapore Toll Free	800 852 3916
 Spain (Local)	911 988 122
 Sweden (Local)	0844 680 257
 Switzerland (Local)	0435 087 713
 USA (Local)	1 646 813 9483
 USA Toll Free	1 833 595 9191
 United Kingdom	0800 098 8116
 United Kingdom (Local)	0203 868 4725
 All other locations	+44 203 868 4725