Britvic Webcast

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Simon Litherland

Chief Executive Officer, Britvic

Welcome

Good morning everybody and welcome. This is Simon Litherland and I am joined by John Gibney our CFO. Thank you for joining us at relatively short notice on what is clearly an exciting day for Britvic. Over the next 20 minutes or so John and I will run through a brief presentation and then we will be happy to take any questions you have at the end of the webcast. I would of course just like to bring to your attention to the necessary legal disclaimer which I will leave you to read at your own leisure.

The main purpose of today's presentation is to update you on a significant development for Britvic: the acquisition of Ebba, a leading Brazilian soft drinks company. However, before we do that we will give you a brief update on our quarter three performance. You will have seen from this morning's IMS that we have delivered a solid performance in quarter three with group revenue up 1% on a constant currency basis, which is against a strong comparative in the prior year of 5.3%. In addition, in GB, Ireland and France, we gained both volume and value market share. We have also reaffirmed the earnings guidance we gave at the start of the year with full-year EBIT in the range of £164 million to £173 million.

The Acquisition of Ebba

Let's now move on to the acquisition of Ebba. I am delighted to announce today that we have signed a deal to acquire Ebba from members of the Tavares de Melo family. Ebba is a high quality soft drinks business in Brazil. Over the next few slides we will share more detail on the strategic rationale for this acquisition, outline the attractiveness of the Brazilian soft drinks market and in particular the concentrates segment. In respect of Ebba we will provide some more detail on the business being acquired and outline our ambition to create significant shareholder value. As a snapshot, you can see here that the company has strong credentials which are complementary to our own. In particular, category leadership in liquid dilutes and a number two position in the growing RTD nectars market, with two market-leading brands. The management team has delivered significant growth in the past few years, and we are confident that we can bring our two companies together to drive further growth in a market that is already large and has significant future potential. The business is being acquired for R$580 million. However the effective cost is R$545.4 million or £113.6 million as a result of the phased payment structure, which John will cover in more detail.

As a reminder, in May 2013, we laid out a new strategy for Britvic with international growth being one of the core pillars. Our focus is on building our brands in the kids, family and adult categories and our approach to maximising the opportunity is two-fold: either working with partners on an asset-like basis such as with Pepsi in the USA or Narang in India, or making strategic acquisitions when we can acquire strong local brands and route to market as we have successfully done in France. Kids, family and adult brands are at the heart of Britvic's capability and expertise. As a result, we enjoy category leadership positions in our core markets. We are recognised brand builders and also have an enviable track record in innovation. As part of our re-frame strategy, we have significantly increased our international focus and presence over the past two years. Fruit Shoot now has national distribution focus in the US, we have launched in India and are enjoying strong growth in France. We have made good progress against our strategy since 2013 and we now have the organisational capacity to move on to the next stage of our development. As we continue to look at international opportunities, Brazil offers a large and attractive market with Ebba providing immediate access to the opportunity it presents.

Brazil

So why Brazil? Not only is Brazil a large-scale market but it also offers significant growth opportunities within soft drinks. It is the sixth largest soft drinks market in the world but, more importantly for our strategy, it has the largest dilutes category with liquid dilutes accounting for approximately a third of the category value and part of the remaining two thirds. It also has a fast growing ready-to-drink (RTD) juice market. As you can see on the chart here, we are already the leaders in the fourth and fifth largest dilutes market, France and the UK with Teisseire and Robinsons. We now have an opportunity to lead and develop the number one dilutes category in the world.

In addition, the population of Brazil is over 200 million and is expected to grow with a younger, more affluent population set to increase demand for a more developed range and brand of soft drinks. The Brazilian soft drinks market is relatively under-developed compared to many other markets, and in the kids, family and adult categories in particular there is a real opportunity to unlock attractive growth opportunities. Crucial to unlocking this is a need for increased brand investment, supported by strong brand building and category management capability, and these are core areas of competence for Britvic.

We are, of course, well aware that there are short-term economic head winds in Brazil, which will result in some volatility, which is not uncommon in emerging markets. However, the longer-term growth prospects are strong with GDP expected to recover from next year. Total soft drinks are forecast to grow over 3% per annum to 2019, with RTD juice drinks predicted to grow over 9% CAGR in the same period. We believe that global trends towards stills and 'better for you' products will also be replicated in Brazil, with dilutes particularly well placed in this space. As the demand for brand and choice increases we also anticipate that there will be a real opportunity to drive growth with innovation in both product and packaging expanding beyond the basic PET and Tetra Pak form which currently dominate the market.

So in summary, Brazil is a significant market with a large dilutes category and a growing ready to drink juice market. Its long-term prospects remain very attractive. Brazil has been on our radar as a key international opportunity for some time. However, core to our international strategy is to make sure that we enter into any new market with the right partner. We now have the opportunity to enter into Brazil by acquiring a great business with a very strong match to our M&A criteria.

Ebba

Let me take a few moments to tell you a bit more about Ebba. As I said earlier, Ebba is a high quality soft drinks company, the seventh biggest in Brazil, and is extremely complimentary to Britvic's strengths. It owns two market-leading brands and has a broad market presence. It has a well-established infrastructure and an excellent management team who will be staying with the business.

First, let's turn to its brands. Maguary is a strong brand with similarities to Robinsons in GB and Teisseire in France. It is a truly household name with a very high-level of brand awareness of 90%. Also like Robinsons, it enjoys a strong heritage, having been launched in the 1950s. It is now the number one liquid dilutes brand with over 30% market value share and is the eleventh biggest brand in total soft drinks. In recent years, the brand has successfully extended its reach in the RTD nectar category and now has a 10% value share of that category.

Ebba's other brand is Da Fruta which was launched in the 1980s. There is a strong regional heartland in the northeast of the country and is the number two liquid dilutes brand on a national basis with almost 20% market value share. It also has a good presence in the RTD juice category. The combined share of the two brands give us in excess of 50% of the liquid dilutes market and 14% of the fast-growing RTD nectar category. It is common in Brazil for brands to be particularly strong in specific regions and there are a limited number of brands that have purely national distribution.

Maguary and Da Fruta have regional strongholds but are also national brands as a result of Ebba's strong route to market and national sales force with a presence in all the major retailers. Ebba itself employs some 1,100 people, with two production sites close to fruit-growing regions of Brazil, with its main commercial office in Sao Paulo and a support head office in Recife. We are delighted that João Caetano and the senior management team will remain with the business. The team have done an incredible job over the past five years and have been fundamental to the growth and strong performance of the business. It is a team with extensive experience in the food and drink industry, and I look forward to working with them all to drive our future growth opportunities in Brazil.

Now I will hand over to John who will give you more colour on the transaction financials and outline how we intend to drive shareholder value.

Transaction Financials

John Gibney

Chief Financial Officer, Britvic

Transaction Financials

Thank you Simon and good morning everybody. Since 2012, the Ebba team has overseen strong growth in both revenue and earnings, with revenue up nearly 50% and earnings over 37% in two years. Underpinning that growth has been a strong focus on driving innovation whilst continuing to invest in order to increase distribution and availability. Ebba's track record in bringing new innovation quickly to market, as demonstrated by its top-lining growth, is an important aspect which gives us confidence in our ability to realise our growth ambitions with this business. However, these impressive results have been achieved with minimum marketing and A&P investment, and we don't believe this will be sustainable long-term. Our plans therefore include a significant step up in investment in both of these areas.

As you can see from the 2015 forecast, performance has been adversely affected this year by the macro-economic headwinds facing Brazil. However, our assessment of the longer-term value opportunity reflected in our business case significantly outweighs any short-term volatility. The acquisition of Ebba has the potential to deliver significant shareholder value.

We anticipate that we will at least double EBITDA by 2020, alongside driving significant margin expansion. In the early years, we will deliver cost savings of at least R$10 million, around a quarter of the current EBITDA. We intend to reinvest these savings into the areas of marketing and A&P, as I highlighted earlier, in order to drive continued growth, which I will come to later. As a result we anticipate, that EBITDA for the next two years will be broadly in line with the anticipated outturn for 2015 with strong growth from 2018. To deliver the value creation opportunities we have identified, we will have a clear operating framework in place. Our focus will be on developing the kids, family and adult categories where we have leadership in our European markets.

Growth Strategy

Four key pillars underpin our growth strategy. Firstly we will significantly increase investment in marketing, A&P, the capability of our people, and the infrastructure of Ebba. Secondly we will deploy our best practice in areas of the marketing, category and revenue management. Thirdly we will extend existing Ebba brands into new sub-categories. Finally, we fully intend to use existing Britvic brands and products into the market ,where we will maximise the halo effect of the Maguary and Da Fruta brands.

Given the strength of the existing management team and the physical distance of Brazil from GB, we fully intend to run the business as a standalone business unit. In addition, Ebba will draw on the support of our strategic marketing and innovation teams, who will also be managed in line with Britvic's governance and reporting standards. João Caetano will represent the business unit on our executive team and will report directly to Simon. Our integration plans will be focused on a few key areas which will ensure that we deliver shareholder value and that the governance of our integration and expansion plans are subject to the same high standards achieved through the implementation of our strategic change and the cost initiatives over the last two years. With that aim in mind, we are now able to turn the programme over to our established programme management office to oversee the delivery of Ebba, as well as the delivery of the business benefits.

Transaction

Turning now to the transactions highlights, as Simon mentioned, the total acquisition cost of Ebba is Brazilian R$580 million with an effective cost of R$545 million as we benefit from the staged payment structure of the deal. This represents a EBITDA multiple of 12.1-times based on 2014 reported earnings. In the first two years the combined impact of the acquisition and funding will be marginally EPS dilutive and accretive from year three, with the deal exceeding Britvic's WACC in year four. We anticipate completion will be at the end of September and is only subject to the fulfilment of a small number of closing conditions, including regulatory and operational targets.

The funding structure will see an initial payment of R$193.8 million and the repayment of R$192.5 million of existing Ebba debt. The balance of the consideration is then due on the second anniversary of completion. We will be carrying out a 5% equity placement to partially finance the total cost of the transaction. This will include associated transaction costs of £7 million, expected integration costs of £5 million, as well as working capital and investment requirements to deliver the growth of the business. Given the staged payment profile of the acquisition, we anticipate that pro-forma leverage will be broadly neutral in year one. We believe there are many similarities between Ebba and the value opportunity we saw in France when we acquired Fruite in 2010.

Benefits of the Fruite Deal

Before we close therefore let me remind you of our journey in France and the significant benefits of the deal. This slide highlights the many similarities with today's acquisition of Ebba. Fruite had strong brands and strong category positions led by a committed and skilful management team. However, the business was constrained by relative size, small portfolio and overall level of investment. Working together, we have increased investment, shared our category expertise and delivered significant growth, particularly through innovation and revenue management. We have brought new products to market to access new profit pools including Teisseire fruit shoots, mix and go and the Teisseire pump. We have significantly improved revenue management to impact the price architecture and materially increased our investment on the A&P to fill long-term brand aggregate. As a result we have delivered some outstanding results both commercial and financial with significant revenue growth and improved ranked margin contribution. We have also driven significant brand growth, improved market share and led overall category growth. Working together, we have grown Teisseire from the number seven soft drinks brand from the time of acquisition in 2010 to number three soft drinks brand in France today.

So to conclude, today's proposed acquisition is absolutely in line with our stated strategy and presents an opportunity to acquire a great business in a market which has attractive long-term growth potential. We will work together with the Ebba team leveraging our portfolio and our capability to drive growth and we are fully confident that the acquisition will generate significant shareholder value.

Simon and I will be happy to take any questions.

Q&A

Ian Shackleton (Nomura Holdings): Good morning Simon and John. Two questions. You gave us some numbers about growth expectations both of them from the Brazilian soft drinks market of some 3% and juice drinks of 9%. I just wanted you to give a bit more feel as to where you think dilutes fits in to those numbers?

Simon Litherland: Yes. Dilutes has been slightly declining for a number of years with 1% to 2% with revenue growth driven by pricing of 2% to 3%, and we have factored in similar growth in our business case going forwards.

Ian Shackleton: It sounds like you are going to have a benefit from the juice drinks growth. That is going to be a key part of the growth story.

Simon Litherland: Two key elements. Obviously we will look to grow the dilutes category, pretty much as we did with Teisseire in the syrups category in France. It is a category that has been under-invested in for a number of years and we absolutely believe that we will return the category to growth. Secondly, the RTD juice category is exhibiting strong growth and we believe that will continue. We will continue to expand the Maguary future brands into sub-categories, and further we will see growth coming from the launch of some our existing Britvic brands into the Brazilian market.

John Gibney: It is worthwhile saying, Ian, as well that the dilutes category itself has been in slight volume decline but Ebba's brands have actually been growing share during that period of time.

Ian Shackleton: Thanks for that. My second question is more around the financing structure. I was intrigued that, obviously, about a third of this consideration has been deferred for two years. I wondered whether you could talk around the rationale for that? And also, this was a deal that you potentially could have been done all for cash but you are not. Why was the decision taken to issue some equity to finance this?

John Gibney: You are right in terms of how the acquisition has been structured. Broadly, half of the equity is paid on day one and we will obviously take on board the debt and then in two years' time the balance of the equity is paid. The structure of the deal is supported by a sale and post agreement. We have undertaken a huge amount of due diligence on this transaction. We have been aware of Ebba and the business about three years but, over the last ten months or so we have done real in-depth due diligence on the business, on the market place and also on the potential for our own brands in the market as well. The sale and post agreement obviously has a whole range of indemnities and warranties in there and if any of those need to be called on they will of course be deducted from that second payment, and that is why the deal is structured in that way.

In terms of the funding of the deal from a Britvic perspective, the 5% equity placing that we announced this morning will partially fund the deal. In addition to the acquisition cost itself, there are transaction costs of around £7 million, there are integration costs of around £5 million, ongoing work in capital funding and some modest investment in the infrastructure. So the view we have taken, and the Board have taken, is that the funding structures that we have created over the last two years are a source of great strength and flexibility for the business, and we value that very highly and therefore wanted to retain that flexibility. To give you a real life example we spoke about the opportunities that we are assessing to expand our EBIT margin through further investment in GB production and distribution infrastructure. That is an opportunity we could take advantage of if we choose to do so under the funding structure we have in place at the moment. Arguably that would not have been the case a couple of years ago, for example, with the level of debt that we were carrying. So that is why we see it as hugely important to maintain that position.

Ian Shackleton: Thanks very much John

John Gibney: Thanks Ian.

Telephone connection: The next question on the line today comes from the line of Tristan van Strien from Deutsche Bank

Tristan van Strien: Good morning Simon and John. Three questions if I may? Firstly, on your WACC, you talk about exceeding Britvic WACC valid in terms of a local WACC. Are you applying that? How long will that take?

The second question is, does the business have any private label exposure? And, if it does, what share of that does it have?

The third question is, does this business have any regional strength in Brazil? Or is it all over the country, or are there any particular states where the brands are particularly strong?

John Gibney: Hi Tristan. I will take the first question, and Simon will take the other two. So in terms of the group WACC, conservatively we estimate that at 8% NET for the group. We evaluated the acquisition clearly on more of a local WACC, as you've highlighted: a significantly higher discount rates than 8%, and therefore obviously it will take a little more time to cover that WACC. But even so, we think that it will be exceeded, certainly by year six, potentially by year five, depending on the trajectory of the business.

As we have highlighted, we anticipate profits being broadly flat for the next couple of years because the investments we will make. Obviously it will accelerate strongly from FY18 through to 20 to hit that commitment we are making today of at least double EBITDA. Obviously we do not believe it will stop there, and the trajectory will continue, which is why, again, we are very excited about the potential that this business has to create value.

Simon Lutherland: Okay Tristan, I will take the next two. So I guess the first point on private label is that, despite the presence of some of the bigger international retailers, like Carrefour and Walmart, private label in soft drinks has got a very low penetration in Brazil. As far as Ebba goes, 95% of the revenue comes from the Maguary and Da Fruta brands. The remaining 5% is predominantly concentrates, because Ebba buys in fruit and concentrates fruit in the smaller fruit categories; so not orange juice, for example, but smaller categories like passionfruit or some of the Brazilian fruits. And there is a small export market for that which we participate in, and I think there is one private label customer, which is actually a US customer. So the exposure to private label is very limited indeed.

As far as regional strengths, you are quite right many categories have Brazilian brands that do have regional strongholds, and that is true for Maguary and Da Fruta both brands are national but are stronger in certain regions. So Maguary, for example, is the market leader, not only in dilutes but also in RTDs around São Paulo, whereas Da Fruta, for example, is stronger in the North-East.

Tristan van Strien: Okay, brilliant thank you very much.

Simon Lutherland: Thanks Tristan.

Jonathan Fyfe (Mirabaud): Hi there most of my questions have been answered. I was just wondering if you could maybe talk about the size of the kid's soft drink market in Brazil?

John Gibney: Hi Jonathan. Your question is the size of the kid's soft drink market in Brazil?

Simon Lutherland: I think it is a significant marketplace but very underdeveloped, so it is similar to GB 10 or 12 years ago, or France four or five years ago. It is dominated by 200ml Tetra Pak juice offerings with a straw stuck on the back. So we believe that we can develop the kid's category beyond the current market that exists, and we believe that some of our offerings in that category will be very well differentiated and very well received in the marketplace. In fact John and I had the pleasure of sitting in on a number of consumer groups over the course of the last ten months with Brazilian families and kids trying some of the Britvic products, and we are very excited to see their reaction. So that is certainly an area we will look at developing going forward.

Jonathan Fyfe: Okay.

Chris Wickham (Whitman Howard): Thanks for that, and congratulations on the deal. Just going back to the point that Tristan was making, I was wondering perhaps if you could just give us a bit more detail on the WACC and what tax rate that you would assume? Because I would have thought that most investors, even in the kids and family category, would see that you are comfortably going to hit your own WAC well ahead of year four on those sort of assumptions. But I was wondering if perhaps you could give us a bit more of what type of hurdle rate you were assuming based on that local market?

John Gibney: Hi Chris. I will take that question around the local WACC. So local WACC we used was around 13% post-tax. Post-tax rate in Brazil is broadly around 30%; it does vary obviously based on a number of factors. The other thing that is worthwhile bearing in mind is that the way the business has been structured in the past is that it has been heavily leveraged with debt which we will take out. As a result of that, there are a number of tax losses which we will inherit as well. You can only utilise those over a certain period of time, or a certain level each year. That means that the actual tax rate on this business will be materially lower than 30%, certainly for the first three or four years.

Chris Wickham: That is interesting. That implies though that you are being quite conservative about your EBITDA expectations by 2020, because, if you flip out to about five years, it sounds like your growth rate will be a lot faster than what is implied for you to double profits over four.

John Gibney: Well, I will maybe leave you to evaluate that, Chris. Clearly what we have talked about happening in 2020 is to at least double our EBITDA. As we have said earlier, this is not dependent on assuming a huge recovery in the Brazilian economy. This is much more of a play around what we believe we can deliver in market with expanding the business, both with our brand but also our category and marketing expertise as well. So for sure we are very excited about the prospects for the business and the level of value we can create.

Chris Wickham: Yes, rightly so. Thank you very much, congratulations.

John Gibney: Thank you Chris.

Simon Lutherland: Thank you.

Damian McNeilly (HSBC): Hi. Good morning. Just a quick one: can you explain where you intend to deliver the R$10 million of cost saving, and how quickly they should be achieved? Also possibly an indication of when you might hope to launch Fruit Shoot into Brazil?

John Gibney: Okay morning Damian. So your question around the cost savings, which we said was at least R$10 million available. Again we have conducted diligence on the business in great detail and obviously the cost opportunities as well, so we believe we will be able to deliver them very quickly. Regarding the areas that we can see opportunity in, for example, the wastage factors in the factories have been quite high in the business, and our supply chain guys have looked pretty closely at that opportunity, and we think we can move on that fairly quickly. We have worked very closely with a consulting firm in Brazil, called Integration Consultants, who know the market incredibly well, are experts in route-to-market. We have looked closely at the logistics employed by the company in conjunction with Integration, and again we see the opportunities there to move fairly quickly to optimise that and to generate some fairly significant cost savings out there. Also, there are some interesting reversesynergies as well, as Simon talked about. There is the concentration of juice: they do not do that in mainstream orange juice, as Simon highlighted, but in some other variants, such as passionfruit. As you will know, with J2O in particular, we are a pretty big consumer of passionfruit. So there may well be opportunities for us to take advantage of that in the way we procure our juices for the French, British and the Irish operations as well.

Simon Litherland: Okay. I will pick up on the question on the timing of the launch of Fruit Shoot. So I think the first priority for us is to focus on the Ebba brands, Maguary and Da Fruta, and building our consumer presence, top-of-mind and recency of those brands will be our initial focus. There are significant opportunities from expanding distribution through revenue management, category management, etc. to build those brands in the dilutes and the RTD segments.

However, given the nature of the transaction and the fact that it was not competitive and we have had a fairly lengthy period of time, we know a lot more about this market, for example, than when we bought France. We have also had the time which has enabled us to do some consumer research on some of our brands, develop some liquids specifically for the Brazilian palette, taste profiles and flavour ranges.

So we are further down the track. We have not stated a specific date for launch of a brand like Fruit Shoot but, just by way of example, in France it probably took us about 18 months before we came into the market with Teisseire Fruit Shoot, and I expect we would be able to go faster than that in Brazil given that we are ahead of the game already.

Damian McNeilly: Okay, that is great. Thank you.

Simon Litherland: Thanks Damian.

Charles Pick (Numis): Thanks very much. Good morning gentleman. I have got four questions, please. You have emphasised how the marketing and A&P spend at Ebba has been extremely low in the past. Can you actually provide some quantification there please?

Secondly, in terms of Britvic brands that will be introduced into Brazil, we have just discussed Fruit Shoot, can you elaborate on what other brands you are thinking about there? There is mention of existing brands of Ebba being expanded into new subcategories. I wondered if you could elaborate on that?

And the final question is, when we look at the margin record of Ebba on an EBITDA or EBIT basis, it has been very dull, even though sales have been rising apace. Can you provide some clarifications on why that has been so, why there has not been an operational gearing factor aiding the margins? What has held it back?

John Gibney: Thanks Charles. I will probably take question four first off and then maybe Simon will go back over one to three. So let me address the EBIT margin level question first off. So you will see from the track records, certainly from 2012 to 2015, the revenue grew very strongly, the EBIT margin grew slightly more slowly than that.

That is really a mix issue. So the guys took the Maguary and Da Fruta brands from their heartland of concentrates and entered the ready to drink market. As you will know from our business, as an example, the margin on concentrates is materially better than it is on ready to drink formats. So it is purely a mix issue as they have gone to those categories. But actually, from our point of view, that is really quite impressive, the way that the brand has been readily accepted into a new category, and obviously very relevant to one of your other questions that Simon will cover off.

In terms of the EBIT margin in itself, obviously again, as we have done our due diligence, we have identified a number of opportunities that we can see to improve that margin. We have guided to material improvements through to 2020. In addition to the way that we will be launching our own brands, for example, then we see real opportunities around revenue management as an example, and you will have seen that play out for ourselves in France, the impact that has made. Similarly we will also see opportunities here. While it is not a particularly highly promotionally leveraged marketplace, the way that promotions are planned, executed and evaluated, is also something we believe can positively impact margin going forward. So some very clear opportunities we already see to improve margins in the business.

Simon Litherland: Okay, and I will pick up on the other 3 questions. The marketing question: AMP has been limited on these brands. Some promotional activity has certainly been undertaken over the last number of years but the key lever has been price and price promotion in store.

Obviously, we believe that bringing our marketing capability, and category knowledge and capability, and our revenue management practices into the marketplace will make a significant difference to the equity of the brands, the performance of the brands and our approach to price across the two brands. Maguary is priced more premium; it is the premium market leader in dilutes. Da Fruta is more of a mid-value offering. So we see that as an opportunity.

In terms of other Britvic brands, they will be in the family and adult areas. Around the whole dilute space there is a significant amount of category opportunity for us. The liquid dilutes consumption in Brazil is very much a family ritual, slightly different to a Robinsons or a Teisseire, where you just pour in your chosen quanity or strength, and top it up with water. In Brazil, it is more of a ritual, in that kids will come home from school and mum will create a jug of Maguary, sometimes mixing different fruits, adding sugar and presenting it for them. But you find that different fruits have different concentration levels, for example.

So we will go to work on the category. We absolutely can look to develop the Maguary and Da Fruta brands, and we may also look to bring some of our own brands into that category and certainly perhaps some of the formats that we have launched, so Mix & Go or Robinsons Squash'd may be an appropriate format for that marketplace in due course.

And then in the adult sector, pretty much underdeveloped in Brazil, the kind of brands, it may or may not be these brands but the concept certainly of Teisseire, J2O, Juicy Drench, whether it is in exactly that format or a slightly different format, but those concepts are absolutely applicable to the Brazilian marketplace.

And then your third question just on the kind of subcategories that we would look to extend the Ebba brands into. Just by way of example, the market is dominated in these categories in Tetra Pak, the nectar and juice drinks, and we absolutely see the trend will move towards PET and PET offers a wider range of differentiation and opportunity. So that is one example.

Another example would be to move more into ready to drink formats, so water and juice type offerings, so you know, we have not got all the answers. The existing business team have their own innovation pipeline that they have been working on, and clearly with our strategic marketing and innovation capability and PLC that we have invested behind in the last two or three years, we also have a huge amount of thinking around the soft drinks category. The areas that we would like to develop and participate in, and many of those would very be applicable for Brazil just as they will be for our core markets of GB, Ireland and France.

Charles Pick: That is very helpful, thank you very much indeed. Just out of interest, how long have you been looking at the company?

Simon Litherland: So we first started looking at Ebba probably about three years ago. As we articulated our international ambitions as part of our strategy in May 2013, clearly one of the things that we did fairly early on, was identify the most attractive markets for us based on a number of criteria. Brazil was right up there, at the top at that list. But of course, entering a market, you either need to find the right partner or indeed find a willing seller of an appropriate business.

So we have explored the market. We have looked at both options actually. We have looked at a number of companies for acquisition we looked at a number of companies to partner with. But there was no doubt in our minds even some years ago that Ebba was the best fit for us and the best acquisition we could make in that marketplace. The number six of seven soft drinks business by value, with the other six all being big international businesses that we would not have been able to get hold of. So, yes, it has been a journey over three years, and, as John has said, over the last ten months we have done a significant amount of work and due diligence on this business as well.

Charles Picks: Thank you very much.

Andrea Pistacchi (Citigroup): Good morning. I have two questions please. The first one, if you could talk a bit about Ebba's FX exposure. Are most of the raw materials they buy local, or are they denominated or linked to dollar? If so, does Ebba hedge this FX exposure or will you, going forward, the transactional exposure?

Secondly, on the trading update, the trading deteriorated slightly in Q3. If you could talk about that a bit, an update on the pricing environment in particular competition with CCE in carbs, and the situation with private label in stills please.

John Gibney: Okay, Andrea, I will talk about the FX, exposure and I will ask Simon to do the Q3 question. So in terms of FX exposure, most of the raw materials are actually sourced in market in Brazil, so the business itself has limited FX exposure.

In terms of the impact on the Group, obviously one of the really interesting things this acquisition starts to do for Britvic as we internationalise our businesses is that it starts to lessen our reliance on a very small geographic area, and obviously two major currencies with sterling and the euro. So both this and the ambitions we have elsewhere with the international business will start to give us a benefit of much more expansion around different geographies, even around working capital, for example. It is quite interesting because the trading cycle is counter to the one we have in our home markets since it is in the southern hemisphere. So there are a number of benefits I think this starts to bring in terms of the way we can think about Britvic in the future, in terms of mitigating reliance on a number of big markets and giving us access to other currencies as well.

Simon Litherland: Okay and I will pick up the question around price. So you know the pricing environment has not really changed, I guess, since our last update. It remains a very challenging pricing environment, both driven by the retail environment that we find ourselves in as well as by the competition, specifically between stills and carbs.

On the carb front, we have seen some very aggressive pricing from our key competitor, some very deep pricing on cans, multi-pack cans for example, and we believe it will remain very competitive. Of course, in carbs, mix is also very important, and so while our volume has been flat and we have had a small decline in price, part of that is also because we have been taking share in single serve, which obviously has a positive pricing and margin mix impact for us.

On the stills side, we are delighted to see GB stills back in growth of 2.5%, albeit with some ARPD decline. I think that is driven by two reasons. First of all, on the own label, we have seen some price deflation. Therefore, the gap between own label and Robinsons had become probably greater than we would have liked, so we have addressed that during the quarter. Secondly, we have had a significant amount of activity across the board, with the relaunch of Robinsons' full flavour range and everything else, as we spoke about at interims. But within that, obviously some strong marketing programmes, behind Wimbledon, for example, as well, but also some strong promotional activity and in store display. That obviously costs a bit of money, but we really wanted to drive the trial of many of our new flavours. We are successfully seeing penetration ticking up nicely, although it is obviously early days as far as the Robinsons relaunch goes.

Andrea Pistacchi: Thank you.

Simon Litherland: Pleasure, thanks Andrea. Well, thanks to everybody for joining the call. Really appreciate your time and look forward to talking to you again at the end of the year. Thank you very much

John Gibney: Thanks everybody. Goodbye.

[END OF TRANSCRIPT]