# Britvic plc

Investor Presentation
Spring 2013

# Agenda

- Update on proposed merger with AG Barr PLC
- Near-term priorities
- 2013 Guidance

# Merger update

- On 13th February 2013, the OFT referred the merger to the Competition Commission (“CC”)
  - Offer has therefore lapsed and the scheme will not proceed
  - Britvic is no longer in an Offer Period
- OFT concerned that the merger could reduce competition between certain brands of A.G. Barr and Britvic
- Britvic and AG Barr continue to believe that the merger will not result in a substantial lessening of competition
  - Both Boards intend to work together and pursue clearance from the CC
  - Expected to take c6 months (30 July 2012)
- If clearance is received, the Boards of AG Barr and Britvic will each consider, at that time, appropriate terms of a merger
- No certainty an offer will be made

# Summary

- Simon Litherland appointed CEO
- Clear near-term priorities are delivering an improved business performance in the core portfolio
  - Strong Q1 performance
- Fruit Shoot return to market remains on track
- Emerging US franchise business gaining momentum
- Guidance for 2013

# Clear near-term priorities remain unchanged

## Priorities

1. Continue to drive an improved performance from the core brand portfolio
2. Re-establish Fruit Shoot following the recall in July
3. Support the acceleration of the US Fruit Shoot business
4. Realise additional cost savings
5. A continued focus on cash generation and improved free cash flow conversion which will:
    - Continue to de-lever the Balance Sheet and in turn
    - Underpin the group dividend policy

**Significant progress made with more to come in 2013**

1. Continue to drive an improved performance from the core brand portfolio

# 2012 market overview

| GB | France | Ireland |
|---|---|---|
| Take-home market volume growth of 0.3% | Take-home market volume growth of 1.8% | Take-home market volume decline of 2.2% |

- In GB carbonates grew whilst stills declined
- In France the sugar tax hit carbonates volumes whilst stills grew
- Ireland has remained under pressure, with an improved Q4

Source: Nielsen GB take-home scantrack September 2012, Nielsen ROI take-home scantrack October 2012 and France IRI September 2012

# Q1 2013 market overview

| GB | France | Ireland |
|---|---|---|
| Take-home market volume decline of 2.4% | Take-home market volume decline of 1.7% | Take-home market volume decline of 7.6% |

- In GB the high street saw declining footfall in December
- In France post-election austerity is starting to impact consumers
- Ireland has seen some early signs of stabilisation but too early call that the bottom has been reached

**Britvic has out performed the market in all of the business units**

Source: Nielsen GB take-home scantrack December 2012, Nielsen ROI take-home scantrack December 2012 and France IRI December 2012

# Q1 2013 – strong group revenue growth of 4.8%

**GB revenue growth of 5.4%, outperforming the market**

- Driven by carbonates revenue growth of 9.2%
  - With both price and volume growth
- Stills in growth ex-Fruit Shoot

**France revenue growth of 4.3%,**

- Driven by price increase and pack innovation
- Against the backdrop of a +12.6% PY comparative

**Ireland revenue decline of 2.8%, branded business growing share**

- Due to decline in 3rd party licensed wholesale business
- Britvic / PepsiCo portfolio in growth

**International revenue growth of 35.6%**

- Driven by successful reintroduction of Fruit Shoot in the Netherlands

All numbers are on a constant currency basis

# Ireland - restructuring the business to improve profitability

- Value packs and affordable innovation have led to significant share gains in the impulse channel
- MiWadi squash has taken a 1000bps of share in 2 years as a result of DC launch
- Sales of 3rd party brands sold in licensed wholesale is the drag on the improving performance of the business
- Business review has reduced operating costs and is driving an improving return – this focus continues into 2013



**Taking market share and growing the branded business**

*Source: Nielsen*

# France – strong response to the macro challenges


- Strong price increases secured and new pack formats introduced in response to high raw material inflation


- Successfully developing the juice category with the Pressade brand

- Fruit Shoot recovery plan on-track
  - All major listings secured
  - “Multivitamine” innovation a success


**The 2nd fastest growing soft drinks business in France**

IRI MAT P13-2012 in value / 100% **National** brands, excluding water

# 2012 – a year of great success for GB carbonates

- In a year of major sporting activity Pepsi has achieved substantial volume and value share growth
  - New pack innovation in 250ml cans has grown the category
  - “Power of One” joint initiatives with PepsiCo have driven category growth
  - Marketing campaigns to win tickets for the X Factor and “Transform Your Patch” – a cross portfolio campaign that ran across the year
  - Pepsi now a Top 10 grocery brand*


**Growing share across the portfolio**

* Source: Nielsen April 2012

# Returning GB stills to growth

- **Robinsons**
  - A successful media campaign to improve the double concentrate (DC) message
  - Consumers switching to DC is margin accretive
  - DC  is increasing overall squash consumption
  - Growing market share*


**Robinsons – defining the squash category**

* Source: Nielsen December 2012

# Returning GB stills to growth

- **$J_2O$**
  - Gaining share with a successful Christmas plan
  - Premium categories under pressure but $J_2O$ in YOY growth
- **Lipton Ice Tea**
  - Category in value growth +30%
  - The number 1 “ice tea” brand
- **Stevia**
  - Introduced to the SoBe and Juicy drench ranges




* Source: Nielsen December 2012


2. Re-establish Fruit Shoot following the recall in July

# Fruit Shoot recovery is on-track

- In-store within the expected 6 week timeframe
- Returned to historical supply levels
- Brand measures are back towards pre-recall levels
    - GB Distribution and frequency measures have returned to pre-recall levels. Market share continues to recover
    - Running a full promotional plan is the next milestone in the recovery plan in GB
- In the Netherlands distribution and share is now higher than pre-recall
- In France the brand is making strong progress

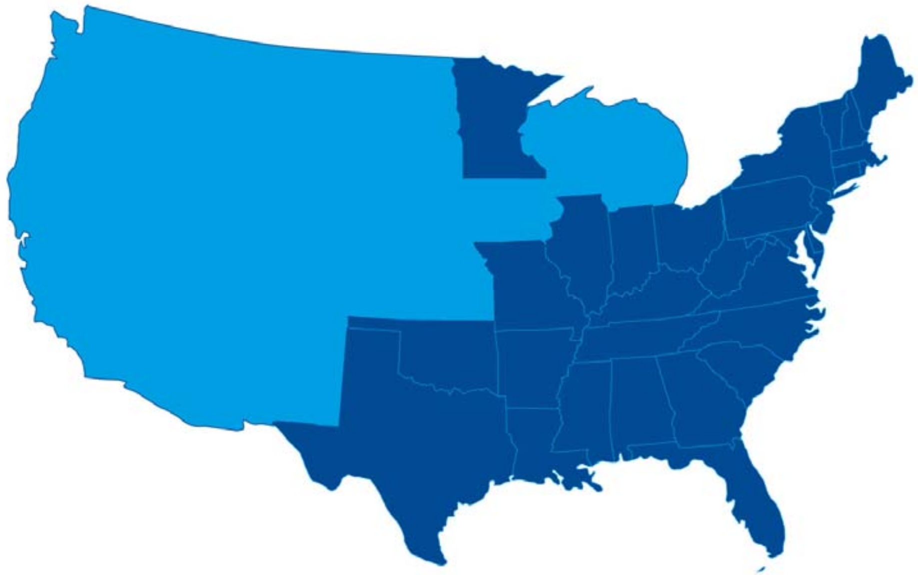

# 3. Support the acceleration of the US Fruit Shoot business

# Acceleration of the US Fruit Shoot business

- Agreements now in place with 5 PepsiCo bottlers
  - PCVA announced at prelims
  - Distribution agreements for 9 states
  - Achieved 20,000 points of distribution
  - Manufacture in-market by PBV began May 2012

# Step-changing the footprint across the US in 2013

- Additional 21 states by summer 2013 with PAB
- Profits re-invested to support the brands development
- Focus continues to be convenience & gas channel



# Agreement with Pepsi South West Europe for distribution of Fruit Shoot in Spain

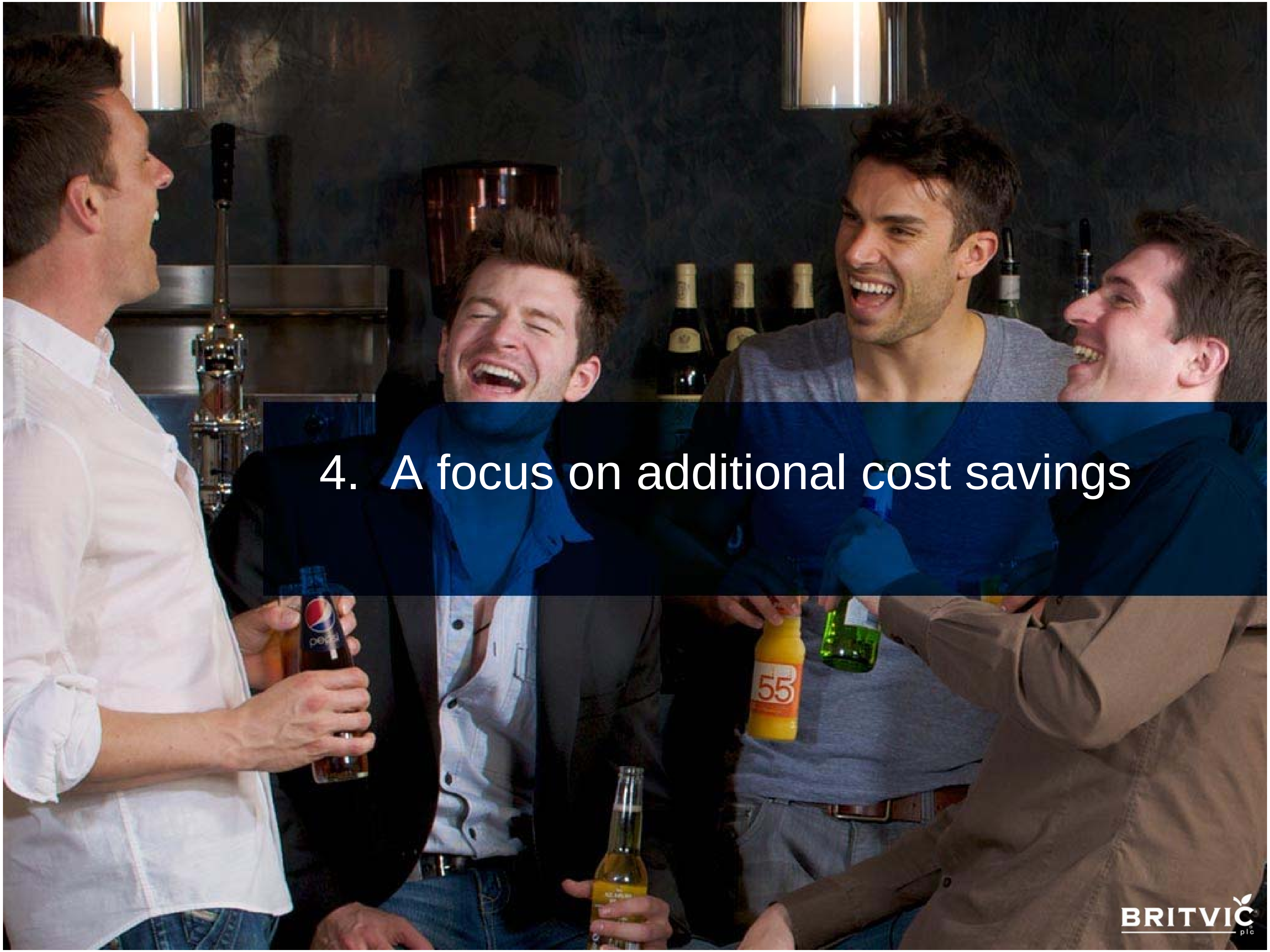
- Initial agreement for supply of finished goods from the UK
  - Following the model used to supply the US
  - Cost to serve will restrict profitability initially
- Distribution will be in both the grocery and convenience channels
- PepsiCo Spain has extensive national coverage


# Developing the franchise business

- Dedicated team established in the US
  - Britvic North America LLC up and running
  - Combination of UK and experienced local talent recruited
  - Leveraging Britvic strength of children's juice drinks category with US partners

- Resource in place in south-east Asia to exploit growth markets
- Will continue to invest "ahead of the curve" in resource and marketing activity to support these opportunities
- Low capital investment required by Britvic

# 4. A focus on additional cost savings



# Reducing the cost base

- Focus on sustained reduction of non value-add cost across the group
- Underlying group overheads down 3.9% in FY12
- Continued to invest in the future growth drivers of the business
  - A&P % of revenue maintained in 2012
  - Franchise – development of the US business
- Continued  focus on reducing the cost base

# 5. Improving cash generation and FCF conversion

# A greater focus on cash generation

- FY12 profits and FCF were materially impacted by the Fruit Shoot recall
- Despite this the business  generated FCF up 5% up on FY11 and as a result adjusted net debt was reduced by over £5m in FY12
- Improved profit to cash conversion allowed the full year DPS to be held flat on FY11
- Focus going forward is to further improve FCF conversion

# 2013 Guidance

- EBIT to be in the range of £125m to £131m
    - Including the remaining £8m cost associated to Fruit Shoot recall
- Raw material inflation will be low single digit
- Interest rate of 5.5% to 6%, reflecting bank facility and USPP debt
- Effective tax rate expected to be 24% to 25%
- Capital spend in the order of £35m to £45m
- FCF generation to be a minimum of £70m, allowing further debt reduction

# Summary

Core brands winning in market across the group

Re-establishing Fruit Shoot is on-track

The franchise business is building momentum

Improving FCF generation and a focus on the cost base