Britvic

Preliminary Results | Audio Webcast

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Transcript

Simon Litherland: Welcome to our full year results presentation. Thanks very much for coming. This morning, I'm going to start with our 2023 highlights. After which, Rebecca will cover our financial performance in more detail. I'll then set out our thoughts on why we are confident of delivering sustainable growth in the future, and continuing to deliver superior returns for our shareholders.

Britvic has once again delivered this year, despite the challenging environment. Our portfolio of family favourite brands has continued to win with consumers. And we've continued to invest to ensure we are well placed to unlock future growth opportunities that are in front of us.

Turning to our performance highlights, where we have continued to deliver across people, planet, and financial performance. Revenue increased 6.6%, despite double-digit cost inflation. Margin was broadly flat. And as a result, EPS is up 6.5%. And we returned to nearly £150 million to shareholders in the year through the dividend and ongoing share buyback. At the same time, we've maintained our leverage at 1.9 times.

Our ESG metrics remain strong. Employee engagement is upper quartile. We continue to lead the market in calories per serve. And we are cutting our carbon emissions in line with our science-based targets.

Over the next few slides, we've pulled out some of the many highlights from the year, which demonstrate that our strategy is working. As well as delivering significant growth on our big scale brands, our smaller brands in faster growing spaces are rapidly becoming a meaningful part of our portfolio. And we continue to add more through complementary bolt-on acquisitions.

Our no and low sugar carbonates portfolio has been the standout performer across both Great Britain and Ireland. In both markets, Pepsi MAX was in strong growth, with GB revenue increasing nearly 8%, and in Ireland over 18%. In the GB retail channel, Pepsi MAX is the number one soft drinks brand when measured by volume. This success has been achieved by continuing to follow a proven set of growth drivers over the years. Firstly, taste. Once again, our taste challenge shows that 70% of participants prefer the taste of MAX. And this year, we've used this continually through our marketing campaigns. Secondly, we continue our strong associations with football in the Champions League, and music through our Live Nation partnership. Added to these proven platforms, we have an exciting new partnership with EA Sports to activate in 2024. Flavour is also key to stimulating interest and growth in the category. And our range of flavours now accounts for 30% of the brand's revenue. And, finally, we continue to use our supply chain flexibility to tailor our pack and price architecture to unlock relevant channel opportunities.

Similarly, Tango has had an exceptional year, with revenue up 21%, making it the fastest growing fruit flavoured carbonate in the market. Its retail sales value has tripled in the last five years, adding new buyers and significantly outperforming the category. Flavour innovation has been very successful, with flavours like Berry Peachy and Paradise Punch each being the number one fruit flavoured carbonate new product launch in '22 and '23. And as well as leveraging pack architecture to unlock opportunities, we have reinvigorated the marketing platforms. The Get Tango'd campaign across TV and digital has been hugely successful. And our partnership with The Prince's Trust is helping young people develop essential life skills and find jobs.

Turning now to our premium brands, London Essence and Mathieu Teisseire. London Essence has grown revenue 27% in GB, where we've added 7,400 new distribution points, and now have around 1,500 Freshly Infused founts in the on-trade. We've delivered some fantastic account wins this year. And the brand's premium status is validated by its availability in 38 of the world's top 100 bars, and 15 of the top 50 hotels globally. As well as the mixers range, we've continued to develop new flavours in the soda range, including the recent launch of Orange and Fig.

Mathieu Teisseire has continued to grow, with new listings including retail and hospitality in Germany, as well as in the Oman, Thailand, and China. And as a result, Mathieu Teisseire is now available in names such as the Marriott, Tim Hortons, and the restaurant chain, Dean and DeLuca. We also continue to build its credentials with the trade through our nine tasting studios that we have globally, and our brand ambassadors and trade activation, such as BCB in Berlin, the largest trade fair for bar and beverage industry.

Turning now to Plenish and Aqua Libra. We acquired Plenish in 2021 to access the plant-based drinks market and, since then, we've been using Britvic's brand building capability to accelerate its growth to 49% year-on-year. In the last year, we have delivered a significant increase in distribution, with the M*lks range now the number four brand in the market. In September, we launched our Barista range, which is for use in hot drinks and is the fastest growing part of the category. Our range is the only brand on the market free from oils and additives, a testament to the capability of our R&D team.

During the pandemic, we also acquired The Boiling Tap Company, rebranding it as Aqua Libra Co, enabling us to activate a brand proposition across four distinct product areas, packaged infused water; our patented flavour tap technology; commercial taps, offering hot, cold, and sparkling, primarily to the workplace; and table bottling solutions for the hospitality channel. We have secured new accounts across multiple channels, leveraging our capability in both better for you liquids, and beyond the bottle dispense. This year, we've delivered revenue growth of 70% in the package format, and 21% for the taps business.

In July this year, we announced two bolt-on acquisitions. In Brazil, we acquired the energy brand Extra Power, as well as three smaller brands and a modern warehouse in Brasilia. This represents a significant move in the Brazil business as we access the fast-growing, highly profitable energy category. And, also, access to the Midwest region. The transaction completed in early October, and we have plans in place to deliver significant revenue and cost synergies.

In GB, we acquired Jimmy's Iced Coffee, enabling us to access the fast-growing iced coffee category. Jimmy's is the fastest growing brand and has a 7% market share. It's an excellent brand with standout packaging and a great taste. And this complements our portfolio and further boosts our credentials in immediate consumption. As we've done with Plenish, we plan to lean in and strengthen this as a business to scale Jimmy's and accelerate the brand further.

Turning now to our ESG framework, Healthier People, Healthier Planet. Consumers increasingly want healthier choices, especially less sugar. And we have continued to reduce calories across our portfolio, which is now fewer than 22 calories per serve. But it isn't only about taking out sugar, people are also looking for soft drinks with added health benefits. And this year, we've extended our added vitamins range across different brands and pack formats, including Robinsons in GB and Pressade in France.

We've also improved our employee health and well-being offer through a multi-site roadshow at all our factories and locations. And on the community side, we have funded our new charity partner, Bounce Forward, to support over 60 employee-nominated schools to help children build emotional resilience. Our brands play their part too, including our Tango partnership with The Prince's Trust that I mentioned earlier.

On planet, we continue to make progress towards our science-based carbon targets. Installation work has now begun on our new heat capture system in Beckton. And we've significantly reduced our indirect emissions through partnering on sustainability with our suppliers. Our Brazil team has delivered our first certified Alliance for Water Stewardship site. And while in the UK, we continue to work with The Rivers Trust to support catchments at our factories.

And, finally, on packaging, we're trialling a Robinsons Ecopack, which gives consumers 60 serves per pack, reducing the water transported through our logistics network. And these are by no means everything we're doing for Healthier People and Healthier Planet, but I do hope they give you a snapshot of the variety, as well as the volume of programmes that we are undertaking. I'll now hand over to Rebecca to take you through our financial review.

Rebecca Napier: Thank you, Simon. Good morning, everyone. Thank you for joining us this morning. I'm delighted to be presenting my first set of results as CFO at Britvic. This is a fantastic business with a great heritage as a brand builder and strong financial track record. I've really, really enjoyed my first few weeks here, and it's a pleasure to share the results of the team's hard work in 2023 with you.

Before I start, just a reminder of how we present our numbers. I'll be focusing on adjusted measures, and everything will be shown on a like for like constant currency basis.

We have delivered year-on-year revenue growth of 6.6%, driven by strong price and mix, as we took price to offset inflation. Volumes are resilient, only declining by 2.2% year on year, particularly driven by the second half where we experienced poor summer weather versus a very hot summer in 2022. We maintained our margins well, such as adjusted EBIT grew by 5.9% to £218.4 million, our highest ever adjusted EBIT. Our adjusted earnings per share grew by 6.5% to 61 pence. This allowed us to increase our dividend by 6.2% to 30.8 pence. That's in line with our 50% payout ratio. Our leverage stayed at 1.9 times. Whilst this was slightly flattered by a payment run falling into FY24, we also had things going the other way, including the acquisition of Jimmy's Iced Coffee and the share buyback programme.

As we continue to deliver strong returns on invested capital of just under 18%, overall, we consider this an excellent performance, especially given the challenging market we experienced during the year. In Great Britain, we delivered really strong performance, with revenue growth of 7.9% and brand contribution growth of 12.6%. Growth came from both our own brand portfolio and PepsiCo brands. And, importantly, in both retail and hospitality channels. The shape is similar to plc, with volume declining due to the Q4 weather lack and strong average realised price, as our revenue management activities offset substantial inflation, leading to positive margin progression.

In Brazil, our net revenue was flat. A strong growth in our brands was offset by a decline in our fruit processing business, Be Ingredient. This was mainly due to poor crop yields. We delivered growth in our core concentrates and ready to drink juice brands. We had a particularly strong performance on our innovation brands, with standout increases in Fruit Shoot, Grape, and Tea. New brand innovation now represents about 32% of Brazil's revenue. We also took a number of price increases in the year to offset significant inflation.

In our international markets, we delivered revenue growth of 5.7%, again with slightly declining volumes and strong average realised price. France has been challenging. It was the part of our business with the highest percentage inflation, while operating in extremely competitive market conditions, which makes it difficult to recover all of the inflation through price. We also experienced adverse mix in France, as the consumer pricing gap between brands and private label increased, leading to market share loss.

In contrast, Ireland had an excellent year, with revenue growth of 9.4%. We're particularly pleased as it delivered growth in both volume and average realised price.

And, finally, our international markets grew 13.1%. This was driven by travel, Asia, and Europe.

We have adjusting items in 2023 of £38.4 million, of which £30.3 million is non-cash. The cash items relate to strategic restructuring, transaction costs relating to M&A, and one-off costs relating to the introduction of the deposit return scheme in Ireland, which goes live in February 2024. The largest part of the non-cash items relates to the successful settlement with the trustees of a long-running legal case for our GB defined benefit pension scheme. This means that pension increases for certain members will be at RPI. The related adjustment to accruals is recorded as a one-off past service cost. We also completed a successful pensions' valuation in the year, which indicated that the scheme is fully funded on a technical provisions basis and is expected to reach self-sufficiency by 31st of March 2026, with no additional cash contributions required. Overall, our pension scheme remains very well funded.

Procurement has been a key focus for us this year, given inflation has been at the highest level we have ever experienced. We were already well invested ahead of the inflationary period, which we managed well through a mixture of commodity risk management, SAP Ariba technology, and excellent relationships with our suppliers. It's worth noting here that sustainability forms a key part of our supplier relationships as we embed Healthier People, Healthier Planet in all our ways of working. Our hedging expertise protected us from the most extreme peaks of inflation, as well as helping us to ensure stock availability for our customers. Where we can hedge, we're over 80% covered for 2024, giving us a high degree of certainty over the costs of goods sold. As we went through the year, we saw packaging and energy costs starting to moderate, but this was offset by services, labour, and agricultural commodity prices, which continue to increase.

As well as delivering on our performance metrics this year, we made great progress on our strategic priorities. In the year, we invested behind targeted programmes to support and accelerate our growth. We added new capacity in three core markets: GB, Ireland, and Brazil. We continued to invest in digital manufacturing and supply chain sustainability programmes. And also completed a refurbishment of our GB national distribution centre in Leicestershire. We increased our A&P spend this year by around 9%, while also investing in innovation and future growth opportunities, including Plenish, London Essence, and Aqua Libra.

And on people and capability, we invested in additional field sales resources to support our growth in immediate consumption, as well as targeted sales and marketing capability programmes. Mindful of the inflationary environment, we also funded targeted salary increases to recruit and retain the best talent. We gave greater increases to lower paid employees across the board to help them deal with the escalating cost of living.

Overall, we're continuing to invest to accelerate our future growth as well as delivering in the current year. On a personal note, as the new CFO, I'm really encouraged to see this in such a challenging external environment. It shows me Britvic really is focused on growth.

Now this slide should be very familiar to you. It's outlines our clear and consistent capital allocation policy, which reflects our strategic priorities as a business and has not changed. Over time, our Capex investment typically averages around five to 5.5% of annual revenues. We'll continue with our long-established 50% dividend payout ratio. Where it makes financial sense we have a disciplined approach to progressing M&A opportunities in support of our strategy. We will seek to maintain our debt leverage within our published year-end range of one and a half times to two and a half times net debt to EBITDA. And where we have cash that we deem to be excess, we'll seek to return it efficiently to shareholders.

This is the last slide from me today. It should help you with your modelling. So let me walk you through our technical guidance. For 2024, our effective tax rate is expected to be between 23 and 24%. This reflects the full impact of the UK corporation tax rate, which increased from April, 2023, which went up from 19 to 25%. Our net interest cost is expected to be between £34 and 36 million, reflecting the increased cost of borrowing as well as the continued utilisation of our revolving credit facility. Our cash pension contribution remains at £5 million per annum

This year, capital spend is expected to fall in the range of £75 to 85 million. Adjusting items are estimated at £13 to 15 million, the vast majority of which is non-cash acquisition related amortisation. We anticipate inflation moderating in 2024 and we currently estimate low to mid-single digit for the year ahead. You can add around £12 million revenue to GB for Jimmy's Iced Coffee. Our extra power acquisition in Brazil, which completed in October adds around R$120 million revenue in local currency of Brazilian real.

Finally, just to put all of that together and explain the impact on leverage. You'll be aware that our leverage is always higher at the half year than the full year, due to the stock build ahead of our summer peak. The movement will be bigger than usual this year due to the initial payment for the Brazilian acquisition, higher tax and interest and the additional payment run that I referenced earlier. Leverage will then unwind through the summer as it normally does. So thank you for your time and I'll now hand you back to Simon.

Simon Litherland: Thank you Rebecca. In this final section I'm going to bring to life the future growth opportunity we see for the soft drinks category and for Britvic. So firstly, looking at the category, soft drinks has a long track record of resilient growth. Driven by increasing consumption, widening repertoires, and population growth. Over the last five years despite COVID and double-digit inflation, category volume has grown at 2.4% globally and this is projected to continue over the next five years. Inevitably, it varies by market. With GB at around this figure, Brazil and Ireland are forecast to grow faster and France slightly more slowly.

Per capita consumption in our core markets still lags other European markets such as Germany and Italy by a third, so there's plenty of room for further growth. Specifically within GB, our largest market, soft drinks continues to outperform wider consumer goods in both volume and value terms. Soft drinks is one of only two categories where volume unit sales have continued to increase over the last two years of significant inflation. And this growth is being driven by brands.

Again, soft drinks is one of only two categories in GB where brands are outgrowing private label, reflecting the relatively low importance of private label to our category. And on top of that resilient category growth, Britvic has a long history of out performance. This chart provides a reminder of the returns Britvic has provided to our shareholders over the long term. Whichever horizon you choose, Britvic total shareholder return has materially outperformed the FTSE 250 and our soft drinks pair set, and over five years, we benchmark really well to the FTSE 100. We're really proud of our track record and that the shareholders who have been with us on this journey have benefited so much.

The main driver of that performance has been consistent execution of our strategy. Each of our markets has a clear role and our four strategic pillars remain consistent. We continue to invest in our business capability and to drive efficiency to help fund our future growth. As you've seen this year, we're also prepared to make accretive acquisitions of complimentary businesses in support of this strategy particularly to further accelerate growth. To be more specific about where we expect our out performance to come from, this slide sets out a compelling future growth algorithm for

Britvic. Starting on the left-hand side, as I showed you a short time ago, global soft drinks category volume is projected to continue to grow and there's plenty of headroom for further consumption expansion. We've also consistently demonstrated our revenue management capability and leveraged our pack architecture and price and mix.

Beyond this, we've identified three significant drivers which allow Britvic to outperform the category and I'll talk to each of them in more detail over the next few slides. Briefly though, we've a long-established track record of our scale family favourite brands outgrowing their respective market segments. And we've highlighted growth opportunities to penetrate channels where we under index. As well as further boosting volume growth, this will also be positive for mix. Brazil is now a major growth market for us. We have a clear and established expansion plan and it is now of sufficient scale to move the dial for the group. And finally, our presence in new faster growing segments offers further opportunity to drive growth ahead of the market. When we pull all these levers together, I have great confidence that Britvic can deliver a strong future growth profile far into the future.

Now giving a bit more detail, starting with our scale brands, we expect Britvic's local family favourite brands to continue to drive significant growth ahead of the category. I've included a few examples on the chart of our long track record of making this happen. Pepsi is now at a 32% share in GB, and Max has become the largest Cola variant in retail by volume. Max is twice the revenue it was five years ago, and nearly five times the revenue it was 10 years ago. Tango's five-year revenue CAGR is 14%, and is therefore twice the size it was in 2018. And as an example of how we can scale a smaller brand in the last 10 years since Britvic took over Lipton, we have more than tripled the size of the brand and it is now worth over £35 million of net revenue.

We continue to increase investment behind our core brand portfolio, and in particular are targeting the immediate consumption channel through increased investment in proximity marketing, field sales and chilled equipment. All three of these brands are important in that space, along with a wider Britvic portfolio of low sugar still and carbs brands. Now to be clear, these are just examples. There are many more roots to growth through our core family favourites not shown on the chart, such as our flavour concentrates portfolio, which we see becoming increasingly important to consumers as they seek healthier hydration and more sustainable soft drinks offers.

Next we see Brazil as a further accelerator of our growth. And following the latest acquisition, it is now of sufficient scale where double-digit growth in Brazil roughly equates to a percentage point of revenue growth for the group. Before the recent extreme inflation, Brazil was consistently delivering double-digit organic growth for Britvic, as we successfully expanded into faster growing categories such as tea, grape and coconut water, and increased the distribution and in-store presence and consumer appeal of our core concentrates and juice brands. There is further runway here, plus we have now added energy to the mix following the acquisition of Extra Power, which has a 42% share in its core region in the centre west near Brasilia.

The map on the left shows Britvic's relative strength across the different regions of Brazil. As you can see, while our brands are present nationally, there is significant variation in our share across different regions. We'll continue to extend our brand presence across Brazil, both organically and via further complimentary bolt-on acquisitions. As an example, the recent acquisition helps by providing a strong route to market in the Midwest, facilitating the expansion of existing Britvic brands into this region, whilst also offering the opportunity for us to gradually expand our energy presence into regions where we're already strong, either through the Extra Power brand or Flying Horse, another local energy brand we acquired in the transaction. And as our regional coverage expands, our supply chain efficiency will increase, boosting margins and improving our carbon footprint.

Finally, over time we've gradually built our presence across the fastest growing scale soft drink segments through a combination of innovation, partnership and acquisition. Overall, this portfolio is now of meaningful scale to the group with combined revenues in the region of £70 million. So if we were to continue to achieve strong double-digit growth across this portfolio, it is now big enough to be adding almost a percent annual group revenue growth.

Our global premium brands, London Essence and Mathieu Teisseire together represent nearly half of the value of this growth portfolio, and continue to expand both in our home markets and around the world. Aqua Libra gives us an innovative presence in water, and we believe that beyond the bottle space will further accelerate as consumers become increasingly conscious of their environmental footprint. And as you saw earlier, we now have Plenish accelerating and are intending to do the same with Jimmy's Iced Coffee. Also, while Rockstar has not been easy, recent performance has improved and we know that participating in the massive and fast-growing energy category is essential to our future growth.

So to summarise, we exit 2023 in a really strong position carrying great momentum across the business. Even in highly challenging times, the soft drinks category has remained resilient, and Britvic has once again demonstrated that we continue to deliver on our promises. We continue to execute our proven growth strategy and thereby deliver market beating returns for our shareholders. We're also investing in our business for the long term, in our brands, in our people, in technology, in the supply chain and in sustainability. We've identified multiple sources of growth which fuel the business well into the future. This is an exciting time to be part of the Britvic growth story.

Thank you for listening and we now look forward to your questions. Please raise your hand if you have a question and we'll get a microphone to you. And please could you also state your name and company for the transcript before you ask your question. Thank you very much for listening.

Fintan Ryan: Good morning, Simon and Rebecca. Fintan Ryan here from Goodbody. Three questions for me please, or more two and then one confirmation. Firstly, just in terms of Rockstar, you mentioned the underperformance year to date, I think you said in the release is down like 25%. Now if I look back to this time last year, you're talking about a reinvigoration of the Rockstar brand more on the ground salesforce. So I just want to understand why that investment hasn't come to any fruition in terms of is that a question of your execution or any commitment from the Pepsi company.

Secondly, just another area where maybe you're seeing some pressures within France more generally. I appreciate the short-term pricing dynamics between your brand and private label, but does that make you consider the long-term viability of your presence within France as a whole? Any thoughts around how we should think of that going forward? Then finally, just a clarification, I think Rebecca, you mentioned that you got some benefits from working capital in FY23. Could you quantify that in terms of what we should expect to reverse in '24 and just more broadly what we should think about working capital for FY24 as a whole? Thank you.

Simon Litherland: Great. Thanks, Fintan. Straight in there, let's get after those ones. Yeah, so Rockstar, look, I mean Pepsi is absolutely committed to Rockstar and GB and are certainly funding incremental investment behind that brand as you suggested in your question. And in fact our execution has been really good. So we have focused on the brand, we focusing on 10 selected cities where energy consumption is high, and we've had a good programme. We've got 50 dedicated fields sales team focused exclusively on Rockstar, and we've seen significant distribution gains and rate of sale improvement in those 10 cities, which is really encouraging.

We also have created a strong platform for the brand, particularly related to music, and there's a strong linkup with Stormzy in the summer. Look, it's still early days, so as you rightly say, the brand has still declined year-on-year, but what I would say is that quarter four performance was better than the previous three quarters, and we are seeing green shoots in respect of distribution at rate of sale as I say. We anticipate this is a journey. It's not a short race. The two leading brands in the category are powerful and well invested. But as we've said before, this is a category that we'd really love to participate in and if we can get 4, 5, 6, 7% share, it's of significant scale to Britvic, and we are working very well with Pepsi to execute against that.

On France, yeah, look, I mean short-term has been really challenging, the most significant inflation of any of our markets and very difficult to get that price through the retailers in France. But France is a large and attractive market. We simplified our business a couple of years ago when we got rid of three manufacturing sites and our juice business, so now we are very focused on four brands. Those brands are all number one or number two brands in their respective categories. So I expect it to normalise and cost will come down and we'll build our margin back. And we're also going to increase our investment behind our core brand Teisseire in '24. We've got a new marketing campaign that's under development and we're also renewing our relationship with the Tour de France, which was very successful for us in the past. So we remain committed to France. And beyond France, remember that Teisseire and Mathieu Teisseire are also starting to generate some significant revenue and profit now in international markets across Europe and Mathieu Teisseire across the world. So we also very much focus on building those internationally. Rebecca?

Rebecca Napier: Great, thanks for the question. So you're asking me about working capital and how we've seen cash for 2024. So a few things to comment on there. So as you know, we're a very cash generative business, strong track record of cash generation. We were very happy with our cash performance in 2023, particularly with keeping the leverage below two times. What is probably useful for me to do is just go through the 2023 position because you've referenced that it impacts, of course, 2024. So our leverage did stay flat, which both Simon and I have highlighted at 1.9 times. That cash position did benefit from one less payment run in the year. So it was a September, 2023 payment run that has shifted into 2024. But as I mentioned in my presentation, this was more than offset by the acquisition of Jimmy's Iced Coffee and of course the continuing second share buyback programme. So that's what happened in 2023.

Looking forward to what that means for 2024 cash as you were asking, so I mentioned as well earlier that our leverage is always higher at half year than a full year. So as we build up stock ahead of the key summer trading period, that will be the case for FY24, but you're also going to see that higher than normal because of higher interest and tax, the Extra Power acquisition, which of course completed in October, so that hits FY24 as well and the additional payment run that I mentioned there, that's moved into the year. So leverage will then come back down again by the end of the year as working capital unwind.

So just to be clear and summarise what I've said there, leverage is going to be higher at half year. It will unwind during the year and obviously per our capital allocation policy, our leverage guidance for a year-end position is one and a half times to two and a half times.

Andrew Ford: Morning. Andrew Ford from Peel Hunt, just a couple from me. Firstly on the distribution gains for London Essence, can you give us an idea as to the balance between what's founts and what's bottle? And also how many of those are taking Mathieu Teisseire at the same time? On Brazil, that was really helpful slide. So thanks for that. Obviously I assume the low priority regions you're not going to focus on at all, but is the aim to get all the low and medium presence regions up to high presence? And is that all through sort of inorganic efforts? And then lastly, just a small one, what's your exposure on national minimum wage given the increases announced?

Simon Litherland: Okay, let me take those. So the third one, we pay above the national minimum wage and also above the increases. On London Essence, the distribution gains are of course across retail and hospitality and they're as much in packaged as they are in founts. So we've got about 1500 founts now in the marketplace. But our latest partnership there is with Mitchells and Butlers, Premium Country Inns and Taverns. And the bottles is a combination of mixers and sodas actually. So some of our soda range is very popular for mixing with alcohol and also non-alcoholic cocktails. So quite often we'll get listed first with our soda range and the mixers might follow or it might be vice versa. So it's across both and in the off trade, we've continually built distribution year-on-year as the brand has become more successful. So we have about between a 5 and a 6% share of the mixers category in the off trade now.

Mathieu Teisseire in GB is not as prevalent as it is in other markets. It is in the marketplace and certainly we will continue to build it. It's most frequently used in outlets like Mitchell's and Butlers for a house soda where they mix Mathieu Teisseire. And indeed, obviously for cocktails it's used as well, but the distribution in GB is not huge and certainly the focus has been more in the European markets and in the Middle East.

And then on your Brazil question, yeah, look, I think it's important to say that where we are strong, São Paulo, Manaus and now in the Midwest, those are massive markets, massive populations. So there's plenty of organic growth to come from those. But I think if you think of the market, you do want scale and given the scale of the market, you need to have a manufacturing footprint and a logistics footprint that works for that scale of geography. So that does mean that if you're going to go into new territories profitably, you want to have local manufacturing. And that doesn't apply to every category, but certainly the lower margin categories, I think that's really important.

I think what's really pleasing for us in Brazil, apart from the expansion geographically, we're also seeing the category expansion really start to work for us. So I think we mentioned in the presentation that core concentrates is up nearly 10%, our ready to drink juice brands are up high single digits, but also our smaller, new entrants like Fruit Shoot, like Natural Tea, like Seleção Grape are all growing at 35% plus and 40% plus for two of them. So massive growth coming out of our new categories and then now 30% of the business. So the brand portfolio is actually doing really well. And if it wasn't for our Be Ingredient business which kind of went backwards, you would've seen an even stronger performance out of Brazil. So we are really pleased with the category development and we see this regional expansion as something that we can do over time.

Ashton Olds: Hi guys. Ashton Olds here from Redburn Atlantic. Three questions from me. The first, just on sort of the volume run rate, obviously H2 was impacted by a poor summer, I had it down three point a half percent in GB. How should we think about that as we come into the first half of this year? Are we going to be behind last year or do you sort of see us building? So that's the first question. Second question, just on Robinsons, it was missing from the brand overview. Obviously there's been a lot of change in that brand. You stepped away from Wimbledon, you did a big brand refresh and spent quite a bit on a marketing campaign. Could you sort of give us an update on that brand and how you see that fitting into growth in 2024?

And finally just on Brazil, do you think you've got the right portfolio there now? And now that it's starting to get to a bigger scale, should we start to expect that more Capex is laid on the ground there? Is there anything more that you want to do on that supply chain? Yeah, those are my three questions.

Simon Litherland: Great questions. Thanks, Ashton. Yeah, so look on the volume run rate, so you might remember that we actually were growing volumes in quarter two and quarter three, and then I think the market was down nearly 9% from a volume perspective in quarter four with a fantastic summer a year ago and the really weak summer this year. And we also dropped some volume, not nearly at the same level as the market, but we were down 4 or 5%. So really pleased with the overall year despite the summer if you like. And then what I'm really excited about in terms of '24 is that as you've seen inflation starting to come down, but there's still inflation as we've articulated, we've taken the decision to get price away early. So across GB we took price in October, in Ireland, we took price in July and in Brazil, we took price in September. So of course there's a period of stabilisation, et cetera that plays through.

So October we've seen a small volume decline across the group and we expect that probably to be in November with, depending on Christmas, a bit of an uptick. But we're definitely in that transitionary phase, Ashton, where you've kind of seen the growth driven by price, very resilient volumes I would say given the amount of price we've taken. But as we look forward, we'll transition back to a more normal price and volume growth as we articulated in our sort of growth algorithm.

Shall I take Robs? On Robs, yeah, look, it wasn't in the presentation for no real reason. We just got going. So we did talk about it in the Interims quite specifically. And of course we started that activation in summer. So we have put new visual identity on our core packaging. We've launched Robinsons with added benefits, vitamins such as Vitality and Boost or Immunity. We've got some new packs with an Ecopack, a 900ml for value retail. We've got some fantastic activation through the Big Fruit Hunt and also through the Robs Hundred sponsorship. And we've been working very closely with all of the big retailers to kind of relay the shelf and effectively make it easier to shop.

And we're actually really pleased with the progress. The categories back in growth and Robinsons maintaining share despite the premium to own label in GB. And also you remember that Robinson's is probably the brand most affected by the weather. So actually that performance is pretty robust given the summer we've had. And then finally I'd say really excited about Robs Ready to Drink. It's only in three flavours and it's only in still from a format perspective, but it's already a £20 million brand and growing very strongly. So there's more to do for sure, and you should see more of that come through in '24. But given the summer, I actually feel quite pleased with the progress we've made on the brand.

Brazil. Oh, right portfolio. Yeah, sorry, you asked so many questions at once, I'm sorry. But yeah, bang on, so Brazil, right portfolio and more Capex. So look, I mean I think we still participate in a pretty small portion of the total soft drinks category and in some respects that enables us to compete without going head-to-head with a couple of the really big players in that marketplace. And I think we're successfully expanding our shoulders as articulated in the last question into new categories. There's more room for that and there's also opportunity to gradually start to participate in some of the bigger scale categories. So energy probably is, this is our first foray into what is a scale category and fast-growing.

And what you tend to find in Brazil, both with something like energy and also carbs as you get the big players, number one or two normally in the category. And then you get some quite strong regional players. And given that what I was saying about the size of the geography, building our presence through regional players is quite an interesting proposition for us. Partly from a brand participation, but also because quite often when you buy a brand you're also buying facilities or manufacturing facilities. So that's the strategy effectively, that's the direction of travel. Thanks for the questions.

Deirdre Mullaney: Thanks, Deirdre Mullaney from Numis. A couple from me please. Firstly, just to follow on about France, I wanted to ask about the current trading conditions. Obviously FY23 was a challenging year on the branded portfolio underperformed relative to private label. To what extent, if any, have the training conditions improved? How's the inflationary backdrop? Are you expecting that you'll need to take pricing again this year? And then secondly, I think the statement referenced local production in China for the Mathieu Teisseire brand, just wondering if you can expand a little bit more on that. How long have you been looking at the region and what opportunity does this present?

Simon Litherland: Thanks. Great. Okay. Yeah, so on France, yeah, I mean look, current trading is not dissimilar to what you saw in the last year. Inflation is definitely coming down and obviously to some extent it depends on the category, like aluminium and tin are back to more normalised levels. Sugar in Europe is still high but will come down. So longer term projections for sugar are to decrease by about 30% over the next number of years. So we will see inflation normalising. Having said that, in France you're taking price in February, effective probably March, April, in market, so there's a lag impact. So we'll get an overlap from last year, but we'll have a lag this year of the current lower but still inflationary environment. So yeah, we will take some price, not right across the board, but selectively and we will continue to catch up what we missed last year if you like. But we will match that with increased investment and more focus on our efficiency and cost base. So as I said earlier, I do think things will normalise and we can build back that business over the medium term.

I think it's also important to say that not all the brands are suffering. So Mathieu Teisseire is growing high double digits. London Essence grew 54% year in year off a small base, but grew 54% year in year. And so we've got some smaller but fast-growing pieces of the business while Moulin de Valdonne was up 15%. So it's not all bad news, it's mainly the Teisseire syrups that have gotten most exposure to own label syrups, which of course we also produce. That we've got quite a high share of own label syrups, but we don't make nearly the same margin on own label as we do in our own brands.

And then finally on China, yeah, look, we've been in China in a small way for a number of years. I mean obviously the whole of the London Essence journey was impacted significantly by COVID because it's very much an on-trade strategy internationally building up the brand's premium credentials. But we've got a good partner in China who is actually a producer of coffee machines and sells coffee beans into Starbucks and the like. And with them we've created a small facility to manufacture certain flavours for the Chinese market. So it's still relatively small scale, but what's interesting about China is that if you get even one or two flavours listed in a key account that has 2 or

3000 outlets, it quite quickly starts to add up. So we are really interested in that. Working with distributors and partners in markets like China and Vietnam for example, is also a good Mathieu Teisseire market for us.

Mandeep Sangha: Good morning, Mandeep Sangha from Barclays. Two quick questions for me there please. The first one is really around the M&A opportunity that you spoke about with Jimmy's Iced Coffee and Extra Power in Brazil. You kindly gave the revenue forecast for next year for both brands, but no commentary on sort of the EBIT contribution. Is it fair to say you probably expect that any sort of top line growth will be reinvested into A&P spread to really grow the brands and reach scale and therefore EBIT contribution on both brands is probably limited in the near term?

And my second question is really just around the commentary around inflation for next year, which is sort of low single digit to mid-single digit. Is that a comment purely on COGS inflation or is that fair to say that includes the wage inflation that you spoke about also in the OpEx line? And if so, is there anything you can say specifically on COGS just to break out the difference between the two? Thank you.

Simon Litherland: Sure. Do you want to take the second one?

Rebecca Napier: Yeah.

Simon Litherland: I'll take the first one. Yeah. Good. So those Jimmy's numbers were actually the current revenue rather than next year's revenue. And as we've demonstrated with Plenish, we would certainly anticipate being able to accelerate the growth of both of these brands. The emphasis though, as you quite rightly point out, will be on establishing the brand's presence in these categories. So for Jimmy's 7% share, the category's growing at 15%. It's a £280 million category. So it's a scale category. There's five or six key brands, and as we said earlier, Jimmy's is number four, but this is about a land grab. It's going fast. It's really taking what is, I think, quite an outstanding pack look and feel and a great tasting product with good sustainability credentials and fantastic taste credentials. And it's really about accelerating that growth. It will deliver some incrementally but not of scale.

And then Extra Power in Brazil will have a bit more of a bigger impact on EIBT. So it is a profitable business. And of course, as we described in the presentation, there's revenue synergies both ways. So from a back office perspective, we can just incorporate the brand into our existing infrastructure. And then from a revenue perspective, we can take our lead brands into the Midwest region and at a bigger scale than we've been able to do in the past. And we'll start to expand the Extra Power footprint, first in the associated regions around where it's strong, 42% share. But over time, we'll start to bring that back into some of our other regions. So that's the plan. So there will be more profit that drops in '24 from Extra Power just because of the synergies that we're going to see. Thank you. Rebecca.

Rebecca Napier: Right, yeah. So I think there are two parts to the cost question, which is one, what's going on with COGS and the other one, which is what's going on with the rest of our cost base. So let me answer each of those in turn for you.

So from a COGS perspective, as I mentioned in the presentation, we see inflation moderating this year in FY24 and we're guiding low to mid-single digit inflation.

There's a mixed bag within there, so let me tell you a bit about that. So we see packaging and energy inflation moderating, but that is being offset by other areas that are proving to be more sticky. So I'll give you some example of those services such as logistics. We've got labour, which as you will know, is much more linked to CPI and agricultural commodities such as sugar and fruit juice, which very much depend on crop yields. So some moderating, some sticky. Oil as well had been improving, but has recently reversed following the conflict in the Middle East. And that feeds our PET pricing, as well as fuel and energy. So a mixed bag.

I think I mentioned in the presentation earlier as well, where we can hedge, we are hedging and for FY24 we're over 80% covered on the items that we can. So that gives us a high degree of certainty looking at the COGS for FY24.

So to summarise, inflation moderating in some areas, a bit more sticky in others. We anticipate low to mid-single digit overall for COGS and we are hedged over 80% where we can. On fixed costs, so that was not applied to fixed costs. We've got a mixed bag of costs in there. So we see inflation on business-type services, so things like warehousing, consultancy insight and labour as well is obviously in our fixed costs, which as I said before, is quite sticky. So that's much more of a cost base that's linked to inflation.

Also, what I would note on the other costs is it's important to us to provide the right level of reward to our people and continue to support them through the cost of living pressures, particularly with lower paid colleagues.

Rashad Kawan: Hey, guys, good morning. Rashad Kawan from Morgan Stanley. Thanks for taking my questions. Just a couple from me, please.

The first one, how should we think about your growth and margin outlook for next year and then just the phasing within that, between the first half and the second half? I mean, is it fair to assume that you'd expect growth to be more second half weighted and similar in terms of kind of the margin evolution of the story as inflation moderates over the year?

And then the second question, just going back to your global premium brands, I mean what's the ambition particularly with London Essence? I mean impressive growth again this year. How big can it get over the medium to long-term? What's kind of the longer term play there? Thank you.

Simon Litherland: Great. I'll take the second one. Do you want to do the first?

Rebecca Napier: Yeah, perfect.

Simon Litherland: Shall I do the second one first?

Rebecca Napier: Perfect.

Simon Litherland: So yeah, with the global premium brands, as we said, there are about half the 70 million that we articulated and we would anticipate doubling that in the next three or four years is the kind of growth trajectory we've got.

To some extent, for London Essence, it depends on the pace with which we move from on-trade to off-trade. We're trialling that in certain markets in Europe. It's clearly been a success for us in the UK and Ireland and that sort of probably was earlier than we would've naturally done, but for COVID. But it has been successful so we're looking at how quickly we move into the off-trade. But there is no doubt the brand is winning awards. The brand is well-respected amongst the barman community and we're getting premium listings.

And I think what's really interesting is the trend to adult soft drinks and the soda range that we have. We've got some really exciting flavours that mix particularly well with alcohol like tequilas, for example, or rum our pineapple and rum and we're getting great traction with premium outlets in those so we're really excited about it.

And likewise the founts. I mean, it's probably been slightly harder work than we anticipated with the rollout of the founts. But we've evolved our design again and the founts now have a wider range of mixers – of tonics and sodas. So again, I think the usage and attractiveness of the offer and the quality of the liquids should start to see that accelerate again, particularly as our sustainability question becomes back in front of people's minds. So we see that as a good growth opportunity for us. And as I say, those sorts of growth trajectories now start to have an impact on the growth profile of the group.

Rebecca Napier: Right, thank you. So I think there are two parts to my question. One was how we're thinking about margin for this coming year and also what the phasing might look like so let me answer both of those.

As you probably know, we don't guide specifically on revenue or margin, but what I will say that is we are confident of positive margin progression over the medium term.

I think the other thing that's worth noting on the topic is an element of margin progression is a choice. So what I mean by that is we are at the moment choosing to invest in the business, whether that be in people, whether that be in capacity, whether that's building the brands with A&P or whether that's in sustainability. And we want to do that and that's important to ensure we're well-positioned for future growth opportunities.

So as a broader point, I know we've said we don't comment on margin. What I would say is the range of analyst expectations that are out there for 2024 feels sensible in terms of revenue and EBIT. So summarising, although we don't guide, I'm giving you a nod that we think there's positive margin progression in the medium term and the analyst consensus looks about right for FY24.

In terms of the view on the halves, we're definitely not going to be commenting in detail on profitability phasing for the halves. But a more general comment that might help you with that is if we assume a more normal summer this year, and obviously we didn't have that in 2023, one would normally expect our profitability to be more weighted to the second half because that is when we normally do good summer trading.

Simon Litherland: I just want to build on that. I think it's worth remembering that last year we phased more of our A&P to H2, partly because of the significant spike in the second year of inflationary spike. So that will be more of a normalised A&P spend as well.

Richard Withagen: Richard Withagen, Kepler Cheuvreux. Two questions, please.

First of all, on the immediate consumption channel, I mean how big is that of an opportunity for you? What works well when you penetrate more into that channel and what are some of the challenges you meet over there?

And then the second question on Pepsi MAX. How is the mango flavour doing since you introduced it and maybe a bit more on the midterm, what's the flavour strategy for Pepsi MAX?

Simon Litherland: Great, okay. Yeah, so IC is a significant opportunity for us and I know that we've talked about it actually for a few years. We are making progress and I think we're making progress in a number of ways.

First of all, our portfolio has evolved and developed and we've got a much better IC offer is the first thing.

And secondly, as we build our brands, people are more willing to put them in front of store. So front of store, fridge space and shelf space, particularly fridge space because on-the-go consumption is much more restricted. There is only so much space, so you need to have strong performing brands to get stocked. So as our brands are doing really well, you've seen the momentum we got behind both big and small brands, there's really encouraging stories to take to particularly independent retailers.

And what we've also seen with a brand like Tango, which the success has actually been built back-of-store with large packs, retailers are now putting it front-of-store so it has a knock-on impact.

We are, at the moment, and we can give you the full details this afternoon, but 8 to 9% share in the category in that channel so we're quite significantly under trade. So we'll look to be addressing that with maybe a percentage point a year would be a great success, I think. But, of course, with single-serve soft drinks, that's great margin and it's a much more profitable channel. So we see that as one of the most attractive opportunities that we have as a business.

In terms of flavour, yeah, I don't know if you've tried MAX Mango, but it tastes great and it is doing very well. I actually don't have any data or any facts on exactly how, on the scale of Mango at the moment.

But what I would say is I think Pepsi are really good at flavours. I think actually Britvic are also really good at flavours. But if you compare our range of flavours and the scale of them in MAX compared to the competition, I think we stand out and it's a big growth driver of the brand, I think now with 30, 32% of MAX is now in the flavour range.

And, of course, the strategy is to keep some core flavours and then every year we rotate. We rotate one in to create some interest and excitement for the retailers.

Ed Mundy: Hi, Simon. Hi, Rebecca. Thanks for taking the question. Ed Mundy from Jefferies. Got a couple, please.

The first is in your presentation, Simon, you've sort of fleshed out how you want to outperform a category that's growing two to four. You can probably throw off a good low single digit-ish growth in GB. You're probably going to get another a hundred basis points from Brazil and then maybe another a hundred basis points or so if you grow another good double digits in these sort of new-to-world brands. Are you sort of alluding to a framework of three to five, four to six? I mean, how should we sort of top it all up?

And the reason I ask is like the last couple of years have been very volatile, so a little bit of help on that would be quite helpful.

Simon Litherland: Yeah. So without guiding, we've tried to be as helpful as we can and you've articulated very well, that question.

So look, we're not going to guide because I do think that kind of gets you in trouble and yet, we have given you exactly some pointers as to why we think we can grow. Of course, what you've just articulated assumes that nothing goes the other way and as we know in business, not all things tend to go up all at the same time.

But what I would say is that what we've tried to do is lay out both the resilience of the category from both the volume and the value perspective and I think that is true and that's certainly the outlook. And then we've tried to identify and scale the kind of growth opportunities that we're looking so you can kind of draw your own conclusions.

What I would say is I think we are a more agile, faster-growing business today than we were when we entered COVID. There's no doubt about that in my mind. I think you can see the momentum in our brands in GB, but also in Ireland, also in Brazil. And our international premium adult brands grew over 20% as well. So you can really see some proof points of the story and the algorithm that we've articulated, if you like.

So look, you'll have to do your maths, but our aspiration is absolutely to be in the top quartile of FMCG consumer goods in terms of growth rates and I don't think we get recognition for that today.

Ed Mundy: Great. The second one is just on innovation. You mentioned about 32% of Pepsi MAX is now flavoured, got a ton of flavours coming through on Tango, a really strong pipeline there. Why do you think flavours in soft drinks are a little bit more sticky than you see in other categories? Look at vodka, look at gin. I mean, they sort of come and go. Why do you think it's more sticky?

Simon Litherland: Yeah, look, I can't comment compared to vodka or gin, but what I can say is young adults love flavours and they love trying new flavours and as long as they're good, then they stick.

And secondly, I think what we're quite choiceful about is choosing some core flavours and then rotating new ones, which will get people in. They'll try them, they'll attract them into the category or into your brand and then you can bring them back again with the next year's flavour, if you like. So we keep three or four core flavours and then we'll rotate one or two every year to attract new consumers and bring interest to the category.

I mean ultimately, this category, like many, it really comes down to taste and I think our no-sugar flavours taste fantastic, the real credibility of our R&D team.

Ed Mundy: And just to follow on perhaps for Rebecca. I mean, you've come in from British Airways, had to run a pretty tight ship in that industry, especially during COVID. I mean Britvic's already running quite a tight ship after BCP and many years of cost-cutting. I mean, what sort of incremental best practices able to bring to Britvic? I mean, what have you identified so far, given that sort of generating fuel for growth through efficiency is one of the core tenets of the strategy?

Rebecca Napier: Great. Thanks for the question.

So it's still early days. I'm certainly loving it at Britvic. I'm a number of weeks in, I think it's far too early to talk about change, but what I can talk to you about is what I bring from BA.

So my attitude in life is very much to get stuck in and get things done. And I think that's been brilliant in terms of joining at the time that I have because we've been straight into year-end. So that's been fantastic. I like to see things through and deliver performance, as you referenced there. I think we've got some great ambitions and growth opportunities going forward and I look forward to being part of the team that delivers that.

I'm very much plain-speaking, no frills. I think that fits very nicely with the Britvic values and I'm looking forward to getting out of results now and seeing what business as usual looks like in the world of Britvic.

Simon Litherland: Thanks, Ed. Great. Okay, guys. Listen, thanks very much for coming in today. Thanks very much for your interest in Britvic and us and thanks for your questions. Really appreciate it. Great to see you.

Rebecca Napier: Thank you.

Simon Litherland: Thank you.