Britvic

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Transcript

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Simon Litherland: Good morning everyone. Welcome to our interim results presentation. This morning I will start with our first half highlights, after which Chris Hancock, our Chief Strategy Officer, will cover our financial performance in more detail. I will then present a few slides on our investment plans and future growth potential, and finally we'll be happy to answer your questions. Britvic has had an excellent start for the year with great progress across each of our people, planet and performance pillars. We are a stronger, more agile and faster growing Britvic and we are successfully managing the inflation challenges around us. These results demonstrate once again that our fantastic brands are winning in a resilient soft drinks category, and at the same time, we're making good progress on our strategic priorities. We have continued to deliver strong shareholder returns and we have clear growth priorities backed by exciting marketing and innovation plans for the second half of the year.

We have had a really strong half across our key performance metrics, revenue, profit, and margin. We're all well ahead of last year with EPS up 17.5%. Profit growth has benefited from earlier price realisation in GB and Ireland, and from A&P phasing into the second half to capitalise on spring and summer trading. We returned over 93 million pounds to shareholders in the six months, paying the full year dividend and completing our first share buyback while maintaining leverage at 2.2 times well within our targeted range of one and a half to two and a half times. Our ESG metrics remain strong. Employee engagement is upper quartile and increasing. Calories per serve are continuing to reduce across our total portfolio and we continue to reduce our carbon emissions in line with our science-based targets.

On the slide, we've pulled out some specific highlights from our first half achievements to help bring our growth drivers to life. Our biggest business unit, GB, grew revenue at over 10% with Tango up nearly 40%. Tango is now the fastest growing fruit-flavoured carbonate brand in the market. With new flavour variants driving over half that growth. In Ireland, Ballygowan revenue is up 34.5%, benefiting from the brand's extension into the flavoured water category with Hint of Fruit. In Brazil, brand contribution is up 12% as we have successfully rebuilt margin by over 290 basis points through focusing on price realisation, recipe agility, and mix management. One of our other strategic growth drivers is the opportunity to flavour billions of water occasions with our concentrates brands. Here, brand revenue is up 7.5% across GB, Ireland and Brazil, though offset by a decline of 8% in France and Benelux. Finally, this half, our innovation brands have generated revenue of 31 million pounds

as we continue to build momentum with growth in each of our business units.

Soft drinks is an affordable category offering consumers great quality, choice and value, and consumer demand remains strong in both retail and hospitality channels. In grocery multiples, it is one of only two grocery categories to see unit sales growth over the last year. Brands have led this growth and we've seen limited switching to private label, even in the segments that are more exposed to own label competition. It was clear coming into this year that the biggest challenge facing the industry would be finding ways to offset double-digit inflation. At Britvic, we have carefully managed cost promotional activity, pack architecture, and mix ensuring that our brands continue to provide consumers with great quality at affordable price points.

Last year, we took price in quarter two, which created a time lag with cost increases. While this was still the case in France this year, where the timetable is determined by the regulator, in GB and Ireland, we moved prices in quarter one. In GB, we returned to volume growth in quarter two and our building momentum as we head into the key summer trading period. In Brazil, we took multiple price increases last year to redress our margin position. And while volumes were significantly impacted in quarter one, but have since stabilized. Turning now to some of our brand highlights, Tango is now the fastest growing fruit-flavoured carbonates brand in GB. In four years, we have recruited over 2 million new buyers, nearly doubled our share and almost tripled our retail sales value. In the first half, brand RSV is up more than 50% year-on-year against a category that is up just less than 15%. We are building distribution on the back of this outstanding performance and with only a 9% share of a 950 million pound category, we still have plenty of room to grow, particularly in immediate consumption.

There are a couple of key drivers of our success. We have up weighted our A&P spend to execute award-winning above the line in digital marketing campaigns. We've been able to leverage our supply chain flexibility, offering a wide variety of formats and pack sizes, and our new sugar-free flavours are resonating really well with younger consumers, and they now represent more than half of the brand volume. And finally, we are proud of Tango's successful partnership with The Prince's Trust, which so far has raised 100,000 pounds for the charity supporting young people into employment, further education and training.

Ballygowan is our biggest company-owned brand in Ireland. Its revenue has grown over 34% this year, benefiting from the launch of Hint of Fruit, which leverages Ballygowan's strong brand equity into the flavoured water category. Hint of Fruit was the number one soft drink launched in Ireland, taking an impressive 18% market share in year one. Our range already

includes three of the four best-selling SKUs in flavoured water, and has driven the brand to nearly 30 million euros in retail sales value. As part of our Healthier Planet strategy and in keeping with the Ballygowan brand, we're also focused on sustainability. We've recently entered into an agreement for production in Newcastle West to be 100% wind powered, helping to reduce our overall carbon emissions by 90% at that factory, and every Ballygowan bottle is made from 100% recycled plastic.

Our strategy highlights Brazil as a growth market and it has delivered double-digit revenue growth over the past several years. However, the significant inflation we have experienced required us to focus on a correction in margin this year. Brazil is particularly reliant on juice and especially in our fruit processing business, which has been impacted by the extreme volatility in agricultural commodities due to poor crop yields. Achieving the margin shift required several levers to be pulled at the same time, including increasing headline price at multiple points during last year, flexing our recipe agility to manage cost of goods, managing our mix by building our higher margin categories such as flavoured concentrates, premium grape juice, and Fruit Shoot, and reducing cost by creating a more efficient supply chain. We have also maintained our commercial and operational discipline, sharpening our focus on superior in-store execution to deliver 4,000 more display points in the first half and increasing production capacity on growth brands such as Fruit Shoot. So those are just a few highlights of our first half performance. I will now hand you over to Chris for a more holistic financial overview.

Chris Hancock: Thank you Simon, and good morning everyone. Before we get into the detail, figures on my slides will focus on adjusted measures and items expressed in percentage growth terms are calculated on a constant currency basis. As Simon headlined, we've had an excellent start to the year across all key performance metrics despite the challenging inflationary environment. Underlying group revenue increased by 7.9% with group volumes declining 1.8% and ARP growth of 9.9%. Adjusted EBIT of 85.3 million pounds represent year-on-year growth of 16.7% and an 80 basis point increase in margin. Earnings per share grew by 17.5%. The interim dividend equates to 8.2 pence per share, a year-on-year increase of 5.1%, reflecting multiple factors including the accelerated profit delivery in the first half. We remain committed to a 50% dividend payout policy. And importantly, as Simon has referenced, we've seen a sequential improvement in quarter two with volumes ahead of last year.

Turning now to our business units. In GB, we have once again made strong progress with the retail and hospitality channels, increasing revenue by just under 10% and 12.5% respectively. ARP growth of 11% demonstrates our successful revenue management activity. As Simon referenced, we took price earlier this year to avoid the first quarter drag we saw last year, which along with the deferral of A&P to the second half, drove a significant first half

margin improvement. Volumes have held up well, less than 1% lower than last year in the half and 1% ahead of last year in quarter two. We continue to enhance our channel presence, improving our position in value retail with entry into Aldi. We have made strong progress growing our distribution and presence in immediate consumption, which is an area of real strategic focus.

We have driven growth across both our own brands and the PepsiCo portfolio. On top of the stellar growth in Tango that Simon has referenced, Pepsi grew revenue over 9%. J2O grew over 20% following a strong Christmas, and we delivered innovation growth as well, with Robinsons 'Ready to Drink' up 67%. Rockstar performance has been more challenging, declining 25%. Though our new can line means we can now overcome our previous supply issues, and there is a significantly up weighted second half plan that Simon will touch on later. In Brazil, revenue declined 1.4% with volume down 7.4% in the half. This was due to a weaker performance of our fruit processing business known as "Be Ingredient", where revenue was down over 50%, reflecting the impact of cold weather on crop supply and a competitive trading environment.

Our branded portfolio delivered a solid performance with revenue 7% ahead of last year, benefiting from the price realization actions we've taken. Our higher margin, flavoured concentrates revenue grew 26%, Fruit Shoot over 50% and Sodas, our grape juice over 40%. This was partly offset by a 15% revenue decline in the competitively priced lower margin, ready to drink juice pack formats. The combination of the price realization and positive mix has resulted in brand contribution margin increasing by 290 basis points. And importantly, as Simon has referenced, we are now seeing sequential improvement with volume declines moderating from 12% in quarter one, to 1.9% in quarter two. Early quarter three trading is now showing us returning to volume growth. In our other international segment, revenue increased 4.7% on declining volumes of 1.9%. Brand contribution declined 13% driven by France, as once again it has proved difficult to fully pass on the double-digit inflation we are seeing in the competitive French retail market, where costs were impacting us from the start of the year, but regulations mean that pricing could only be passed through at the end of the half. Volumes and revenues are both down year-on-year in France led by the higher margin Teisseire brand. In our wider international markets, growth came from the USA, Middle East, and Asia. Performance in Ireland was strong, with growth in the key metrics of volume, ARP, revenue, and brand contribution, though margin declined reflecting cost pressure and brand mix.

Turning to the cost base, we continue to invest in both our business and our people. A&P is back-phased this year, with greater investment in the second half. So we anticipate that by full year we will have invested more in our brands than we did last year. We have delivered substantial salary increases to our people, with more junior employees receiving a larger percentage

increase to reward and support our employees through these challenging times. We have increased spending on field sales to support our penetration into underdeveloped channels, such as immediate consumption. And at Beckton, we are investing 8 million pounds in an industry-leading heat recovery system, which will save 1,200 tons of carbon annually. This has been part funded by a UK government grant, one of the biggest to have been awarded to a manufacturing business to date, reflecting the innovative nature of the technology.

And we continue to invest in additional capacity to meet growing demands for our products, with our fifth Can line at Rugby now fully operational, and a new small PET line at Beckton due to go live towards the end of the year. Procurement has inevitably been a key area of focus. We were already well invested ahead of the inflationary period, in supply resilience through proactive supplier relationship management, through technology with SAP Ariba, and importantly also in commodity risk management expertise to manage exposure through hedging and forward contracts. As we have previously guided, we anticipate full year 23 inflation to be low double-digit percentage. Where we can hedge, we are over 90% covered for this year, giving us a high degree of certainty on COGS, and we are already over 50% covered for next year. What we see happening in the market is a moderation in the cost of packaging and energy, though our proactive hedging had protected us from its very worst excesses.

This is being offset however by continued inflation in services, and also in agricultural commodities such as sugar and especially juices, which is a key category for us and is being significantly affected by poor crop yields due to extreme weather. So as we look further forward towards next year, while we do see a moderation in inflation, we do not at this stage anticipate deflation, and we'll need to continue to manage our business accordingly. We will update you at prelims in November. We remain a highly cash generative business, and our capital allocation priorities remain unchanged. We will continue to invest in our business to drive organic growth across supply chain, technology, and capability. We will also continue our progressive dividend policy, a 50% payout of full year earnings. We continue to seek out value adding M&A opportunities to accelerate our strategy by expanding the business inorganically, primarily focused on GB, Europe, and Brazil.

We'll continue to manage our debt leverage within the long term range of one and a half to two and a half times. Though we could potentially step above that temporarily for the right M&A as we have in the past. And in the absence of any such M&A activity and subject to broader market conditions, we will return any excess cash to shareholders through the use of share buyback programs. And so finally from me, a few points of detail for modelling considerations in the balance of the year. In the second half, we expect to see a moderation in growth as we lap a strong summer trading

period last year. Revenue growth will continue to be led by price mix, though with moderating volume declines. As I referenced earlier, we will continue to invest in our future growth drivers, notably with A&P weighted to the second half, and ultimately exceeding last year's spend.

Our effective tax rate we see at 21 to 22%, with interest costs of 22 and a half to 23 and a half million pounds, and with a continuation of a 5 million cash pension contribution. We anticipate Capex to be in the range of 80 to 90 million pounds, and adjusting items between 12 and 14 million pounds, the majority of which relates to non-cash acquisition related amortization, and ongoing running costs of the Norwich site as an asset held for sale. Overall, we're confident in achieving a full year profit and earnings performance in line with the current range of expectations. This is reflected in the interim dividend proposal though it is important to note that forecasted earnings and dividend per share in FY23 are impacted by increases in interest and corporation tax rates offset by benefit from share buyback activity undertaken. And finally, and importantly, in accordance with the capital allocation policy I just referenced, we announce today the board's intent to undertake a further share buyback program of up to 75 million pounds, subject to market conditions and other uses of capital. I'll now hand you back to Simon to look forward.

Simon Litherland: Thanks, Chris. Now, you'll recognize this slide, which shows our growth strategy. As you have seen, our strategy is working, and we continue to deliver strong results through it. At prelims, I talked in more detail about how our strategic priorities translate into the growth drivers in each market. We have included those slides in the appendix to today's presentation for your reference. Today, I will bring those growth drivers to life with a few examples of key activities taking place in the second half, which are also important for the longer term. Pepsi continues to do brilliantly for us. Pepsi Max is the number one cola variant in the UK, and we're continuing to grow and win share. As well as the famous taste challenge, which demonstrates 70% of UK consumers preferring the taste of Pepsi Max, we continue to activate other proven marketing platforms across live music events and football, such as our Champions League sponsorship.

Flavour innovation has driven growth in both the brand and the category, with flavours now making up nearly a quarter of Pepsi MAX. And we have another exciting new MAX flavour due to be launched in quarter four. Beyond Pepsi MAX, the regular Pepsi variant was relaunched in quarter two with 58% less sugar, taking Pepsi Blue below the UK sugar levy, allowing it to benefit from new price point as well as additional shelf space unlocked by HFSS regulations. We are also expanding our footprint into targeted channels and occasions. Good examples of this include strong growth in value retail and immediate consumption. And we are dialling up the brand's focus on hospitality occasions such as drinking MAX with food, and mixing it with

spirits. Our supply chain is also a key enabler of Pepsi growth, facilitating a broader range of packs to hit key price points, and providing increased capacity this year from our new Can line, and the new small PET line coming in quarter four. And finally, we're looking forward to the new visual identity for the Pepsi Master brand, which will be arriving next year.

Robinsons is Britvic's biggest owned brand and the clear market leader here in GB. As the nation's number one squash, we are disrupting the category with a complete brand relaunch. We're rolling out a bold new look, with fresh contemporary imagery to improve appeal, impact, and clarity at the point of purchase. We're also working in partnership with our customers to improve the fixture layout and make the squash hour more exciting to visit and easier for shoppers to navigate. We are supporting the brand with a series of family-centric marketing and promotional activation platforms and brand partnerships, particularly over the important summer season. And our exciting new through the line ad campaign will be released very soon. Robinsons continues to meet consumer health needs, with tasty, healthy hydration, and we're now adding vitamins and other supplements to certain variants to offer a range of health and wellbeing benefits. We're also seeking to minimize the environmental impact of the category and brand through our optimum flavour concentration and trialling more sustainable packaging formats in selected customers, ensuring that squash continues to have the lowest packaging per serve.

Focusing now on two brands important to our future growth, starting with Rockstar. As you know, Rockstar's journey so far has been challenging in GB. As Chris mentioned earlier, we have now resolved our supply challenges by bringing the brand in-house. In H2 we'll be relaunching the brand with a simplified range and new sugar-free flavour’s, which have tested very well. We have also bolstered field callage across the convenience trade, through investment in a dedicated Salesforce. We have significantly upgraded our A&P spend and marketing programs, and we have entered into a five-year partnership with Live Nation, securing multiple music venues across 15 cities, and we are partnering with a truly world-class act who will be revealed this summer.

Secondly, Teisseire is our key European flavour concentrates brand, with its core presence originally in France and Belgium, though we have now built over 10% share in the Netherlands and are seeking to expand further. To set the brand up for wider expansion, we have modernized the brand's visual identity and harmonized it across all markets. This has allowed us to drive significant range simplification, and a 52% reduction in the SKU base, also improving factory efficiency. Consistent with our healthier people strategy, we're increasingly focused on the zero-sugar variant, which we have relaunched extended with new flavours and built impact and visibility as part

of a fixture reset that drives easier shopper navigation. We are also up-weighting our marketing in France, Holland, and Belgium.

So, in summary, despite the external challenges, Britvic has had an excellent start to the year. Volumes remain resilient, we are successfully managing the inflationary environment, and we are making good progress across our key people, planet, and performance metrics. We are becoming a stronger, more agile, and faster growing business. We continue to invest behind our strategic priorities and have exciting marketing and innovation plans for the second half. We continue to deliver superior shareholder returns and remain confident of making further progress this year to deliver full year outcomes in line with market expectations. Thank you for listening and we'll now take your questions. When we come to you for the webcast, please could you state your name and organization before you ask your question.

Operator: Thank you, sir. Ladies and gentlemen, if you wish to ask a question at this time, please signal by pressing star one. If you wish to cancel your request, please press star two. So, our next question comes from Simon Hales from Citi. Please go ahead.

Simon Hales: Thank you. Morning Simon. Morning Chris. Couple of things, if I could just ask about maybe starting with you, Simon. Obviously, good first half, improving trading momentum through the second quarter. I'd just be interested in your thoughts of how things progressed at the end of the quarter as maybe as we headed into the beginning of Q3 from a trading standpoint, given that probably the consumers are now starting to see the full impact of higher pricing across a range of consumer goods sitting the shelf, is there any change at all that you've seen in volume, performance or portfolio mix as we move into Q3? That was my first question. And then secondly, around obviously the difficult pricing environment in France as you rightly flagged, as we come into the second half, we should see some of the pricing that you've taken offset some of the headwinds you've faced in the first half. But is it right to assume that you still aren't getting enough price through in France to really offset the cost pressures in aggregate that you're facing on the ground there still for the second half?

Simon Litherland: Great morning, Simon. Thanks for those questions. Chris, do you want to take the second and I'll take the first. So, look, we really pleased with the first half Simon, and as you quite rightly pointed out, quarter two was stronger from volume perspective across all of our businesses, with the exception of France actually, where we had problems with customers on stock taken away promotions as we negotiated our pricing position in that market. As we look into quarter three, it's been much the same. Again, I'd say robust across all of our core markets. Slightly more challenged in France, and it's great brand performance from our family favourites like Pepsi and Tango. Robinson's is starting to do quite well for us as we see our shelving reset across our core

customer base. And some of our innovation brands are also doing really strongly with, seems like Robinsons ready to drink up 67%, early seize up 56%, Aqua Libra, 68%.

So we are seeing more of the same. I think as we look forward, we're confident our brands have got momentum, as we've articulated in the presentation. We've got a really strong H2 with regard to marketing programs and customer experiences. But having said that, still lots of uncertainty out there. I think consumers still feeling the pinch, and of course the big half for us is still to come with a really hot summer last year. So a lot to lack. So, as I say, going into the second half with a lot of confidence, but let's not get too excited yet.

Chris Hancock: Morning Simon. And just picking up on the France question that you asked. So yes, I think we've been clearing the announcement that we took price in France at the end of the half, which is governed by the regulatory timetable. So inevitably we have the first half experiencing the cost pressures and only took pricing at the end of the half. So that's driving a lot of the margin dilution that you saw in that first half. As we go into the second half inevitably, therefore you'll see a pickup in ARP as we go through. Your specific question, are we getting enough price through? While we're pleased with what we've been able to push through, it's obviously significantly in excess of what we've done before. It's not quite enough to cover the inflation in reality and we do have that lag effect from having taken it at the end of the half.

So overall, I think that's the French pricing position. I think more broadly in France we've taken a number of actions over the course of the past few years as you know, in order to set France up for future growth. So we came out of private label juice three years ago. We sold three factories as part of that deal and we are now in a good place with a good brand for portfolio to move forward. So we think we're set up well for the future. So the pricing environment remains difficult in the competitive French retail environment as you said.

Simon Hales: Brilliant gentlemen. Thank you ever so much.

Operator: And we'll now take our next question from Ashton Olds from Redburn. Please go ahead.

Ashton Olds: Yeah. Hi guys. Ashton Olds from Redburn here. I guess my first question, I'm just trying to get your thoughts on AMP spend going forward. So I understand that there's a bit of a phasing issue just with H1, H2 this year, but absolute A&P spend remains like flat or even down versus pre covid levels. So I guess is this the right level of A&P for the business or is there a level which you're targeting going forward as we look beyond this year? That's the

first question. And secondly, just on sort of the M&A pipeline, Chris, you called out that for the right deal, you might go beyond that leverage range. Is there anything that you have been looking at or is there anything you think that the business is lacking? But yeah, just an update on how you're thinking there. Just those two from me.

Simon Litherland: Okay, Ashton, thanks. Good morning. Yeah, so thanks for those questions. On the A&P, this year is all about phasing. As we articulated in the deck we've got a lot of activity coming in H2 and we really wanted to maximize the spring and summer, but we should see A&P ticking up year-on-year by the end of the year. So, there is still quite an adjustment to come through in H2. And I'd say that would be the general trend, is to just tick A&P up a little bit. It will go in cycles. We've been, for example, ticking up our A&P spend behind Tango for the last four years. That's resulted in the performance that we've articulated today with significant more buyers and we'll continue to do that as a brand grows. So that is the direction of travel.

On the M&A pipeline, look, I mean our strategies very well-articulated. We're looking for either in info brands into our existing portfolios, in our existing markets or indeed expanding into new geographies that Chris articulated in the presentation. And as those things come up, we always look and participate, but of course at the right price and we'll look either at debt or equity, depending on the size of deal. And yet of course always look to the balance sheet and use that range as a guidance. But if it's a strong acquisition, going slightly above a one and a half to two and a half for a short period of time I think would be acceptable to most shareholders.

Ashton Olds: Okay, thanks guys.

Simon Litherland: Thank you, Ashton.

Operator: I'll now take our next question from Patrick Higgins from Goodbody. Please go ahead.

Patrick Higgins: Thanks. Good morning, everyone. First question, I guess could you just give us an update on the performance of some of your recently acquired businesses? So, Plenish and Aqua Libra are the boiling tap company. And then secondly, I guess on France, it has been a consistent drag on performance. And Chris, you mentioned you feel it's well set up for the future, but you have looked at disposing parts of that business historically, and I wonder is there any parts of that business or brands in France that may be considered non-core in time as well? Number two.

Simon Litherland: Excellent. Okay, great. Thanks Patrick. Chris, you want to pick up the France one. It seems to be your highlight of the day. And I'll pick up Plenish and Aqua Libra. And so look, we are really pleased about those businesses.

Plenish, we continue to gain distribution. When we acquired the brand, I think it was number 12 in plant-based milks, it's today, it's number five, and we've got over 5,000 distribution points in the marketplace. RSV of our milk-based drinks is up 26%, and of our shots actually, which are doing really well are up over 60%. So look, it's still relatively small, but we are seeing some strong growth and as we look into the autumn, we're also excited to do some more product development with the barista range coming through for some of our plant-based milk, which will open up the on trade for us. So far so good on Plenish.

And likewise on Aqua Libra, the brand infused water brand's doing really well, up 68% year-on-year. Again from a small base, but it's got a real strong base of loyal consumers when they find the brand, they love it and tend to drink a lot, which is great news. And then from the tap perspective, as we've talked about in the past, we've spent the Covid period really getting that business into shape across our boiling taps table, bottling for the entree in particular, and then our flavoured tap for at work solutions. And again, we'll update the community in more detail with a teaching on Aqua Libra in the coming months. But we're making great progress, generating an awful lot of interest across all three of those channels. So yes, very feed with that performance too.

Chris Hancock: Morning Patrick. So just to pick up your France portfolio questions. So overall the short answer is yes, we're quite happy with the portfolio in France. We've got quite a tight portfolio now, so we're focused around flavour concentrates, which as you know is a global strategic priority for us. So we lead the market in there with our two brands, Teisseire and Moulin de Valdonne. Clearly Teisseire is also really important for us on an international basis as Mathieu Teisseire is a core part of our premium adult portfolio. So that's absolutely core to our operation as we expand out globally. And the other two major brands that we sell in France are Fruit Shoot, which we successfully launched on the back of Teisseire a few years ago. And also Pressade, which is our organic juice brand, which has great shelf presence. So it's quite a tight portfolio in France. We feel it works well together and there's no plans to reduce that at any time soon.

Patrick Higgins: Perfect, thank you.

Operator: We'll now take our next question from Andrea Pistacchi from Bank of America. Please go ahead.

Andrea Pistacchi: Yep. Hello. Good morning Simon and Chris. Two questions, please. First one, Simon is about the fact that we're starting to see a bit of a discussion building in some markets around whether suppliers should give back some of the cogs, deflation to consumers. And I know you were saying next year you probably won't be facing a deflationary environment. But how are you

thinking of pricing environment and promotions in your main markets as we go through the next 12 months? And then maybe for Chris on the input cost outlook that you discussed for next year, in particular, the agricultural commodities will be a headwind, you are saying. And you said that you are 50% hedged at total group level on what you can hedge. Was wondering if you could comment a bit on how you are able to hedge or to what degree you were exposed to spot prices for sugar and juices. Thank you.

Simon Litherland: Great, Andrea. Thank you. Let's take them in that order. So yeah, I mean, I've seen some of the coverage. As you know well, we really focused on delivering great tasting, great quality soft drinks to our consumers. And although we have faced some quite significant price or cost increases over the last couple of years, the first thing we do is do what we can to absorb those through either great procurement or some of our hedging policies or indeed through driving cost savings and efficiencies in our business by using less packaging. For example, light weighting or more recently we've done quite a bit of in housing with our new production lines, which is obviously much more cost-effective. So we'll absorb what we can and then as you know, we've also got a strong team in terms of revenue growth management, and we always use all of the tools at our disposal. We've benefited this year as we're starting to use Kantar as a new commercial tool to help us with our promotional management. So carefully managing the depth and frequency of promotions. Clearly mix, as you know well, Andrea, is really important in this category and we are seeing some strong growth across IC, which is particularly useful from a margin perspective.

And then of course, we do take selective price increases and we took some of those in quarter one this year. And as we look forward, we'll share more at our prelims, but we do see significantly lower levels of inflation going forward. Much less so on the packaging front, but more in services and particularly with regard to agriculturally based products like sugar and juices. So, I suspect that that will necessitate some pricing later in the year, but let's come back to that in November when we next speak.

Chris Hancock: So, just to pick up on that with your second question, Andrea. So, input cost outlook, I mean, Simon's just repeated the headlines from the presentation. So, overall on those agricultural commodities, which is what you asked about, it's harder to hedge with agricultural commodities because inevitably they are linked to the crop yields in a particular year. So, there is very limited opportunity to hedge multiple years out.

So, from a juice point of view, obviously we buy lots of different juices from lots of different places around the world, for multiple products, and we are reliant on how those crop yields come through and there's also been an impact on that from the war in Ukraine and the like. So, there are

implications and quite global implications on that, that make it quite hard to forecast and quite hard to hedge.

Sugar's a bit different, but there is a different regime between what happens in the UK post-Brexit, which allows greater freedom from a sugar point of view to be able to hedge. Whereas from European sugar point of view, we're still governed by the regulations within there of what we can and can't do. So, there is a difference there between what we're able to do in GB and what we're able to do in Europe.

The 50% hedging you realise, just to be super clear, Andrea, the 50% hedging is across the commodities that we can hedge. So, it's not a view across everything, it's across the commodities that we can hedge, we're about 50% hedged for next year.

Andrea Pistacchi: Yeah. Perfect. Can I squeeze in a quick follow-up please, on the tax rate? You're guiding to 21, 22% now, I think previously the guidance was 22-and-a-half to 23-and-a-half. So, what is driving this and how should we think about the tax rate going forward?

Chris Hancock: Yeah. And ultimately, it's obviously a blended rate, Andrea. So, how it plays out between the different jurisdictions in which we operate and we're transitioning from the previous corporate tax rates within the UK to the new ones. So, just because of how our yield falls versus the tax year, effectively this year is halfway between the old rates in the UK and the new rates that kick in fully from next year, but ultimately, with reduced profits in France and like, it's the mix between the business units that affects the overall tax rate, if you like.

Andrea Pistacchi: Perfect, thank you.

Simon Litherland: Thanks, Andrea.

Moderator: We'll now take our next question from Yubo Mao from Morgan Stanley.

Yubo Mao: Hi, good morning, Simon. Morning, Chris. I have two questions, please. And the first one on GB, following up on Simon's question on the market earlier, specifically in the on-trade you grew 12-and-a-half percent in H1. What is the latest you're seeing in the on-trade and now that comps are more or less normalised? Are you seeing any early signs of channel shifts to the off-trade, if at all?

And secondly, in Brazil it's great to see margin inflection coming through in H1. Can you talk about your latest thinking around top line growth versus margins? Could we see a shift of focus back on top line growth as cost environment improve? Thank you very much.

Simon Litherland: Great. Do you want to do the Brazil margin and I'll do ... Yeah. Yeah, so thanks for those questions, Yubo. Yeah, we've seen both the on-trade and off-trade remain pretty resilient throughout. I mean, I think if you think back to the autumn of last year, we felt that there was much more gloom and doom around and the on-trade would be the first to suffer, but as you know, it has proved quite resilient for us and others.

I think you are seeing some change in the on-trade, obviously you've seen continued closure of outlets, particularly wet-led independents. I think you've seen the managed pub businesses driving probably more growth than some of the independents, and you're also seeing a bit of a shift from London and city centers to the more rural pubs benefiting some of the players.

So, I think while there are changes in habits, I think the desire for people to continue to eat and drink out is still strong. And I think it is a little bit polarising. I think at the premium end that remains really strong and I think at the value end it also remains quite strong. QSR for example, continues to perform really well. And if anything, it might be in the middle and the mainstream that's a little bit softer, but on the whole, very resilient. And likewise, the off-trade, the retail channels have remained robust. I think people have got into the habit of eating and drinking more at home and that's continued even though the on-trade has recovered, if you like. So, pretty resilient consumer out there so far.

Chris Hancock: Hi, Yubo, just answering the question on Brazil. So, you're right, longer term picture in Brazil, as Simon referenced in the presentation, is one of growth. So, strong double-digit growth over the last three years or so, and we've identified it very clearly within the strategy as a growth market. Having said that, we obviously had some fairly significant inflation so we had to focus on margin at the end of last year. We flagged that clearly at prelims. And you can now see that coming through in the brand contribution margin with the 290 basis point increase.

So, having got that through, as we referenced in the presentation, we saw stabilisation of volumes in the second quarter. As we're going into the third quarter, we're seeing volumes coming back into growth. So, the intention is not to give the margin back, but the intention is that we'll start to see the top line growing again. And as I said, we're starting to see that come through now in the market. So, looking forward to Brazil starting to accelerate again as we progress forward.

Yubo Mao: Great, thank you very much.

Moderator: My next question comes from Damian McNeela from Numis. Please go ahead.

Damian McNeela: Hi, thanks. Morning, gents. Just two questions, please. First one is just, can you provide some sort of clarity on the immediate consumption market in GB. I think you've stated that it's an area of strategic focus. So, what your current position is, what the opportunity is, and what are the actions that you are taking to address the opportunity? Is the first question.

And then the second question is on the margin in other international, clearly France is dragging on that, but I was just wondering if you had any broader comments about the pace of recovery back towards a higher margin over the next couple of years? Could we get up to over 30% in the next two or three years?

Simon Litherland: Great. I'll take the first, Chris, if you want to pick up the second. Morning, Damian, thanks for those questions. Yeah, so I see there's definitely an opportunity for us, as I think you're probably aware, we under-index in terms of market share in IC, relative to our overall share or share in grocery.

I think our portfolio has evolved significantly over the years, so that we now have a strong portfolio offering for immediate consumption. So, I think our range is better and as you well know, it is higher margin business for us. A lot of it is single serve and therefore, strategically is important. So, how are we going about building our presence there? Obviously, it is through building those customer relationships both with the big IC players themselves, the retailers, but also with wholesalers and managing our wholesale network relationships and pricing conversations is really important.

And also, we're starting to put more money into field sales resource. So, increasing our coverage of that channel. And as I mentioned earlier, we also have put in place a dedicated sales force for Rockstar, actually focused on a number of key cities, given that energy is a big share of IC. So yeah, number of things and as you say, it is an area of opportunity for us.

Chris Hancock: Morning, Damian, so just picking up your question on margin in other international. So yes, I think we've spoken through the reasons for that and France being the primary driver. I did talk about the fact that in France we took the price right at the end of the half. So, if you like, there's already a correction to work through as we go through the second half as that France price flows through. So, that will help in the immediate short-term and that will contribute, as you highlighted, towards a broader recovery as you go through over the next couple of years in that brand contribution margin.

Equally, that's not going to be straightforward. So, it's a highly competitive market in France of how it plays out, difficult retail environment. So, it's not easy to be able to push through a lot. And we need to balance that in that part of the world with our significant growth ambitions.

So, as you look in wider international and how we expand the global premium adult portfolio. Within Ireland, which also sits within other international, we highlighted that actually we've had a pretty good half in Ireland, but equally there is still further to go there in terms of margin recovery of the inflation. So, there's a bit of work still to do, but some of that will flow through in the second half and what you should see is a gradual progression back towards that 30% figure that you quoted, but it won't happen immediately. That's that's going to be a journey over several years.

Damian Mcneela: Okay. Very clear. Thanks, Chris. Thanks, Simon.

Simon Litherland: Thank you.

Chris Hancock: Thanks, Damian.

Moderator: Thank you. There are currently no further questions in the queue, with this I'd like to hand the call back over to Simon for any additional or closing remarks.

Simon Litherland: Great, thank you very much. Listen, thanks everyone for joining the call today. Really appreciate it and look forward to seeing you all soon. Take care.