Britvic Interim Results

Tuesday, 18th May 2021

Transcript produced by Global Lingo
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H1 Highlights

Simon Litherland

Chief Executive Officer, Britvic

Welcome

Good morning everyone and thank you for joining us today as we present our 2021 interim results. I will start by sharing some of our highlights from the first half. Joanne will then run through our financial performance before I come back to talk about our confidence in emerging stronger from the pandemic and returning to consistent growth in the future. After that we will be happy to answer your questions.

H1 highlights

In the first half we have delivered a strong performance in challenging conditions, demonstrating the resilience and agility of Britvic. Despite the pandemic, we have also continued to make excellent progress on our four strategic priorities, which are shown on the right of this slide. Out-of-home consumption has inevitably been heavily impacted by lockdown restrictions so we have continued to focus on and win in the channels open to us. Although a level of uncertainty remains and the path out of lockdown across our markets is still not 100% clear, we are confident that we are well positioned to emerge stronger from the pandemic and return to growth. We are therefore pleased to have reinstated the interim dividend at its usual time.

Britvic has responded with agility to the changing landscape

There is no doubt the pandemic has been challenging for everyone, including Britvic. We have responded with agility to the changing landscape at every turn. Our supply chain team has continued to impress me, maintaining consistent service and supply to our customers throughout. They have done an excellent job. Lockdown restrictions have however meant that the On-Trade has been either completely closed or heavily restricted for the entire first half. Restrictions on movement of people have also continued to impact On-the-Go consumption. We have provided strong support to our customers in each of these channels and have worked in partnership to prepare for the best possible reopening. I will speak more about this later.

At-Home consumption by contrast has boomed with consumers turning to trusted brands, making healthier choices, treating themselves at home and buying more online. All of these are areas of strength for Britvic with our broad portfolio of no-sugar family favourites, our at-home socialising range and we over-index in online grocery. We have worked hard with our customers to make sure our execution is outstanding both in store and online and reaped the rewards of superior performance.

Winning share in two of our key growth markets, GB and Brazil

GB and Brazil are two of our key growth markets and we have outperformed in both, taking share and expanding our presence. In GB, our At-Home retail sales are up 6.2%, more than 4% ahead of the market. In carbonates, Pepsi, 7UP and Tango outperformed the market, growing 13%, 28% and 8% respectively, benefiting from strong sales and marketing activation and a focus on no-sugar variants. Where our brands were more focused on Out-of-Home, such as London Essence and Britvic Mixers, we have pivoted towards at-home and launched new retail-oriented packs to meet consumer demand for treats and socialising at home. We have also extended key contracts in quick service restaurants such as KFC, Papa Johns and Pizza Hut, and reached new agreements in contract catering with customers such as Compass and Sodexho.

In Brazil we are into our fourth consecutive year of revenue growth, with the strong top line driven by Maguary and Dafruta in liquid concentrates and juice, and by our expansion into new categories such as coconut water. Our concentrates share is up 14% in the last two years, our juice share is up 5% and Puro Coco now has over 15% share of the coconut water category.

Flavouring billions of drinking occasions

I have spoken previously about the growing importance of our flavour concentrates brands in a world increasingly focused on sustainability, as well as health and hydration. We are highly confident in the long-term prospects for this category. Tap water consumption remains on the increase, yet only a small proportion of water occasions are currently flavoured, offering significant headroom for growth. Britvic provides healthy, tasty flavours that offer great value while using less packaging than ready-to-drink packs and we have the number one liquid concentrates brand in each of our markets. As families have spent more time at home, we have brought new and lapsed consumers back into the category, delivering strong growth in every market over the 12 months of the pandemic, as you can see on this slide.

Continued progress on our Healthier People, Healthier Planet sustainable business strategy

Healthier People, Healthier Planet is integral to our business strategy. You can see here examples of the progress we made in the first half. On the people side we are supporting the UK government KICKSTART initiative with 50 job placements and we have strong momentum behind our diversity and inclusion agenda. We continue to lead the way on healthy consumer choices. A recent example is the addition of vitamins to MiWadi in Ireland. In GB, high fat, salt and sugar or HFSS legislation is expected to land in April 2022 and will introduce restrictions on TV and online advertising and on the types of promotional activity and display used by products above the threshold.

For soft drinks, the added sugar threshold is slightly below that of the soft drinks levy but we still expect around 90% of our GB portfolio to be exempt. Britvic is therefore equally well positioned for this new legislation as we were for the soft drinks levy and we are working very closely with our customers to help them develop their range, space and promotional strategies ahead of implementation.

We are tracking well against our commitment to achieve 100% recycled PET in GB by the end of 2022. Ballygowan and Fruit Shoot Hydro are already 100% rPET and by the end of the year they will be joined by all our On-the-Go and Out-of-Home plastic bottles made in GB, as well as certain Robinsons SKUs.

On DRS we have said many times that the most efficient and effective schemes are not-for-profit and industry run. We are therefore pleased that Circularity Scotland, of which we are a founding member, has been appointed to run Scotland's Deposit Return Scheme. Participating in this scheme from the start means we can help create a successful DRS template that can be followed for the rest of the UK and Ireland, as they come on stream.

We continue to build our presence in new growth spaces

Digital

Accessing new spaces is one of our growth opportunities so I have picked two examples here where we are investing in our capability. First, in digital we are transforming how Britvic brands show up online to the end consumer, shopper and customer. Our centre of excellence for consumer experience is focused on accelerating digital marketing capability across the organisation and we have increased our resources pointed at the online channel. Online shopping has accelerated significantly in the last year. In GB it has jumped from 10% of soft drinks sales in 2019 to 14% in 2020 and has continued to increase in 2021. We expect many of these new online shoppers to stay. Across the customer base we typically achieve a share online which is several points ahead of that in store.

Beyond the Bottle

Second, we also recognise that taking soft drinks beyond the bottle is another key consumer trend. You will recall that a year ago we acquired The Boiling Tap Company to support our growth ambitions in this space. While its core market of workplace has been to a large extent closed for most of the last year, we have used the time to work on upgrading our offer by combining the equipment expertise which came from The Boiling Tap Company with Britvic's know-how in flavouring water to create a range of solutions that provide healthy, sustainable hydration in multiple channels. We have now rebranded the offering as Aqua Libra Co to emphasise the importance of the product solution and not just the equipment.

Overall I am very proud of our first half performance, especially how we have successfully adapted to the challenging and changing circumstances across our markets, enabling us to win in the channels open to us and to continue to advance our strategic agenda.

Financial Performance

Joanne Wilson

Chief Financial Officer, Britvic

Resilient first half performance despite the continued impact on key finance metrics from COVID-19

Good morning everyone. As Simon shared, we have delivered a robust performance in the first half despite experiencing a continued impact from trading and mobility restrictions in each of our markets. Figures on my slides will focus on adjusted measures and items expressed in percentage growth terms are calculated on a constant currency basis and adjusted to remove the French private label juice business from the base to aid a like-for-like comparison.

For the first half Group revenue declined 6.3% year-on-year. Revenue in Q2 declined 6.5% versus a 5.8% decline in Q1, reflecting the more severe restrictions experienced in the second quarter across all our markets. We have however seen an improving trend across our second quarter driven primarily by GB At-Home consumption and in March the start of stock buy-ins ahead of outdoor hospitality reopening. Adjusted EBIT fell 15.4% to £60.1 million and adjusted EBIT margin by 110 basis points to 9.7%. Profit performance reflects the continued adverse mix driven by channel and packs which has been partially offset by tight control over our discretionary costs and a shifting of investment, including A&P, to the second half.

Adjusted EPS decreased 20% year-on-year reflecting lower profit and unfavourable exchange rate movements. I am pleased to confirm an interim dividend per share of 6.5 pence reflecting our confidence in the full year. Our cash performance was strong with positive free cash flow and a year-on-year improvement of £53.8 million, driven by a relentless focus on day-to-day cash management. As a result we have delivered an adjusted net debt to EBITDA ratio of 2.8x. This remains slightly higher than our guided range of 1.5-2.5x reflecting the full 12 months Covid-impact in EBITDA. We expect our leverage ratio to be on a downward trajectory from here.

Lockdowns have continued to impact channel performance and mix

These charts are aimed at providing some greater visibility on how the recent lockdowns have impacted our trading performance. In H1 we have seen similar trends, albeit less pronounced, to those we experienced in the first lockdown. At-Home performance remained strong with the channel growing 11.5% in GB and supporting continued double-digit growth in Brazil. In contrast Out-of-Home continued to see a significant impact driven by the closure of the licensed trade for the majority of the half and restrictions on mobility. In GB Out-of-Home revenue was down 34.3% and in the Rest of the World we saw a decline of 15.9% driven by our higher exposure to the Out-Of-Home channel in Ireland and International.

As expected Q2 saw a more significant year-on-year impact with volumes down 5.4% and negative price mix of 1.1%. The deterioration in volumes versus Q1 was a result of the more severe restrictions in each of our key markets. The adverse price mix impact in Q2 was slightly better than Q1 reflecting strong revenue growth management. The year-on-year trends in Q2 began to somewhat subside in the last weeks of the half as we began to lap the beginning of the first lockdown and saw the start of stock buy-ins ahead of outdoor hospitality re-opening. We are encouraged by trading levels across both At-Home and Out-Of-Home, including On-the-Go volumes, in the first weeks of our second half and by the consumer trends we are seeing. These are driving a positive mix impact in GB driven by both channel and pack mix.

Business unit H1 performance

Returning now to our first half and performance across each of our reporting segments. In GB, we continued to grow ahead of the market, however volume and revenue declined, reflecting the continued impact of restrictions on Out-of-Home. Within Foodservice, our quick service restaurant customers continued to perform well with volumes returning to pre-Covid levels.

Across the At-Home channel we saw double-digit revenue growth and we continued to take share in the channels open to us, with Pepsi, 7UP, Tango, J20, Fruit Shoot and Lipton all gaining share. This was supported by brilliant in-store execution, in particular around the key trading periods of Christmas and Easter, maintaining good service levels for all our customers and continued momentum in online with growth outpacing the market at 92%. Underlying margin continued to be adversely impacted by the shift to larger At-Home pack formats but this was mitigated by lower A&P levels and revenue growth management to optimise pack/price mix resulting in our brand margin improving 120 basis points.

In Brazil, revenue increased 15.2% with both volume and ARP increasing. This has been driven by our success in growing and taking increased share of the overall concentrates category as well as gaining share and delivering strong growth across ready-to-drink, most notably Puro Coco, Maguary Grape Juice and Dafruta. Brand margin was down 420 basis points in the first half driven by pack/brand mix and a lower PIS/COFINS historic tax rebate. Stripping this historic tax effect out brand contribution grew 3.1%. To mitigate some of the input cost inflation we are seeing we implemented price increases part way through the half across SKUs including Puro Coco and one-litre ready-to-drink.

Finally, turning to the rest of world. Revenue declined reflecting our exposure to Out-of-Home and the travel and export channels. In France we continued to grow market share of Teisseire and Moulin De Valdonne. In Ireland significant restrictions impacted both our on-trade sales and On-the-Go volume, while At-Home revenue remained robust with Pepsi and MiWadi gaining share.

Disciplined management of fixed costs continued

We continue to exercise discipline on our fixed cost base, reallocating investment to those areas where we saw the greatest opportunity and cutting non-critical discretionary spend. Our A&P plans for this year are skewed to the second half and as a result A&P was down £4.3 million in the first half. We also saw reductions in our selling and overhead costs reflecting a lower level of bad debt and stock provision during the year, reduced travel and other discretionary spend and savings from the organisational restructure last summer. These were partially offset by a rebuilding of variable reward accruals. Fixed supply chain costs increased 12.8%, primarily driven by co-packing in GB and in Brazil as a result of high levels of demand in each of those markets. We expect co-pack costs to continue in GB until our new can line is operational in early calendar year 2022. In Brazil we have increased our in-house capacity and expect co-packing costs to reduce in the balance of year.

Adjusting items

Turning to adjusting items, we recognised costs before acquisition-related amortisation of £4.1 million. These primarily related to redundancy payments and stock and debt write-downs resulting from the closure of Counterpoint in Ireland. Acquisition-related amortisation was £3.9 million consistent with prior years.

Disciplined cash management delivering strong FCF and debt reduction

Cashflow has been a continued area of focus for us and we delivered positive free cash flow before adjusting items with our net debt position £95 million lower than last year. We typically see a significant cash outflow in the first half so this performance is particularly strong. Working capital saw a £55 million improvement year-on-year with an increase in payables partly driven by higher variable reward accruals and lower receivables as a result of reduced trading volumes and strong focus on credit management. This reduced our average days sales outstanding by 12 and drove a significant reduction in overdue balances. We saw a small year-on-year increase in stock driven by stock build ahead of the re-opening of hospitality and we also had a £7 million cash tax rebate in France.

We will see some of that year-on-year improvement in cash unwinding in the second half as working capital somewhat normalises and with one-off cash outflows relating to deferred consideration on the acquisition of The Boiling Tap Company, consideration for Plenish and catch-up payments on VAT deferred from last year. Net debt at the half year was 2.8x, comfortably below our covenant level of 3.5x and we expect to see this reduce further in the balance of year. Through our revolving credit facility and long-term US private placement notes, we have access to approximately £950 million worth of facilities, of which £347 million was undrawn at the half year.

2021 Modelling assumptions

Moving on now to share some modelling considerations for the remainder of our financial year. Although we are seeing increasing levels of input cost inflation in the market we are well covered for the balance of this financial year and therefore expect low single-digit inflation in our second half. As restrictions continue to ease and mobility levels increase, we expect to see a positive mix impact in GB trading contribution driven by both channel and pack mix. We also expect to benefit from improved operating leverage as volumes increase. As we move through the second half some of this improvement will be offset by increased A&P and other investment. However we do expect profit growth to be ahead of revenue growth. We expect capex of between £75-80 million and adjusting items to be between £14-16 million, which now include costs related to the acquisition of Plenish.

On tax, assuming the Government enacts the proposed 2023 increase in corporation tax to 25%, we will see a significant impact on the full year effective tax rate as we revalue deferred tax liabilities. We estimate this will increase our tax charge in the year by up to £14 million. Our expected underlying effective tax rate remains at 21-22%. Finally, we are lowering our expected interest charge for the year to between £17-18 million.

Summary

To summarise, I am pleased with the performance we have delivered in the first half of our financial year as we continued to take share in the channels open to us whilst demonstrating discipline when it came to managing both our cash and costs. This has positioned us well to emerge strongly and enabled us to invest with confidence in our plans for the balance of year. The pace of recovery in the markets in which we operate remains uncertain and will depend on the further easing of restrictions, consumer behaviour and the continued success of the vaccine rollouts. Thank you.

Emerging strongly and confident in our strategy for growth

Simon Litherland

Chief Executive Officer, Britvic

Simon Litherland – confident we will emerge stronger

While some uncertainty remains over the pace of the easing of restrictions across our markets, as we enter the key summer trading period I am confident that Britvic is well positioned to emerge stronger from the pandemic. The past year has only served to validate our strategy and I firmly believe we will drive growth over the longer term.

Looking at half two, we have clear and compelling priorities. We intend to keep our momentum in At-Home, both in store and online, while working hard to make a flying start as the on-trade opens. While there is a long way to go, initial trading in April and early May is encouraging. We are rebuilding investment in our brands and I will share with you some of our exciting marketing campaigns which we will back up with compelling in-store execution.

During the pandemic we have strengthened our partnerships with key customers and we will work closely with them to build back better. The investment in our supply chain has served us well, allowing us to flex against ever-changing demand patterns and we will continue to access new growth spaces. By which I mean both new categories and channels where we under-index.

Supporting the reopening of Out-of-Home: Licensed, QSR/Foodservice & On-the-Go

Turning first to Out-of-Home, until yesterday well under half of GB's licensed outlets were open. While trading has been quite good, the outdoor-only policy and low outlet numbers have meant total turnover even in managed outlets in April was down 60% on 2019. Britvic's biggest licensed contracts, such as M&B, Marston's, & Wetherspoons, have had a greater number of outlets open so we expect to have taken some share in those early weeks.

As of yesterday, GB licensed premises are allowed to open for indoor dining once again and we anticipate nearly all outlets will do so. Although social distancing regulations will still restrict capacity, turnover is anticipated to improve to maybe 60% or 70% of 2019. Assuming the government's roadmap can continue to be implemented, from 21st June we should expect a further improvement as the late night sector can finally reopen and remaining restrictions are planned to be removed. This would lead to something resembling a normal fourth quarter. While some uncertainty remains about the pace of reopening, Britvic's is working in partnership with our customers to achieve the strongest possible restart and we have developed a full 're-open right' programme supported by our Sensational Drinks portal.

Quick service restaurants are in many cases trading above pre-pandemic levels, benefiting from increased takeaway volumes, though the incidence of soft drinks in take away is lower. The key opportunity is therefore to maintain the trading momentum and recapture lost soft drinks volume as indoor dining reopens.

Finally but critically, people movement is on the increase and as people head out for both business and leisure. We expect On-the-Go volumes to rebound strongly. We have plans to ensure our brands are best positioned to capitalise, including increased outlet callage and chilled distribution points. The return of this volume will be positive for mix.

Exciting marketing campaigns in H2 across all channels

Our marketing investment really steps up in H2, with engaging campaigns across each of our major brands and markets. Pepsi MAX features heavily with the Champions League activity in store now, which will create 570,000 on-pack winners. Our Live Nation music activity will reach 1.5 million people and from July you will see the return of the Max Taste Challenge, which will reach 20 million consumers with 80,000 taste challenges over 12 weeks, reinforcing the taste credentials which have always underpinned the success of the brand. Both 7Up and Tango will run campaigns across TV, Out-of-Home and online, with 7UP featuring Fido Dido and Tango some more sticky situations for the 'Tanguru' to solve. In Ireland, we are relaunching Club Orange with improved packaging and new advertising, while globally there will be online activity for London Essence in our key markets.

Exciting marketing campaigns in H2 across all channels

Given the importance of flavour concentrates, we have exciting marketing plans for our brands in each market as we seek to build on the category's strong momentum. Robinsons has a new campaign which you may have already seen on TV, supported by radio and outdoor executions. We also look forward to delivering engaging tennis activation with 'the real taste of Wimbledon' in store and online. Teisseire is back on TV for 11 weeks, supported by a digital campaign and we are also supporting the growth of Moulin de Valdonne for the first time in four years in print and online. In Brazil, we have built a digital campaign around Dafruta Tropical, our innovation where we are experimenting with the appeal of Robinsons-like liquids in the Brazilian market. Finally, Fruit Shoot sees the return of the hugely successful 'Fruit Shoot for the Moon' campaign, which will also provide great in store theatre ahead of the key back-to-school period.

Strong innovation launches to grow consumption and broaden appeal

Turning to innovation, in the second half we are relaunching, reformulating or adding new flavours to several of our key brands. Tango's new dark berry flavour has already been hugely well received and is currently outselling all other flavours except orange. Robinsons has a new double-concentrate blackcurrant flavour to access the largest flavour in the market which we did not offer. Ballygowan, Ireland's leading water brand, has had a complete makeover to dial up its local, Irish credentials against its overseas competitors, involving new comms, designs and light-weighted 100% rPET packaging. Purdey's has been completely reformulated and relaunched in three different variants, each targeting a specific consumer need and we continue to improve the health and wellness credentials of flavour concentrates with a 100%-natural range of Teisseire in France and added vitamins in MiWadi in Ireland.

Relaunch of Rockstar in H2 to accelerate growth in energy – a big and fast-growing category

Half two is also an important time for Rockstar. As you know, we took on distribution late last year as part of the extension of our bottling agreement with PepsiCo to 2040. Energy is a large and growing part of soft drinks. The category is valued at £1.3 billion in GB and continues to grow at 7%. The Rockstar we inherited has a modest 3% market share and has been in decline over recent years yet retains good awareness and latent equity. We have been working with our customers to secure increased space and distribution.

As you can see, the brand has now been completely redesigned and repackaged. It will also feature new, improved liquids with additional functional benefits, as well as a new pricing strategy and a major marketing push built around gaming. The customer response to Britvic taking on the brand has been very positive and there is building excitement over its potential following the relaunch.

Acquisition of Plenish to enable access to fast-growing plant-based category

Two weeks ago we announced the acquisition of Plenish. This is another exciting addition to the Britvic portfolio, with a great brand in a high-growth category aligned to the well-established consumer trend of plant-based nutrition. Plant-based milks alone are forecast to double in value from £350 million by 2024 and that is before we get to the additional potential of the cold pressed juices and rapidly expanding shots market. While Plenish is small at this stage, its differentiated premium positioning sets it apart from the competition, using only natural ingredients which are all sustainably sourced and organic.

We are delighted to have the founder Kara Rosen and her team on board and they are equally excited by how Britvic can accelerate the Plenish journey across our customer base and through our supply chain. As well as their expertise in plant-based nutrition, much of Plenish has been built online so I am also excited by the digital brand-building experience and direct-to-consumer capability the Plenish team will bring to Britvic.

Clear long-term growth drivers

Finally, I will look beyond H2 to call out where you should expect our future growth to come from across our geographies. In GB we will continue to outpace the category, with a focus on family favourites and healthier and more premium choices. While we have a good presence across the market, we will continue to innovate and access new growth spaces. The enhanced long-term Pepsi relationship gives us the opportunity to continue to grow scale brands such as Pepsi MAX and 7UP Free, as well as introduce new brands like we have with Rockstar.

In the Rest of World, the simplified Ireland and France business units can focus on growing higher margin brands. We see an exciting opportunity for premium brands such as London Essence and Teisseire to grow in selected markets. In Brazil, while we are now into our fourth consecutive year of revenue growth, we still see a significant opportunity for us to scale the business further and thereby create operational leverage down the P&L. We will grow both by rejuvenating flavour concentrates and expanding into new categories, through locally developed innovations and introducing other Britvic brands.

The pandemic has reinforced confidence in our growth strategy

While we have not covered every part of our growth strategy in detail today, we have touched on most of it and we remain as confident in it today as we did before the pandemic. We have seen how our local favourite brands are winning and how we are investing in them further to emerge stronger in H2. I have spoken about the importance of flavouring water and shared some of our exciting plans on flavour concentrates. We have seen the significant progress we have made on our Healthier People, Healthier Planet agenda and I have shared some examples of how we are accessing new growth spaces through both innovation and acquisition and also how we are building capability in the business to deliver against these priorities.

Summary

Britvic has delivered a strong first half performance in a challenging climate, demonstrating once again our resilience and agility as a business. We have a strong plan for the second half to ensure we continue the momentum we have in At-Home and online and we are well positioned to win in the recovery as markets open to us. Thank you for listening. Joanne and I will now be happy to take your questions.

Q&A

Edward Mundy (Jefferies): Morning Simon, morning Joanne, three from me please. The first one on Robinsons, clearly the brand has been a major beneficiary of people spending more time at home during lockdowns. I would be interested on your views on whether the strong performance in Robinsons is from increased frequency of consumption or whether you have managed to recruit more households into the brand franchise. As a follow-up to that, how sticky do you think they are going to be on the other side of the pandemic once people start going out again? The second question is also on Robinsons. You have done a great job trying to premiumise with Creations and cordials. The pricing architecture is looking much,

much healthier. I would be interested in your early learnings on MiWadi with vitamins and what is the potential to do more with Robinsons in the UK as you look to some of the functional benefits with vitamins and calcium? Then the third is really around Rockstar. You mentioned you have got a 3% market share. You are doing an awful lot on the brand image. You are going to be doing a big above-the-line campaign and you have reformulated the liquid. What do you think is a reasonable market share in the medium-term for Rockstar?

Simon Litherland: Thanks Ed, let me have a go at those. On Robinsons, we have been really, really pleased with the performance and as you rightly say, the category has definitely benefitted from more families staying at home. The answer to your direct question is it has been both. We have seen increased frequency of consumption but we have also bought new households into the brand, some of whom are lapsed households. However also I think a wider range of age groups benefitting from the launch of Creations and cordials as well, taking a slightly higher age group into the brand. In the short-term we would probably see the potential of the category growth dropping off a little bit as people get back out of home, back to work and all that sort of stuff. However, as we said in the presentation, we see significant opportunity to grow our concentrates brands around the world and the category just by the fact that water consumption continues to grow. A small proportion, less than one in four serves are flavoured and it really does play into some of the consumer trends. Low calories per serve, sustainability and environmentally-friendliness in comparison to ready-to-drink. Of course it is great value for money a drink of concentrates compared to [inaudible]. That is really positive and as you rightly point out the opportunity to dial up health credentials even further with the addition of things like vitamins. MiWadi itself really is just going into market now so it is too early to tell but we are quite excited about it. MiWadi Zero has had a huge growth over the last couple of years and I think consumers are really open to added functional benefits through soft drinks. That trend has been accentuated through the Covid environment.

Edward Mundy: Simon, are you able to charge a bit of a premium for the vitamin-enhanced MiWadi?

Simon Litherland: Zero is at a premium and MiWadi with vitamins will be priced at a similar level to Zero.

Edward Mundy: Right, thank you.

Simon Litherland: Of course we are looking at the Robinsons range in terms of added benefits. Barley water, for example, is already playing in that direction and we also see opportunities within our drops range, the Robinsons Minis to add functional benefit. We are quite excited about that as a growth opportunity. With regard to Rockstar it is a bit early. We have had a very positive reception from customers. We have added about 16,000 distribution points. We did lose some on the transfer but we have added about 16,000 distribution points since we took over. The customer reaction to the relaunch and to the addition to our portfolio and the Pepsi activation that will come with the global marketing relaunch is very positive. It is not starting from a position of strength, as we said in the presentation. It has been in decline for a couple of years with a 3% market share. However, this is a massive category. I think we will get customer support. They are looking for some competition in the category and the pack looks great. The marketing programme is strong.

The liquids have tested really well when benchmarking against the competitors so let us wait and see. We would hope to get some good growth out of this over the next couple of years.

Edward Mundy: Great, thanks.

Simon Litherland: Thanks Ed.

Fintan Ryan (J.P. Morgan): Good morning. Morning Simon, morning Joanne, three from me please.

Simon Litherland: Morning Fintan.

Fintan Ryan: Firstly, following on from Ed's last question there around Rockstar, how will the Purdey's brand now fit in with your wider energy strategy? I appreciate you are talking about relaunching the brand but how will that be positioned in store relative to Rockstar and how do you look at that wider A-G[?] category in the premium end of that? Secondly a similar question, with the relaunch of the club mixers and doing more around the Britvic mixers in the off-trade given the channel dynamics, how do you see those positioned up against London Essence? Would you have any aspirations in terms of overall market share that you would look to get to within the mixers category and your core GB and Ireland markets? Then finally you mentioned the deepening relationships with some of the big QSR customers. How incremental to your current sales do you see these existing QSR customers? Do you have any ambition for how we should be thinking about the growth with those customers going forward? I appreciate the wider portfolio and maybe even the new distribution system as well.

Simon Litherland: Thanks Fintan. On the follow-on on the energy category, Purdey's we have actually just relaunched. We have learnt quite a lot over the last three or four years. It has been growing double-digits over the last three or four years but we really see an opportunity to play in natural energy, much more in the health and wellness space. If you think of a shelf Rockstar will be alongside mainstream energy, Purdey's would be closer to water-plus type products, health and wellness as a category. We would look to be growing that category and we just relaunched against direct consumer needs of replenish, rejuvenate, refocus with new packaging, new liquids and taking the benefits of what we learnt so far. We are really excited about those three variants and see the potential to grow the offer around those as our core but very much attracting a different consumer to mainstream energy. Therefore I see it working very well with Rockstar.

Then on the QSR customers we have got a strong position in QSR as you know and QSR has actually done really well through the pandemic, especially the last six or eight months. Their businesses are tending to be above pre-pandemic levels. In fact, I think benefitting from delivery and we have got a strong position with those customers. We have continued to look at our range and how we expand and evolve that. We obviously continue to look at new opportunities to expand our penetration with new customers but as I say, we work very closely. Clearly the margin in these customers is not as good as in some of our other channels but it is a good growth opportunity for us. We think that with the breadth of portfolio we have with both the core family favourite brands and some of our newer offerings, that we are well positioned to win with these kind of customers. As the core brands grow and strengthen their market positions continually that really strengthens our ability to service these guys and their consumers. Of course we continue to evolve our dispense capability and technology partly in response to our planet initiative but also in response to consumers' needs. You can see that in our classic dispense offering on carbonates but also with the likes of LEC Fresh Serve etc which will obviously play into the more premium end of the licensed trade. Moving that dispense technology and capability on is also important for QSRs.

Joanne Wilson: Fintan, good morning. In terms of club mixers and London Essence we are really excited about the relaunch of mixers. We have actually seen across the last 52 weeks, the last 12 weeks taking share across both club mixers and London Essence with the value share growing faster than volume share in At-Home. Obviously in the last year we have focused to the off-trade for both of these mixers. London Essence was pre-Covid very much an on-trade brand but we have done a really good job of increasing the distribution points in GB and in Ireland. We have seen off the back of that strong participation improvements as well. That has been supported by quite a lot of social media campaigns to support London Essence. In terms of the overall market share still very small today in at-home and off-trade but we see a big opportunity to increase that this year. As the on-trade reopens of course we will start to push the mixers into the on-trade again but also continue to take share in the off-trade. With London Essence we talked about Fresh Serve before [inaudible]. Obviously that was delayed a little bit with Covid but there is still a lot of appetite from our on-trade customers to bring that into their outlets and we would expect to see the rollout of that continue as the on-trade opens.

Fintan Ryan: Great. Thank you both.

Doriana Russo (HSBC): Thank you very much for giving me the opportunity to ask questions. I wanted to get a little bit more regarding the new acquisition Plenish. That obviously takes you somewhat in a different section of the supermarket and the shelves than you normally occupy. Could you give us a little bit more of a sense in terms of is that something you see as perhaps an expansion into different areas and that it is perhaps going to drive you into a different direction within your portfolio of products? Is it a way that you can perhaps try to create more innovation within your current shelves? Also it would be helpful if you can give us a little bit of an idea of the size of the business so far and what ambitions you have got for it.

Simon Litherland: Yes, sure Doriana. Good morning to you, thanks for the questions. This is very much part of our strategy. There are four core areas of our strategy: growing family favourites, healthy people healthy planet, accessing new growth spaces. This is very much playing into that so Plenish was an example. Rockstar is an example. Our acquisition of The Boiling Tap Company is another example. Of course we have got a broad portfolio of brands, low and no-sugar both very much on trend from a consumer perspective. However, there still are categories where we feel we can infill, strengthen our portfolio further and leverage our distribution reach, customer relationships and routes to market particularly in GB&I and also in Brazil. This is just an example of that. Of course this is a big exciting growing category, growing at 30% per annum and non-dairy milks is a really big category in its own right, growing quite fast. Plenish, an exciting brand that is still really small. It has about a 5% share of the premium category and will not have a material impact on our bottom line for a year or two. We expect some rapid revenue growth. We will continue to build the business as a direct-to-consumer business which is how the team have started the business. However, you are starting to see it roll out into retail and into other channels. We believe we can really help accelerate that. It is a primarily[?] differentiated by only using natural ingredients, sustainably sourced, organic. We do not have any additives in Plenish so there are no oils or gums. Whether it is the non-dairy milks, the cold pressed juices or indeed the functional shots, all of those are very much on trend and growing fast. Excited to have that in the portfolio and, as I say, very much part of the broader strategy.

Doriana Russo: Okay, thank you.

Yubo Mao (Morgan Stanley): Morning Simon, morning Joanne. Congratulations on the strong set of results, two questions from me please. Firstly on Brazil, veery strong organic momentum in recent quarters. How should we think about price mix going forward in the context of FX and rising commodities? I think previously you have said pricing should follow market share gains over time. Do you think that recent share gains puts you in a position to start raising pricing more meaningfully or the focus remains on driving share gain? Secondly perhaps a housekeeping question for Joanne on the full year interest charges. It looks like you have lowered the full year guidance by about £1.5 million. Could you just clarify what was the driver there? Was it a refinancing [inaudible] and should we extrapolate the benefit into the coming year? Thank you.

Simon Litherland: Great Yubo, thanks very much.

Joanne Wilson: On Brazil in terms of price mix going forward the guys have done a really fantastic job of gaining market share across both concentrates and ready-to-drink. What has impacted margin in the first half has really been the inflation that we have seen in that market. It is not unique to us. I think we have probably done a better job than others with the verticalisation strategy that we have in Brazil that helps us with purchases. In response to that, we have taken some price Yubo. We have taken price on Puro Coco and we have taken some price across one-litre ready-to-drink which has mitigated approximately half of the inflation impact that we have seen in H1. We took those increases part way through the half so we would expect a lower net impact in the second half.

However, to your specific question around our strategy there, we are absolutely focused on continuing to gain market share. There is plenty of opportunity for us to get ushered in ready-to-drink in some of the premium brands that we are launching in the market and indeed in the ingredients as well. With concentrates, as we shared today, we have actually successfully grown the overall category and taken share in that as well. The focus is very much driving the top line growth but equally making sure that we are seeing a margin step forward as well.

In terms of the interest charge, it is the result of a lower level of debt and also slightly lower interest rates. You could expect that to carry forward.

Yubo Mao: Great, thank you very much.

Simon Litherland: Thanks Yubo.

Simon Hales (Citi): Morning Simon, morning Joanne, just a couple from me please. I wonder if you could talk a little bit about the co-packing costs that you have seen in the first half and how they continue into the second half, what the impact perhaps has been from those so we can try to think about as we head in 2022 hopefully some of the unwind of that. Secondly Joanne, I think you mentioned obviously in your prepared remarks that input costs are going to remain in low single digits through H2. I appreciate it is too early to perhaps talk about fiscal 2022 and the outlook for COGS at this stage but can you remind us of your hedging policies across the core inputs? Then finally Simon, is there anything more you can say with regards to how H2 trading has really started off? You have flagged obviously some encouraging signs out of the on-premises and stock build by your customers in anticipation of that. What you think you have seen from a consumer uptake standpoint within the soft drinks category and your brands in particular?

Simon Litherland: Okay, perfect. Morning Simon, thanks very much for those.

Joanne Wilson: Simon, on co-packing as we said, we have seen that in GB and Brazil and it is a direct response to the increase in volumes that we are seeing. In GB that is on cans and in Brazil across the board. As we have said, in Brazil we have increased capacity in-house and so those costs will fall away in the second half. In GB they will continue until we have our can line operational which will be early calendar year 2022. In terms of the overall quantum of costs it is between 5% and 10% of our fixed supply chain costs in the first half. With volumes higher in the second half those co-packing costs will increase in the second half for GB but that will fall away for Brazil. Hopefully that gives you a sense of what you can expect going forward.

In terms of our hedging policy, yes we are covered for FY21 in terms of commodities. Our policy is we hedge 18 months out and that means higher levels for the first six months. Then up to 80% 18 months out depending on where the market is at and that is across commodities and FX. As well as being well covered for FY21 we are partially covered for FY22 as well.

Simon Litherland: Excellent, okay and then on to H2 trading. Look, it is still early days but I think the key things, Simon, are first of all we have got momentum in at-home and online. You would have seen that in the results. It is really pleasing to see that that has continued even as the Out-of-Home channels and On-the-Go channels start to reopen. Retailers have had a good Easter and we are starting to see and believe that there is some real pent-up consumer demand for socialising. That will, we hope, continue at home but we will also see a real positive shift as Out-of-Home starts to open, as we described in the presentation. Early days for Out-of-Home. Our performance has been very strong in the first weeks but of course some of that is pipeline fill. It is a little early to say as to what sales out are going to be but really pleased to have the next phase of restrictions lifted yesterday. That will mean that the vast majority of outlets will reopen and obviously moving inside means slightly less dependent on the weather because that is always going to be a factor for soft drinks. We saw the difference between the early trading in the first half of April where the weather was go, dropping off again a little bit with the second half where you were standing outside in the rain. Weather will play an impact but obviously moving indoors is the key shift for us and we will see more families, more soft drinks as well being consumed as a result of that.

The other thing to say is on-the-go consumption and how quickly that bounces back. So far what we have seen is it has been mixed. Motor vehicle travel, for example, has very much bounced back and we are seeing higher incidents of consumption in motorway stations and things like that. Whereas train travel and all that sort of stuff is still quite significantly down on the year before. Local convenience has benefitted so we are starting to see immediate consumption come back into local convenience alongside the deferred[?] growth that we saw through the pandemic. That is bouncing back nicely, as is some of the high street convenience shopping. The extent to which some of that is compensating for the fact that the Out-of-Home channel was not fully open, we will wait and see. I cannot really say much more than that but I think our conclusion is that we are optimistic but there is a long way to go. There is still a high level of uncertainty out there in GB and across our other markets about reopening and staying open.

We have got strong marketing programmes. We have got strong reopening programmes but what we have got to do is remain agile and responsive. I think that is something that we have really demonstrated through the Covid pandemic but also in our ability to deal with things like soft drinks levy, Brexit, etc. Hopefully that plays to our hands and we will be able to respond upwards or downwards as consumer demand plays out in the coming months.

Simon Hales: That is brilliant. Thank you both, very clear.

Simon Litherland: Thanks Simon. Okay guys, thanks very much for dialling in today, for listening to us. Thanks to everyone that asked questions and look forward to seeing you in the days and weeks ahead. I know it is a busy day so thank you very much indeed. Take care.

[END OF TRANSCRIPT]