Britvic 2012 Investor Seminar

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Opening Remarks

Paul Moody
Chief Executive, Britvic plc

Welcome

Good afternoon, ladies and gentlemen. Thank you very much for joining us this afternoon. I can only imagine how tempting it was to make your way to Hyde Park, find a deck chair, and spend the afternoon in the sunshine. It is probably appropriate that I make a forward-looking statement just at this moment. Do not assume that the balance of the year will reflect the sunshine that we have enjoyed over the last week or so – unseasonably warm and sunny, but nonetheless very enjoyable.

I would like to welcome, not only those of you who are in the room, but also those that are listening to the webcast, to this Britvic 2012 Investor Seminar.

Agenda

Guidance

Here we have the agenda for this afternoon. I will not go through slavishly the detail of what you are about to hear, because clearly each presenter will deliver that message themselves. We will, however, as you would expect have a fairly brief update from John around both the financial guidance and commentary around raw material, which I am sure you will find interesting. Then Simon Stewart, who is our group marketing director, will talk about a market overview in each of our three core markets, GB, France and Ireland.

Marketing and innovation

Then I will introduce to you or he will introduce himself to you Simon Litherland, who is the MD of our GB business unit, joining relatively recently from Diageo. I am sure some of you in the room at least will know Simon.

Simon is going to talk about GB, but with a particular emphasis on the marketing programmes that we have during the balance of the year and the innovation. Those of you who have been to these seminars over recent years will know that we do make a feature of the marketing programme and innovation programme that will be running in the current year. As ever, the material we will share with you is, to a degree, already in the public domain, but I suspect some of it will be at a level of detail that you will not be familiar with. Hopefully, you will find that interesting and engaging.

International brand development

Then I will come back to the stage and talk about international brand development. Clearly, we have spoken about this over the last couple of meetings, certainly. What I would like to do is give you an update on the developments in the market, in particular in the US, which I know many of you will be very interested in. After my piece, we will then have a Q&A where the presenters will join me on stage and will take your questions – as many of them as you care to throw at us.

Longer-term business development

It is an important time for us as a business to share with you our view about the coming year, but also for you to think in the context of how some of the material plays into the context of medium- and longer-term development of our business. That is most obviously the case with some of our international brand development, but it is equally the case when Simon talks about some of the initiatives that we are driving in GB, indeed when I talk about some of the activity that we are driving in France and Ireland. I know it is tempting to have a very near-term lens when we talk about the current year, but I would encourage you to think about what we talk about this afternoon in the context of the longer-term plan for the business.

Financial Update

John Gibney
Group Finance Director, Britvic plc

Overview

Thank you, Paul. Good afternoon, everybody. This year is going to be a brief session to remind you of our medium-term revenue guidance and what we expect to see in the near-term. I am also going to recap on the steps we have taken over the last 12 months or so to ensure the ongoing financial stability and security of the business particularly around funding and raw materials.

Guidance

General

Many of you will be familiar with this slide from our prelims presentation in November. There is no change in the overall guidance apart from a slight decrease in the effective tax rate for the group, which is now 50 basis points lower. That reflects, of course, last year's budget change to UK corporation tax rates. However, what I would like to do is give you some more detail behind some of the areas, firstly starting with revenue.

Revenue

Our organic GB revenue growth guidance of 4-6% is made up of market volume growth of 2-3%, where we believe Britvic will take at least its fair share, price growth of 1% and innovation at 1-2% to our top line. We believe that will be achievable once again across the medium term once consumers benefit from a more stable environment. That is supported by our strong track record, where between 2005 and 2010 we delivered organic revenue growth of 6.4% Compound Annual Growth Rate (CAGR).

In 2012, as you will see from Simon Stewart's market overview, we believe that the soft drinks market will remain resilient, but volume growth is likely to be less than its historical rate. In part, this will be offset by higher pricing into the market to recover input cost increases. As a reminder, during the worst of the recession in 2008, the take-home soft drinks market declined by 1% in volume with a slight growth in value. Again as a reminder, in 2011 fiscal, Britvic's GB revenue growth was 2.7%, which was driven by average realised price (ARP) growth of just under 2% and volume growth of just under 1%.

We are confident in achieving underlying ARP growth through our headline price increases and innovation. However, the unfavourable channel mix of on to off trade and category shifts from stills to carbonates, alongside promotional effectiveness in a more challenged consumer environment, will also be key factors in determining the actual price growth delivered by the business.

Turning to Ireland, visibility remains weak with no sign of the market having reached a turning point at the moment. We therefore expect to see a continuation of the recent trends with consumers moving from on to off trade, and from convenience to grocery within the take-home market. That trend, though, in the recent months, has resulted in our Ireland revenue on our own brands being down by circa 5% with a further circa 5% decline on our factored wholesale brands.

In France, the so-called 'sugar tax' was introduced at the start of 2012. We estimate that will be an impact between €6 and €7 million within our business, but that will simply be a pass through to the customer. However, we expect the impact of this tax, plus the effect of input cost inflation being passed on to consumers, to be that we will see soft drink inflation to consumers of high single digit. It is too early at this stage to make an assessment of the impact of this increase on consumer demand, but we expect certainly to see a flatter market volume profile as a result.

Our marketing and innovation plans that you will see from Simon in GB and from Paul in international will demonstrate why we are confident that innovation will again add 1-2% to our top-line growth this year.

Cost

Turning to our cost guidance, which is also unchanged, the first is to give you some more detail on raw materials and product value optimisation (PVO) cost savings. The last time we spoke to the market at the time of our first quarter RNS, we were fixed on all of our key raw materials with the exception of apple juice. I can now confirm that we have fixed pricing end supply on apple juice for the financial year, which means that, effectively, we are now fully hedged for this financial year. Our raw material inflation guidance of mid-single-digit also remains in place. Just to be clear, the hedges that we refer to are actually fixed contracts to supply, rather than financial hedges.

We believe that this is a strong position for the business, having covered all of our raw material exposure at an early stage in the financial year. As a comparison, PET is fully fixed this year versus around 55% fixed at the time of the investor seminar last year.

Looking forward, while challenging to call, our working hypothesis is that mid-single-digit inflation for raw materials is likely to prevail in the medium term, primarily given by ongoing demand from the BRIC economies.

We have also previously announced a £10 million capital investment programme to deliver £8 million of annual savings through our programme of PVO. I can confirm that that remains on track and is progressing well.

In terms of advertiser and promotional (A&P) costs, we are maintaining value investment behind our brands. That will be at a similar level to last year, around 5% of group revenue. Bear in mind that only around half of the A&P that we invest behind the Pepsi brands is actually reflected here in our P&L account and therefore in the metric. Also, the inclusion of France, where half of the business has no A&P investment behind our private label business, will consequently also dilute the percentage of revenue versus historical trends. In 2011, however, we spent more in absolute terms in A&P behind our brands than we did in 2010. Indeed, in GB, the percentage of revenue number in A&P actually went up slightly.

Margin improvement

Our guidance on average annual margin improvement is 50 basis points at EBITA over the medium term. However, in 2012, we would expect to see first-half margins reduce, given the raw material inflation from 2011 that the business is carrying until the benefit of the price increase starts to come through. We would then expect to see margin expansion in the second half with the full year margin likely to be a small level of growth.

Underpinning our medium-term margin guidance are a number of opportunities, including for example: our ‘on the go’ strategy to grow our share of single serve where they inherently have a higher margin; continued delivery of innovation; leveraging of our fixed cost base; and importantly, the opportunity that franchising our brands will offer us in the future.

Ongoing capital requirements

Capital expenditure

The next slide will give you some further clarity around the ongoing capital requirements of the business. This slide lays out the underlying ongoing capital requirements to support the organic growth of each of our business units, which will be around £50 million per annum. We then split out the incremental spend for the next two fiscal years as we see it currently.

Earlier in the year, remember that we reduced the overall 2012 capital guidance as a result of existing capacity being adequate to meet our requirements for 2012 and also a rephrasing of the business transformation investment around SAP in France. That reduced the group capital expenditure guidance for this year to under £70 million. 2013 would include the completion of the SAP investment in France. We are also signalling at this stage the potential for a new Fruit Shoot line in 2013, but this will be highly dependent on available capacity elsewhere in the group.

Given our current plans, we would then expect 2014 capex to be around the underlying number of £50 million per annum. That continued capital investment behind our business remains the number one priority for us in terms of use of cash. The business has been very consistent in the level of free cashflow generated running at over £60 million per annum for each of the last five years and we see cash conversion improving in the medium term.

Dividend

Our dividend policy has delivered progressive dividend payments to shareholders, and we see this continuing in the future. Our payout percentage since flotation has been between 45% and 55% of earnings. In FY11, we were at 52.5%. While our long-term target remains at 50% payout, we are happy to focus on a progressive dividend policy and gradually work back to 50% payout over time.

Financing

Against this backdrop, we expect that the ongoing cash generated by the business will enable us to generate debt repayment each year of the order of 0.2-0.3 of debt to EBITDA ratio. The business has a very secure funding platform in place with no refinance required until 2016. We have total secured funding facilities of £891 million and we utilised about half of that at the last year-end.

As a reminder, we refinanced our syndicated bank facility in 2011 with a new £400 million revolving credit facility for five years to March 2016, replacing the previous three year agreement. We were very well supported by six of our seven original lending banks, securing reduced fees and margins. Furthermore, we have issued £490 million worth of US private placement (PP) notes with the placements we made in 2007, 2009 and 2010. The combination of these two funding mechanisms puts Britvic on a strong and stable platform to see the business through a very volatile credit environment. As you can see from the chart, our first repayment of US PP debt is not until 2014, which can be quite readily accommodated within our other existing facilities, with subsequent notes repayable on a staggered basis through to 2022.

Our target zone for full-year debt to EBITDA remains at between 2 and 2.5 times. As you can see from the chart, we have consistently operated in or close to that zone at the end of each financial year with the half-year ratios reflecting a working capital high for the business. Bear in mind, that over this period of time, we have utilised over £300 million of debt finance in M&A activity but still managed to reduce the debt level back to under 2.5 times EBITDA as at last financial year-end.

Strategy

Our strategy for the business remains very much in line with that which delivered the strong track record that you saw between 2005 and 2010. As I mentioned, revenue growth hit CAGR of 6.4%, our earnings growth hit CAGR of 17%. That is before the added potential of the developing franchise business. While the business has faced significant headwinds during 2011 and again in 2012 as a result of raw material inflation, we are now fully covered on our raw material requirements for this year.

Concluding remarks

We currently see the market range of EBITA expectations out there between 139 and 151 million with consensus in the middle at 145.5 million. At this stage in the year and against the backdrop of uncertain consumer conditions that prevail, we are comfortable with that range. We continue to believe that the soft drinks market that we operate in will return to our medium-term guidance and that will inevitably offer further growth opportunities for Britvic.

Markets Overview

Simon Stewart
Group Marketing Director, Britvic plc

Agenda

Thank you, John. Simon and Paul would like to share some of our exciting plans in 2012, but I will start by giving you an overview into the trends that we have seen developing in the core markets in 2011. I will then share some of the headlines of how our shoppers are reacting to the pressures they are under. Lastly, I will share two developments that we believe offer some growth prospects for the group.

GB consumer and market trends from 2011

Consumer pressures

Let us now remind ourselves just how much pressure the consumer has been under in 2011. Unemployment reached a 17-year high. VAT increased. High commodity costs were pushing up prices with domestic fuel and petrol prices growing faster than inflation, with uncertainty increased about future prospects and salary increases being capped. In short, the consumer had to think much harder about how they spent it, where they spent their money, and crucially how much they did spend.

Soft drinks market performance – take-home

Against that backdrop, the 2011 calendar saw the overall soft drinks market grow by a modest yet encouraging 1%, while this is down on the 2-3% average growth that has been the long-term volume growth of the soft drinks category. The retail sales value was approximately 4% in 2011, benefiting from the 2.5% increase in VAT in January 2011. On a like-for-like basis, the underlying value growth was 1.5%.

In total, the soft drinks market is work some £9.7 billion. In 2011, we saw a continuation of carbonates outperforming the stills category. Soft drinks is one of the best performing categories for retailers in the fast-moving consumer goods (FMCG) sector. Excluding the impact of the VAT increase, we still saw robust pricing growth in the GB take-home market of approximately 4%. Within this channel, there were marked differences in performance of sub-channel and outlet type. The real winners in 2011 were the multiple outlet retailers who really drove growth in the market, while the independent sector found 2011 quite challenging. Within the multiple outlet operators, there was a mixed performance, with convenience format stores performing much better than large out-of-town outlets where the performance was near flat.

Performance of soft drinks

The resilience showed through all the major categories demonstrated a value growth. Cola in particular showed very strong growth and continued to attract consumers switching from more expensive sub-categories and typically still categories. The two strongest growth categories were energy and cold hot drinks that we entered into the market with Mountain Dew Energy and Lipton Ice Tea and both saw strong double-digit growth.

Soft drinks market performance – on-premise

What soft drinks have demonstrated is a resilience compared to other categories. In take-home, the market value is £6.9 billion and is larger than chocolate and snacks combined. It is more than twice the size of the next major category. Even with the position as the leading category, it out-performed all other scales with a 6.7% value growth in take-home, out-performing chocolate and snacks by 100 basis points. Primarily, this was driven by price, rather than volume.

The on-premise channel continues to decline in 2011 with volume down 4% and value down just under 1%. As with the take-home, the value growth is flattened by the impact of the VAT increase. The underlying value decline is more in line with the 4% volume decline. However, the pub closure rate eased with 50 outlets a week closing in 2010 to only 16 a week in 2011.

Within the channel, there have again been clear winners and losers. The major managed branded outlets that primarily focus on food or family continue to grow with value up nearly 7%. The traditional wet-led pubs are bearing the brunt of the changing consumer habits and they declined in value terms by 7.2%. Packaged goods have really been impacted as consumers seek more value on a night out. This market has seen volumes decline by 7.6%.

France consumer and market trends from 2011

Consumer pressures

In France, the consumer headwinds were less apparent in 2011. Overall, the market grew volume and value and in contrast to GB, the stills category out-performed the carbonates. Although private label is key in a number of sub-categories in France, in the still brands they are still driving 80% of the growth of the take-home market.

Tax changes

As you are aware and John has mentioned, the sugar tax came into effective in January 2012. From our perspective, the impact was currently limited to our juice drinks. To be really clear, our pure juice and syrup products are excluded from the tax. The impact on our business is of €6 to €7 million, although we are treating it as passing this straight on to the retailer. It is too early to assess the effect on volumes.

2012 – an election year

Additionally, 2012 is an election year in France and post-election fiscal measures may impact consumers.

Ireland consumer and market trends from 2011

Consumer, retailer and manufacturing pressures

In Ireland, the situation remains very difficult for consumers, retailers and manufacturing. We have seen both volume and value decline in 2011. More recently, we have started to see volumes stabilise, but value still declining, although we would caution taking this as a sign of stabilisation in the Irish market. Consumer confidence is low. Unemployment is high. People are worried about the future. In December, the budget rate for VAT was increased from 21% to 23% with that effect coming in from January. This will only add additional pressure to consumers.

Soft drinks channel

As shoppers focus on value, the grocery channel was the net beneficiary in 2011 with the convenience channel declining further. As you may be aware, Ireland saw Superquinn, a well established convenience operator, enter administration in 2011. The grocery channel has been increasing frequency and depth of promotions also to chase the consumer.

GB shopping habits

The mixed performance for different store formats is a reflection of how the shopper is thinking about how to shop and manage their weekly basket effectively. Saving money on food has become very important. A number of retailers have recently commented on how the customers are managing themselves to a fixed spend. We believe the impact on the consumer spending today is much stronger than it was in 2008 when we were technically in recession. However, today, rising domestic bills, tax increases and the fear of unemployment is prevailing.

Our research indicated that the shoppers are making fewer trips to large out-of-town stores due to the cost of fuel and transport. Instead of heading back to the big stores, they are topping up locally to save fuel. We have also seen double-digit-growth in online shopping and we would expect that trend to continue in 2012.

Shoppers are definitely thinking much more what they really need to buy and how much they are actually going to spend. Having said that, brands are definitely winning in the soft drinks category. Brands continue to offer consumers the reason to buy, offering value and credibility in the way that own-label just cannot. The promotional mechanics that appear to be more effective currently are price-downs and deals with adjacent categories like snacks and beverages. Large multi-buy deals that encourage consumers to buy more are losing out. What this means is the consumers are looking to buy what they really need, rather than buying in large multi-deals to stock their pantry.

Economic forecast

The economic forecast indicates this year, in all our core markets, GDP growth will be less than in 2011 and unemployment will be higher. In GB and Ireland, it seems reasonable to assume that the headwinds will continue as they have, while in France it is possible that, post-election, the consumer will be facing a tougher environment than they did in 2011.

The general trends are the consumer will continue to have a difficult time. However, we do believe that impulse items such as soft drinks will recover more quickly than many other consumer goods categories. Based on what we saw in 2011, the experience of previous recessions, and the forecast outlook for 2012, we believe that 2012 will remain a challenging year.

Carbonates

Carbonates will continue to perform ahead of stills and value growth in the market is likely to be driven by pricing rather than volume. Brands that consumers know and trust have prevailed in the past. There is no reason to suggest otherwise for 2012. Although the consumer trend of managing their basket spend is likely to continue, we believe that branded soft drinks will remain the resilient performer in the market. With this in mind, it is likely that value-orientated carbonates will continue to perform better than stills.

Stills

However, within the stills, there is likely to be categories that will win through as well in 2012. Based on the 2008 performance in GB, squash at 6 to 7 pence per glass becomes even more attractive. In France, that evidence positions our syrups portfolio well for 2012. Within the stills offering, there is a broad range of value offerings to premium offerings. Past experience shows that, when consumer confidence is low, consumers narrow their repertoire and that confidence rises and expands until the premium categories start to feel the benefit. As such, future innovation will deliver real, tangible value to the consumer and focus on formats for beverages will become increasingly important.

Stevia: a soft drinks opportunity

Options

Turning to what we see as an exciting opportunity for soft drinks, over the years, consumers are faced with the choice of sweeteners: either full sugar calorie soft drinks or nil calorie drinks with artificial sweeteners. Our portfolio has and will continue to offer choice for the consumer to decide. In November 2011, the European Commission licensed the use of Stevia as an alternative sweetening system. It has been widely used in major markets, such as the US, since 2008, and has been used in Japan for the past 30 years. More recently, it was licensed for trials in France, leading to the full approval across the EU.

What is Stevia?

Stevia is a plant that is found in South America, the sweet-tasting components of which can be extracted from the leaves. It is a naturally-sourced sweetener, which comes with nil calories. It achieves this by the fact that it is not actually absorbed into the body. To be very clear, this is not a genetically modified organism and it comes with an ‘e’ number 960, which is standard practice for food additives. What this does is open up the avenue for the development of zero to low calorie that no longer rely on traditional artificial sweeteners such as saccharin and aspartame. This means that we can now offer calorie control through a naturally sourced sweetener.

In 2012, Britvic will be an early adopter of Stevia within GB for the use of it in SoBe V Water. By leveraging the expertise of Britvic France, where Stevia is already used in the 0% variance tests there, we are able to bring the product to the market quickly and more effectively. It has been well-documented that consumers choose to be either artificial avoiders or sugar avoiders.

Impact of introduction

With the introduction of Stevia, we have the potential to unlock growth opportunities for both groups. By introducing Stevia into SoBe V Water, for example, we can now offer zero sugar, naturally sweetened product with 4-9 calories, depending on the fruit flavour system. When the Stevia formation was introduced to the SoBe range in the US, it triggered a material increase in the rate of sale and the number of consumers buying into that category. Effectively, what it did was to remove a barrier for a large number of consumers and unlocked a major profit pool. We believe that Stevia introduction will have a similar impact for us in GB.

Licensing – building brand equity

Over the last years, we have made conscious decisions to license certain brands into other categories that we think is likely to have a positive impact for the Britvic brand portfolio. Last year, we saw the introduction of Robinsons branded sweets as well as Tango chew bars. This year, amongst others, the shelves will see Tango branded Easter eggs, retro R White t-shirts, and freezer stock with Fruit Shoot and R White lollies. Working with carefully selected partners who have demonstrated their success already in their respective categories, we see this as a great opportunity both to drive incremental awareness of the brands as well as to offer a small but profitable income stream.

Concluding remarks

In summary, we believe Britvic is poised to take our fair share of growth. Our confidence going forward in 2012 is based on three things: we have an extensive portfolio across carbonates and stills; we believe we have superior shopper and consumer insight; our innovation programme will stimulate growth in what is going to be in 2012 a challenging market.

GB 2012 Marketing & Innovation

Simon Litherland
Managing Director, Britvic GB

Introduction

Thank you, Simon. Good afternoon, everybody. For those of you who do not know me, my name is Simon Litherland. I joined Britvic in October 2011 as the MD for Britvic GB. Prior to that, I spent 20 years with Diageo, 12 of which were in general management positions in various different countries. My last job at Diageo was as MD of Diageo Great Britain, before which I set up, created, and ran Brandhouse in South Africa, a joint venture between Diageo, Heineken and Namibia Breweries.

I have been here six months. I have had a fantastic six months coming to know the business and our people. I am delighted to have been able to join Britvic, a business with a great track record, and even more excitingly a huge future ahead of it.

Agenda

I am pleased also to be with you today. What I would like to do is share with you our marketing and innovation plans for the year ahead. I will do that in four sections. First of all, I will talk to you about Pepsi and how we are driving our market position with Pepsi. Secondly, I will talk about how we are reinforcing our number one stills position in the marketplace and how we are going to create our largest ever cross-portfolio marketing campaign, which has just recently been launched. Finally, I would like to share with you some strong progress on two of our recent innovation launches.

Pepsi

Success

Before we look at the plans ahead for 2012, it is worth reflecting on the success that Pepsi has had over the last five years. Year after year, Pepsi has reinforced its position as the growth driver of the cola category. Indeed, Christmas 2011 saw Pepsi achieve its highest ever market share, through a combination of effective promotional mechanics, compelling consumer marketing, and innovation into our brand. Pepsi has, in fact, driven two-thirds of all category growth in the last three years, with Pepsi value in take-home up 25% in that time.

A key component of that growth has been the successful innovation that we have introduced to the market. Both the on-the-go 600 ml pack and the recently introduced 250 ml multi-can pack brought new consumers into the category and into our brand.

Likewise, our continuing engagement with consumers through Pepsi's strong association with football and music has been a key element of the brand's success. Take football as an example. From the David Beckham activity back in 2006 to Didier Drogba in 2010, we have seen Pepsi win in the market. Without the constraints of being an official event sponsor, Pepsi has a disruptive challenger brand mandate. Pepsi has delivered exciting tailored marketing activity to retailers through the line execution, through the television campaign, through to on-pack promotions. Our track record of success, of winning in major sporting years, gives us confidence that we will do just that in 2012.

Pepsi marketing programme 2012

This year, I believe we have a particularly strong marketing programme for Pepsi and the brand will also participate in our portfolio campaign that I will talk about later. Let us explore some of the key elements of that programme.

Once again, we will be associating with football in a way only Pepsi can. Following the success of the Pepsi and Doritos tie-up, we will be linking in with Doritos once again this summer. With the Euro Championships in Poland and Ukraine, we will be building on the occasion with a snacks and beverage co-branding activity, as well as on-pack activity. Consumers will have the chance to win both cash and great prizes such as 3D televisions. The tie-in with Doritos in 2011 was extremely successful, driving double-digit growth for both brands.

The insight from consumers is that snacks and soft drinks are five times more likely to be consumed together than are actually purchased together. This offers a material opportunity for both retailers and brand owners to drive incremental sales.

Moving on into the autumn, later this year, we will tie up with Walkers. I cannot give you too much detail at this stage for commercial reasons, but we will be participating in a major piece of marketing activity starting in the autumn. The linkage with Walkers will once again create an opportunity to drive incremental category growth for Pepsi. With the finer details still to be communicated, we will leverage the programme equity through on-pack mechanics for consumers, bespoke activity for retailers, and great brand visibility on television.

Following on from the football-themed activity in the summer, this will keep Pepsi front of mind throughout the year. In September last year, we introduced a Pepsi 250 ml can multi-pack range to tap into the consumers' desire to seek value through the number of cans in a pack as well as a small serve size. It has performed incredibly well to date, with two-thirds of the sales being incremental to the category and our share within it. To build on this success, we will be extending the pack format to both 7UP and Tango ranges in the spring. This will help drive further growth in the fruit carbonates category.

Robinsons squash

Category leader

Let us now move to our stills portfolio. Robinsons squash is a core brand in our GB portfolio and, when mixed with water, it is the biggest soft drink in Great Britain. With a heritage spanning over 85 years, it is a must-stock brand for all take-home retailers. For consumers, it is a part of family life, with the bottle likely to be found in most homes up and down the country. Just to give you a sense of scale, it has a take-home market retail value in excess of £200 million, making it the number 12 grocery brand across all categories. In squash, it is three and a half times larger than its nearest rival with its market share in excess of 40%.

Future growth

Although Robinsons is a category leader, we believe it still has significant headroom to grow – both the category and its share within that. There are three key elements to leading that category growth. Firstly, we will continue to invest, to differentiate the brand and ensure that Robinsons remains the preferred brand for consumers; we are using a consistent campaign message with consumers through which we aim to make water more fun. Secondly, format and product development will be core to our growth and we will continue to optimise the price and pack architecture in the year ahead. Finally, we will continue to develop more innovative solutions to allow consumers to enjoy Robinsons more conveniently, whether they are at home or on out-of-home occasions.

Robinsons marketing programme 2012

2012 is the start of a new journey for the development of Robinsons squash. We aim to improve its leading brand credentials, reinforce its number one position, and drive frequency of squash consumption.

Many of you will remember that we moved our large packed range to a double concentrate formulation in 2011, delivering both additional value to the consumer and a reduction in packaging and transportation costs for Britvic. We followed own label, which started to move into double concentrate a few years ago, as we know that households who use double concentrate buy more squash. As it is an expandable category, having more squash in-home increases consumption. In 2012, we have further opportunities to bring large format single concentrate users, who have not yet bought Robinsons DC into the new format and into the brand.

As you can see from this chart, the campaign to build Robinsons is, indeed, year-round. We have a range of major marketing campaigns this year with on-pack activity, limited editions, Wimbledon, Robinsons television advertising. Robinsons will also be part of our portfolio campaign. The quality and weight of these programmes will really start to reinvigorate the category and our brand.

This year, we will be bringing back to television a campaign that aired a few years ago. This campaign resonated with consumers and fits perfectly with our ‘Robinsons makes water more fun’ strategy.

This year, we are also going to make the consumption of Robinsons easier and more exciting for both parents and children. We will be offering everyone the opportunity to collect Robinsons branded goodies. These will range from cups for children to collect to fridge units, allowing you to mix and store chilled Robinsons in the fridge ready for when the children come home from school or come in from playing in the garden. This will run as an on-pack promotion this summer across the take-home channel. As the summer approaches, we will be launching a limited edition strawberries and cream 1 litre bottle to tap into the excitement of the Diamond Jubilee celebrations. As well as driving incremental sales, the limited edition will help drive the core portfolio with the extra feature in display that it will secure.

The association with Wimbledon has been a pivotal part of the brand’s growth over the years and will remain so.

This year we will be continuing our sampling campaigns and major in-store activity as part of our retailer plans.

Fruit Shoot

Success

Our next major investment in GB this year is in relation to Fruit Shoot. The brand has now been in market for over 10 years and has firmly established itself as a leading children’s brand across all categories and as the number one children’s soft drink brand. It is a must stock brand in all channels, available in all of the grocers, the leading fast food restaurants as well as cinemas, theme parks and family-led pubs. As with all leading brands, it is vital to avoid complacency and to maintain the edge of competing brands and with this in mind, we are refreshing the Fruit Shoot brand this year. For 2012 we will see a complete overhaul of the brand as you can see on the screen. We will be introducing a new translucent bottle as well as a new patented cap. Fruit Shoot led the development of the children’s drinks category with its innovative packaging. Many have tried and failed to emulate its success however past successes do not guarantee future growth so the new spill-proof cap takes the no spill technology to a new level. The bottle has been completely redesigned to give it a fresh look and our research results indicate that our consumers of six to ten years old think the new look is much cooler and more relevant for them.

New phase of growth

Over the last year we have invested heavily to understand both what children and parents think about Fruit Shoot and how they wanted the brand to develop and the changes that we have made, we believe, will drive Fruit Shoot into a new phase of growth. In addition, we will be launching a number of new pack initiatives to meet specific consumer needs or occasions. These include a new 15-bottle party pack which you can see on the screen on the left, and a new 275ml single bottle which will provide a more affordable entry point for the impulse channel. We will also introduce a new eight-pack mini bottle of Hydro and a new design and pack for the My 5 range, part of the Fruit Shoot range which still has great potential to grow significantly in the GB market.

J20

Turning now to J20, another of our core brands in GB and the leading adult juice drink in the marketplace. Over the years, J20 has established itself as the biggest packaged drink in the licensed trade and in the grocery channel for the at-home social occasion. Over the last couple of years the premium juice category has been under pressure as consumers work with shrinking budgets and the licence trade has continued to decline. However, J20 remains firmly the number one brand and in fact achieved record share during Christmas 2011. We are taking the opportunity in 2012 to refresh the brand and ensure its continued relevance to the modern British get together.

Reworking the product

Firstly, as shown here, the pack will be totally refreshed with a new look bottle. This will give J20 improved standout on shelf and behind the bar. Over the years the occasions when J20 is consumed have evolved from its heartland in the pub, it is now a key part of the informal social get together. With this in mind, we have also reformulated the product to create a more refreshing, less sweet drink but with a core principal of two exotic juices blended remaining intact. We have taken the opportunity to optimise the range to focus on three core flavours that deliver the overwhelming majority of sales, but working alongside these, we will introduce limited edition flavours to create excitement and target specific consumer occasions.

Christmas success

At Christmas last year this worked incredibly well with Glitter Berry. Glitter Berry drove incremental sales for the brand and it brought new shoppers into the category and the J20 core portfolio. This year we will have two limited editions across the summer, firstly we are introducing Papaya Punch which you can see on the left, and then we will be launching a jubilee themed Diamond Berry edition, available in both singles and four pack and we believe these new flavours will build on the success we had with Glitter Berry.

Transform Your Patch

Okay, now let me move to our biggest ever cross-portfolio marketing campaign. This initiative, called Transform Your Patch, has already launched. It has been running since February and will continue through until September and it has featured across eight of our core brands.

Concept

Transform Your Patch offers consumers the opportunity to transform a patch of unloved, unused outdoor space for the benefit of the local community. With a simple ‘one bottle purchased will transform one square centimetre’ philosophy, with no need to collect tokens, we are aiming to transform local areas and leave a legacy beyond 2012. Working with the leading regeneration charity, Groundwork, we have identified approximately 165 projects to transform from playgrounds to five-aside football pitches. This is a joint imitative with PepsiCo and will run across both the carbonates and the stills soft drinks portfolio of both Britvic and Pepsi owned brands. The campaign will be seen across all channels with both on-pack to support grocery and impulse and point of sale to support the leisure and licence trade.

Engaging consumers

The Transform Your Patch campaign will engage and encourage consumers to purchase our brands and help transform outdoor spaces. It will be working closely with retailers at both head office and outlet level to deliver bespoke activity and excellent in-store execution for their customers. And I have to say, the take up and support to our customers has been fantastic as we have launched the campaign. For consumers to be truly engaged in the idea they need to see and have an influence on the projects that Patch is looking to transform. So a key point of making the campaign relevant is the patch projects website.

On the website consumers can see the local projects in their community and they can get involved by voting for a specific project that will receive additional financial support. 2012, as we know, is a major sporting year and with the Diamond Jubilee following on from the Royal Wedding last year, we believe the sense of community spirit in GB is as high now as it has been for a long time. This campaign will tap into that and will make a real difference to people and communities and will leave a lasting legacy. With the breadth of our portfolio we meet the needs of 86% of soft drinks consumption. However with that comes the challenge of making the campaign relevant for the very many different consumers of our products. In order to do that the marketing campaign for patch will link each of the brands to one of four themes.

Cross-brand work

For example, Fruit Shoot and Robinsons will support playground projects whilst other brands will support projects such as football pitches, skate parks and communal areas. In summary, Transform Your Patch will be our biggest ever marketing campaign. It will be on television across the spring and we have recently introduced celebrity ambassadors such as Denise van Outen who will be supporting playgrounds, and Robbie Savage who will be supporting the five-aside football pitches. And we launched the campaign association with *The Sun* newspaper last week. This promises to really put our brands at the heart of our community in 2012.

Mountain Dew Energy

Overview

And finally, I would like to update you on two of our more recent innovation launches. The first – Mountain Dew Energy. As Simon mentioned earlier, the energy category is one of the fastest growing categories in GB. In 2011 the glucose subcategory within total energy grew by 16%. This follows double-digit growth for a number of years and the glucose category is now worth over £300 million in retail sales. In 2010 Britvic entered the category with a launch of Mountain Dew Energy, one of PepsiCo's billion dollar global brands. To date, Mountain Dew Energy has been a great success for us and was recognised at the 2011 retail industry awards with the accolade of product launch of the year.

Marketing

This year we will continue to build on Mountain Dew Energy's momentum with online engagement through YouTube, Facebook and other digital media forums. In addition, we will be launching a major sampling campaign at music, extreme sports and gaming festivals, all of which give us the opportunity to interact with our core target consumers. And most excitingly, we will be linking up with Xbox to support the launch of Halo 4. This promises to be the biggest gaming launch of 2012 and we will be supporting this by offering a unique on-pack promotion, allowing access to exclusive online content for serious gamers. And I am sure many of you in this room will be taking advantage of that. To support the Halo campaign and to build on the success to date, we will also be adding a new flavour to the range which you can see on the screen – a raspberry flavour. Mountain Dew has been an incredible success to date and we have a strong plan this year to continue the momentum.

Lipton Ice Tea

Ice tea category

The second recent brand launch I want to touch on is Lipton Ice Tea. The ice tea category in the UK is hugely underdeveloped when compared to the rest of the world and it represents a massive opportunity for the soft drinks category. If you take Asia for example, Ice Tea accounts for 15% of total soft drinks consumption. In Western Europe the average is just 3% of the soft drinks market. The category in the UK however is still only just emerging, though growing very fast, but accounts for only 0.1% of volume and 0.3% of total soft drinks value. This represents a huge opportunity for growth and achieving a 3% European market average would mean a category of 390 million litres.

UK

Now clearly the fact that consumers love hot tea makes UK a little different however we believe there is a material opportunity for Lipton to grow our still revenue in the medium term and to establish itself as a core brand in our portfolio. With Lipton we have the leading ice tea brand with a huge latent brand awareness and since 2009 we have doubled the size of the brand in GB. The key to unlocking this opportunity is to get consumers to try the brand because once they have tried it, the conversion rate is extremely high. In the last three years we have had over three million consumers trial the product and we will continue our trial programmes this year. In 2012 we will lead a 'it sounds wrong, but tastes right' slogan, with a money-back pledge and a heavyweight sampling programme, we will see 2012 as a material growth year for the brand. This summer's London Olympics will also see an influx of tourists from across the world and many of these will already be established ice tea drinkers and our presence in London creates an incremental opportunity for the brand to build visibility and awareness.

2012

The activity to drive trial and ultimately conversion to Lipton Ice Tea will run across 2012 and to date we have seen double digit increases in the rate of sale across the country. In Scotland for example we have seen the rate of sale improve by 25% in the last year. As well as sampling there will be event linked activity in target cities and towns, achieving higher levels of visibility in-store and at key venues. So in 2012 we will be connecting with consumers right across the year. With the Olympics, the Royal Jubilee and the football and tennis tournaments as well, 2012 promises to be a year when we will see a real sense of community and we celebrate all things British. The campaigns that we are executing will be at the heart of these emotions and we believe we will connect extremely well with our consumers. Transform Your Patch promises to leave a legacy right across the country for years ahead, not just this summer. With our innovation and brand investment programmes we have a powerful suite that we believe will excite and engage our consumers.

Concluding remarks

So in summary, I hope you have seen today that we have a very comprehensive and exciting marketing programme for the year ahead. We have the assets and programmes in place to continue the momentum on Pepsi. We have some significant changes in investments in our stills portfolio and we have launched our biggest ever cross-portfolio campaign in Transform Your Patch. Our 2012 carbonates and stills innovation agenda alongside continued growth from years of innovation will support our guidance on innovation of driving between 1 and 2% top one growth and I am confident that we have a compelling plan to drive the GB business in 2012. Thank you for listening.

International Brand Development

Paul Moody
Chief Executive, Britvic plc

Introduction

Good afternoon again. Can I first of all apologise that it might be slightly warm in the room? It is the weather, you understand. But what we have got is another 20 or 30 minutes where I would like to cover our international brand development and then we will move into Q&A. So what I intend to do now is provide an update on the development of our brands in both Ireland and France, bringing in focus the scale of the innovation and the equity programmes that we believe will support the longer term growth ambition that we have for both markets.

It is important to recognise of course the challenge of the current economic climate and the impact this is having on the soft drinks market specifically but equally we should also acknowledge that continued investment in brand building will have potentially material future value. After speaking of our business in France and Ireland, I will then move to provide a brief update on the development of our franchise business, particularly in the US. Modelling the future value of the emerging franchise business is, we appreciate, difficult in the absence of the more detailed guidance that I know many of you would like. We remain cautious about such guidance not because of a lack of confidence in the potential – far from it – but we prefer to guide based on substantive commercial agreements rather than a theoretical assessment of the opportunity.

Ireland

Marketing across the leading portfolio

Let me know move and talk about Ireland. We do continue to invest in marketing campaigns both above and below the line to reinforce the category leading positions of a number of our brands. We maintain that we possess the strongest portfolio of brands and products in the market and that strength is evidenced by our position as number one in the stills category and number two in the carbonates category. MiWadi the number one squash brand will offer the opportunity to our core consumer which of course are the kids, to create a new flavour and to see this in production and distribution in-store during the course of this year. 7UP, which leads the lemon and lime category and which is the second largest soft drink brand in the market is offering trips of a lifetime to the lucky winner who can take seven of their best friends with them.

Club Orange will continue to disrupt the market with its rather irreverent advertising. This year's slogan is 'the best bits in the world'. Now many of you may reflect that this poster is not the most creative or indeed subtle piece of copy that you have ever seen, but using the clarion call of every marketing director, of course you are not target market, but I can assure you that the teenage boys find it really quite titillating.

Reinvigorating the number one water brand

This year the innovation focus for Britain and Ireland will be a fundamental restage of the Ballygowan brand. The soft drinks market conditions in Ireland continue to be extremely challenging and the water category has been particularly badly hit as consumers search for value regarding secondary, tertiary and even retailer own brands as an acceptable alternative to the key premium brands. Ballygowan remains the number one water brand in Ireland and our investment plan is to ensure it retains an edge on the competitive set and reinforces its number one premium position. With a new brand identity, modernised and with more contemporary primary packaging and a striking new advertising campaign aimed at celebrating the brilliance and power of water, we are convince that Ballygowan will connect even more strongly with the Irish consumer.

France

Teisseire Fruit Shoot

Moving now to France, just about a year ago we launched Fruit Shoot to the take home market in France. You will recall that we used the Teisseire brand to provide the reassurance to parents that it is so important as they make product and brand choices for their children. In exactly the same way in fact as Robinsons in both the UK and Ireland. The children's drink category in France is growing strongly with value up over 15% in the last year. The fruit drink subcategory of which clearly Fruit Shoot is now an important part, is now up 26%. Just recently Fruit Shoot was voted the fourth most successful stock soft drink innovation in 2011, accounting for 10% of all soft drink innovation-related growth last year in France. Distribution now comfortably exceeds 60% and since its launch we are now achieving a rate of sale comparable to the leading brand in the category. Where available, we know that Fruit Shoot is working and there are significant distribution opportunities to attack this year to build the scale of the brand.

As we embark on year two of the launch, we continue to appropriately invest behind the brand across a wide range of marketing collateral. As well as the promotional activity in-store and the increasingly important digital advertising medium, we are looking to drive Fruit Shoot awareness both with a TV campaign and a tie in with one of France's leading young singers. Caroline Costa is a YouTube and Facebook phenomenon with over 50 million hits on YouTube and half a million Facebook friends, she is a high profile teen sensation. Our association with Caroline includes her drinking Fruit Shoot in her new video which has already been seen over one million times on YouTube. As a further and significant sign of confidence in the success of Fruit Shoot, we are launching a new flavour called Multivitamin. Not a flavour familiar in GB, but it is the second most popular flavour in France and is effectively a blend of fruits with added Vitamin B and Vitamin C.

Syrups innovation

In the syrups category, which has a retail value of approximately €300 million, we are the category leaders with both the number one and the number two brands and a material share of the private label business. With Teisseire, Moulin de Valdonne, we intend to capitalise on new opportunities to grow the category. Firstly we will introduce new flavours into both brands – Teisseire will see the addition of multi-fruits flavour and kiwi in the summer. Moulin de Valdonne will see its Classiques range extended, with both a lemon and an orange variant added. In addition, we are broadening the reach of Moulin with a new range of syrups to be used with milk. This will take us into a whole new category opportunity to compete against both the established with-milk cordials and with-milk power formulations. Notably in response to the challenge of managing a significant price increase, fundamentally as a consequence of the extraordinary increase in the market price for refined sugar, the Britvic France commercial leadership have executed a super piece of pack and price architecture that has helped mitigate the impact of the price increase for our consumers.

Syrups marketing

This year we have developed marketing plans for our brands across a number of platforms. Teisseire will sponsor for the first time the popular television show Plus Belle la Vie, watched by over five million viewers daily on Channel 3, it follows the lives of the inhabitants of the imaginary neighbourhood Le Mistral. Teisseire will again sponsor the Tour de France in 2012, a truly iconic sporting event, watched by over 12 million people in France alone, we will continue to build our visibility and awareness.

This year we will support the brand with one million giveaway samples. For Moulin de Valdonne we are focussing on digital marketing campaign. The brand is launching a competition to create the next new favour for the brand and it includes a number of well-known celebrity judges deciding on the winning flavour. You will note that this is the same mechanic broadly that we will be deploying in Ireland on the MiWadi brand. This is a simple example of our best practice focus to help transfer ideas and capability across our business units.

Juice innovation

Turning now to our branded juice portfolio. The Fruité brand is launching a new range called Fruité O. This is a juice-based drink that is looking to exploit consumption opportunities throughout the day. Currently 68% of all juice is consumed at breakfast time. With unique flavours, natural ingredients and less sugar than pure juice, we believe there is a material opportunity to be exploited here, offering the benefits of hydration, naturalness and fun.

Pressade will also be launching a completely new range – le BIO. It is a new range of affordable, organic, 100% fruit juice available in three flavours that meet broadly three-quarters of consumer demand, it will offer the ability to buy an organic juice at a competitive price. With the current consumer headwinds likely to prevail in the short-term, this again is aimed at tapping into a new profit pool opportunity. And finally, with the core Fruité juice range, we will be introducing a new pomegranate light range to complement the established range which again develops on the super-fruit tactic.

Juice marketing

And next month, we will be taking Pressade on television for the very first time, showing on Channel M6, the show – similar in format to Come Dine with Me – will be sponsored by Pressade. A show with primarily a female audience, it offers a great opportunity for the brand to raise its awareness with its core consumer group. In all, the tie-in will generate around 30 million consumer contacts across the series run.

Australia

Fruit Shoot

Let me now move further afield. As you will recall, we launched Fruit Shoot in Australia with our partner Bickford's back in 2010. From the outset this was based on a concentrate model whereby we shipped the primary ingredients to Australia for manufacturing and bottling and in addition we have worked closely with Bickford's to supply the know-how on market development, promotion and how to establish Fruit Shoot as an established premium children's soft drink.

Having achieved this successfully in GB, Ireland and the Netherlands, we believe that transfer of this capability is a key component to the brand franchise model and the relationship development. In year one we achieved a 17% market share of the children's drinks category, making it already the number two brand, and we have great confidence that we will be able to develop a wider footprint for the brand using the collateral that we have developed in GB over several years, some of which Simon featured in his presentation.

We know that with Fruit Shoot we have a unique proposition. In GB it is the leading brand and it effectively reinvented the category. In Australia it is helping to grow and develop the category. In its first full year we have seen Fruit Shoot account for 30% of the total category growth. The ability to grow the category is a key attribute of our brands for those to then be successful internationally. The Fruit Shoot model is based on tapping into a new, bigger profit pool. We are able to demonstrate a clear and proven model that will grow sales and profit and this is a crucial component in our discussion with our partners and potential partners. This year-one success means that the key retailers are now planning to increase shelf space and distribution for Fruit Shoot.

Fruit Shoot marketing campaign

To support this, the Britvic International team has been working to help retailers to develop plans to create the most effective and impactful use of space. In addition, this year, Bickford's will be launching a further flavour into the market. With our local partner we have developed an integrated plan to build both awareness and drive trial of Fruit Shoot. The advertising campaign is targeted at both parents and children.

United States

Fruit Shoot

So let me know focus on the US. You will recall at the preliminary results presentation in November 2011 we told you that we had distribution of Fruit Shoot singles in approximately 5,000 outlets across the States. With our distribution today, that number of outlets has risen beyond 12,000 and with the additional PBC states of Florida and Georgia coming on-stream, we expect this momentum to continue in 2012 to exceed 20,000 outlets by the year end. We have listing for Fruit Shoot in major retailers across the six states and have been focussed on securing listings with target accounts as well as building the brand credibility with both children and parents.

Fruit Shoot – in-market production to begin May 2012

In-market production by Pepsi Bottling Ventures will begin in May and the first batch of concentrate is now on its way to their manufacturing facility in Carolina. This represents a significant milestone in the development of the Fruit Shoot brand in the US with the ability of PBV to meet the need of the current bottling agreement and future developments, this will provide the required platform from which the opportunity to build a genuine large-scale brand can be realised. Today we can confirm that we have now reached agreement to take Fruit Shoot into Ohio with Gross and Jarson and also confirm that we have secured a third state with Pepsi Beverage Company. Unfortunately at this stage for commercial reasons I cannot reveal the name of that state, but I can assure you that it is a huge scale state.

Fruit Shoot – building its international credibility

In each of our core markets and the new international markets we are seeing more and more evidence that Fruit Shoot has the potential to succeed. With its unique properties, its appeal to both parents and children, it has proved that it has the capacity to grow and develop the children's soft drink category. We are seeing strong growth in the US and France. We have strong market positions in UK, Ireland and we have recently launched into Belgium. All of this gives us real confidence of the brand's long-term potential to grow. What I have given you is an insight to the continued focus on our brands in both France and Ireland. Notwithstanding the economic challenges, you will have seen we are focussing on brand equity as well as innovation. We have reached further agreements for distribution in two new states in the US that will continue to accelerate our growth well in excess of 20,000 points of distribution by the year-end. And as a consequence of the platform for in-market production with PBV, we believe that this sets a template for further expansion in the US as we build our state penetration.

Concluding remarks

So that concludes the insight to the international business in France, Ireland and international. What we would like to do before I give a summary close of the entire event is ask Simon, Simon and John to join me on stage and they will be very happy to take your questions. We have two roving mics. If you will forgive me, what I will ask the guys to do is go to where I point and if you would be kind enough to just give your name and your business and then we can take the Q&A. You will appreciate that this is always being webcast so if we can speak loudly and clearly that would be very helpful. Thank you. First question – Ian.

Q&A

Ian Shackleton (Nomura): Ian Shackleton from Nomura. Two questions – one on pricing in GB. You are now talking about 2% ARP for the year. I wondered just how firm that is. Have you concluded all the price negotiations with major retailers? And presumably with ARP that is mainly price rather than mix. And the second question is on import costs. John was talking about mid-single digits going forward. Does that change the way you hedge going out? I.e. do you hedge further out in order to cover what you see as an increase over a number of years?

Paul Moody: Thanks Ian. I will ask John to answer the second question first and a bit of the first question and then hand over to Simon for the balance of the first question which will become evident as we go. John.

John Gibney: Okay, thanks Ian. So the question around raw materials, at this stage I would not say it is going to change the way we approach hedging our raw materials. If you take the crop-based ones in particular it is pretty difficult to go much beyond a year so that would certainly cover off juice and sugar. In terms of the packaging types, PET as I said in the presentation, we have actually hedged for the balance of the financial year. That is actually significantly longer than we would have hedged in previous years so we think we have done a pretty good job in extending it out that far. Going much further than that is really pretty challenging. We have certainly used cans which tends to be an annual contract, again based on the visibility of steel in the marketplace and glass which is also annual. So at this stage we would not see necessarily that. Where we can see tactical opportunities if it makes sense, then yes we would certainly consider that but that would be round the edge rather than the norm of what we would expect to do.

Ian Shackleton: So as of today there is very little hedging in place for FY13.

John Gibney: There is very little in place for FY13, no. And again, one of the things to bear in mind is that if you take what has happened with raw materials over the last 12 months, then it has been an industry issue which therefore has been the platform off which our price negotiations have been based and if it continues at mid-single digit inflation, which as we have said is our best guess, then it would be reasonable again to expect that all of our competitors will be in the same place.

So going into a price increase then, you are not disadvantaged if you are not able to hedge it out any further than the current final year. In terms of the guidance, I will let Simon comment on where we are on the negotiations. The question around the 2%, it is always, as we know, dangerous to put a number up there but one of the things I would suggest that you bear in mind is that will be the impact of a number of phases in the year. So clearly the first quarter, which we talked about in January, I think our overall ARP grow was actually 0.8%, and as we spoke about, we deliberately went a bit more aggressively on promotional discounts which diluted the ARP in that first quarter. The flipside of that is, again as you heard from Simon, we had an incredibly successful quarter for Pepsi through growing our volume materially, so we think that was a sensible thing for us to do – we got a return on it.

But nevertheless the ARP in that first quarter was obviously lower. If you recall last January, we pulled our price increase forward to coincide with the VAT increases so effectively for January and February we have got no price increase year on year because the price increase did not go through until after that. So that is why, as I say, it is always dangerous with these things, but the 2% that we have talked about is really an across the year number that we have talked about. So we are still maintaining that what we set out to do around the price increase was to recover the impact of raw material inflation and that still is what we are saying. I think the other thing to factor into that will be as we go through the year how promotional behaviour plays out in the market place through consumers is going to be quite important in terms of where that ARP actually ends up. But in terms of the first part in which we can control, then I think we are in exactly the place that we would want to have been in. Simon.

Simon Litherland: I think that is exactly right. We are at this stage of the year where we have successfully negotiated in our headline pricing which has gone very well but as you, yourself Ian articulated, what we end up with is partly dependent on our promotional effectiveness and of course there are also mix elements both from a channel perspective shifting from on to off trade and also a category mix with stills and carbs. So we will see how that plays out during the course of the year.

Ian Shackleton: We are right to think that within that 2% most of it is priced – there is not a lot of mix. When you talk about the premium categories obviously still being under pressure...

Simon Litherland: Yes, and from a headline price perspective across the three channels as we look at it – grocery and on-the-go and then the on-trade – we have successfully negotiated our pricing in. Thank you.

Paul Moody: Thanks Ian, thanks Simon.

Wayne Brown (Collins Stewart): Hi guys, just a couple of questions from me. Earlier on in the presentation you were talking about private labels versus brands and the power of the brands. In relation to Robinsons, can you just give us some sort of a feel as to what the trends are you are currently seeing in the market this last year? We clearly saw quite a bit of competition from me-too brands in Fruit Shoot and private label and you were commenting about the pricing of double concentrate in that launch, how that is progressing now.

Paul Moody: Simon, would you like to take that?

Simon Litherland: Yeah sure. So, clearly as I said and you will know that Robinsons is the category leader and yet within this economic environment private label is a significantly cheaper alternative but we have pretty much maintained share on Robinsons over the past period. We have lost a fraction of volume share but our value share is coming back and of course what we want to do is build a sustainable value proposition going forward. So we are very comfortable with where the brand is from a share perspective and then with regard to double concentrate, we know that double concentrate buyers consume more squash. We know it is an expandable category, we know that it gives consumers more value and it is indeed more profitable for ourselves. And where we have consumers buying into double concentrate, buying more squash and so the opportunity for us still going forward is to bring more consumers and more households into the concept of double concentrate and into the Robinsons franchise behind double concentrate. So still more opportunity to go for on the double concentrate front. But the reason for doing it and the model absolutely works, and where people are buying Robinsons double concentrate they are absolutely consuming more which is what was the intent or the idea behind it.

Wayne Brown (Collins Stewart): And Paul, the pricing issues that you mentioned you had at the launch last year, just give us a feel as to if you think the pricing of the range is where you expected it to be for 2012.

Paul Moody: I think if you remember last year we talked about a couple of challenging account issues which was more about value rather than about specific price. I think that both of those issues have been addressed as we have gone through the balance of last year as we moved into this year. I think the challenge still remains for us to ensure that the consumer really does understand the value proposition of double concentrate and that will be part of the programme, that Simon alluded to, we will be driving. So I think the evidence is very clear: where the consumers buy into DC they do consume more – considerably more than they otherwise would. So the white space is clearly converting the other users into that double concentrate space. So we think we have a value proposition – we will, during the course of this year, ensure that consumers get it in the way that we would wish them to. And then we are pretty confident to Simon's point that that white space will be eaten up by Robinsons DC.

Simon Litherland: We can go after it just to build on that through clear communication, which is one thing we will do, and then looking at our price and pack architecture so that we can bring out packs and formats that clearly demonstrate value for the consumer.

Participant: Going back to the innovation programme probably from 2009 and 2010, there was a lot of talk about Gatorade and the build-up of that brand in the market. Can you give us some sort of an update how that is developing and your outlook for that for the next year?

Paul Moody: I will ask Simon to talk about Gatorade.

Simon Stewart: Gatorade selling from PepsiCo's perspective has had quite a big strategic rethink and if you have a look at what they are doing in the States, they have taken it from being a beverage brand into more of a food nutrition brand. So traditionally it was just liquid. What they have done now is they have done what they call Gatorade 1, Gatorade 2 and Gatorade 3. Gatorade 1 is pre-exercise which is a combination of powders and milks and that type of thing. Gatorade 2 is the traditional Gatorade beverage and Gatorade 3 is after exercise, the replenishment of muscles, that type of thing. That strategy has been extremely successful in the States in terms of restaging Gatorade because it had become maybe not a sports drink, but just a general drink, and they wanted to bring that back.

We are the first market internationally to be actually executing that so what we have done is we have pulled back on what we are doing in Gatorade and we are rebasing it. We have a specific sales force which is looking at specific sport areas. We are beginning to sell the 1, 2 and 3 and we will probably be able to give you a general update in a little while but we have only been doing it for a few months and it is probably too early to comment.

Wayne Brown (Collins Stewart): And then just one last thing on France, with regards to the outlook being challenging and tax rises etc, can you just give us some sort of a view on the private label business – how that is performing and, if it is actually core, would you look at selling it in the future with the focus clearly being on all the brands and the positive developments on that front?

Paul Moody: When we acquired the business in France we were very clear that the priority was the acquisition of the brands and developing the branded portfolio within the market and as evidenced in this afternoon's presentation, Fruit Shoot is doing extraordinarily well. To the specific question, it would be fair to say that the negotiation this year around pro-label contracts has been challenging, and that is a combination of the extreme raw material price increases that we have seen but also the retailers themselves being quite resistant at price movement, bearing in mind that they were also having, across the broad soft drink category, to cope with the sugar tax impact as well.

So as we have concluded our negotiations, we are pretty much in a neutral position year-on-year. Would we regard private label as core to the future of the French business? No, we do not. Would we consider that there might be a transition from private label into brand? For sure, that is what we described at the outset. So our position is not materially different but the opportunity is about leveraging the brand strength and that will give us the confidence and clearly the financial structure to maybe consider what the future of private label is. But at the moment, we are a strong participative player in private label juice and we clearly are a very strong player in private label syrup and we would expect to be in that position for the foreseeable future. Thanks Wayne. Andrea.

Andrea Pistacchi (Citigroup): Hello, this is Andrea Pistacchi from Citigroup. I have a couple of questions on innovation. One on the issues in stills has been in the on-trade channel; essentially, consumers trading down to cheaper products, particularly in carbs. I was wondering how you are addressing this though your innovation, in longer-term plans, here, in order to capture that trading down. Secondly, I wonder if you could give us a bit more colour on the 250ml launch, in terms of what consumption occasion it captures. It sounds as though you are quite positive about early, strong success of this launch; is there any way of comparing it with the 600ml launch? I understand that was completely different, being a different segment, but is there any way of comparing that?

Paul Moody: Simon S, would you like to answer that question?

Simon Stewart: I shall start with the question on the 250ml launch. The occasions are very much at home, family and lunchbox occasions. It is also an element of portion control which, as you know, is important; there is quite a lot of discussion around CR and similar things. The 250ml falls into that. In addition, the consumer is looking for a pack that does not go warm at the end. If you consider the 330ml, quite often, people do not drink it fast enough and it loses some of its chill and carbonation. As such, the 250ml is very much a quality play. In comparison to the 600ml, as you say, it is really quite different. I think, however, what the 250ml has done is to bring new uses into the category, because it has allowed mothers to have their portion control. I think that is quite an important piece around it. The lighter users are also more comfortable, so it is heavier consumption from lighter users.

In terms of innovations, that is a good question. We do believe that the restaging of J2O which Simon presented earlier will re-stimulate J2O in the licensed area. We have learned a lot in terms of how we can trigger the rate of sale in the current new environment in the licensed area. We are actively looking, now, at the adult space, because we do recognise that the consumer has moved on. One of the tasks we are doing in innovation is having a look at that adult space to see where there may be white space available for a future innovation going on there. For this year, however, we are confident because of the reformulation, which performs extremely well with the consumer; the repackaging; and the refocus in terms of rate of sale activity in the licensed area in that that will act as an innovation within the licensed area with J2O. Nonetheless we are, as I said, actively investigating new opportunities for the adult area in juices, and other areas for the licensed trade.

Andrea Pistacchi: Okay, thank you.

Jamie Norman (Société Générale): Hello, good afternoon; Jamie Norman here, from Société Générale. I have a couple of questions. Firstly, I would like to request an update on the contract catering and food service sector, where you had been underweight and scored, I think, some notable wins 18 months ago. I would like an update on that. Secondly, in relation to Coca-Cola: having been so successful in the final quarter of the calendar year and given Coke is a very high-profile sponsor this year, is your working assumption that promotional activity from that competitor will be more intense than last year? How does that shape your thinking on ARP?

Paul Moody: I shall take the second question but Simon, would you answer the part about contract caterers and leisure?

Simon Litherland: Yes. That segment would be part of our on-the-go channel; and that channel has performed particularly well over the last three years with the focus that we have put behind it. Over that period of time, we have taken 170 basis points of share and we have built some great relationships within food service, in particular. We have had some great recent wins, with customers like Costco and Premier Inns doing well for us. As such, progress has been good, and given that we are under index in that sector, as you rightly articulate, there is still further opportunity for us.

Paul Moody: Thanks, Simon. I think with regard to the Olympics, you will have noticed that it was not entirely absent, but it was not heavily referenced as we went through the afternoon, on the basis — to use that famous phrase — 'It is what it is'. Our expectation around Coca-Cola is that there will be a high degree of activity linked to the Olympics; you will already have seen advertising the torch run, you will have seen advertising around potential to win tickets to the blue ribbon events. Our view is that there will be, clearly, a lot of activity. I would be encouraged to think that there will not be, necessarily, a price-based platform; one would hope that with that level of equity investment, there would be a rational pricing structure. Clearly, if that develops as we go through into the early part of the summer, then that will put pressure on the overall cola category. However, we have known that the Olympics is coming for a while and we have built our plan. I would hope what you have seen, particularly from Simon around the GB plan, is that we have an extensive programme; not simply transforming a patch, but around the Diamond Jubilee, around football, around Wimbledon. As such, we think we have sufficient collateral to hold our own, as it were. Thank you.

Andrew Holland (Société Générale): Andrew Holland here, also from Société Générale. I have a couple of questions. Firstly, can I ask John to clarify his remarks on first half and second half margins? I think you says they are going to be lower in the first half than the second half; does that mean lower than the average for the year or lower than the first half last year?

John Gibney: The second one, Andrew. Year-on-year, we expect first half margins will be lower than first half margins last year; and then the second half margins should have improved versus the second half margins last year. As to the net, we would expect to see a small positive for the full year.

Andrew Holland: Secondly, on the US franchising: can you talk a bit about the barriers to entry for other, lookalike products? Particularly, is there anything to stop PepsiCo launching a 'fruit shot', for example, at some point in the future?

Paul Moody: To take that question specifically, clearly what we have with Pepsi are distribution agreements. We are developing, clearly with PVB, the equivalent of an exclusive bottling agreement. Having lived with those agreements for some years, we know exactly what needs to go in them; and one of key components is that there can be no competing products or brands in the same space. In the same way as Britvic is prevented from developing a cola brand — on the basis that Pepsi-Cola would be less than happy with that — our partners in the US are precluded from developing a kids-based juice drink brand.

From a partner perspective, that is an inherent element of the contract. I think, beyond that, as we have looked at the market — and you remember that we have been in Alabama for the last four years or so — we have seen no material new entrant into the category. Indeed, because of the relative premium position of Fruit Shoot, it would be a very difficult space, ironically, for people to move into. We have seen no pack development; and indeed, as we have developed our proposition, the rate of sale that we have developed has accelerated over time. I could not be certain and say, 'There will be no lookalike entrant', but we have seen no evidence of that thus far. I think the key element — in very much the same way as we experienced in GB — is, certainly for the very early years of Fruit Shoot but even now: even where there is a competitor brand which appears to be similar, the product proposition, the packaging, the cap, the liquid and the equity that has built around fun and activity for kids, has given it a distinctiveness that we have yet to see anyone successfully copy. Consequently, we are not complacent but we are confident of the separation that we can maintain between ourselves and any other would-be competitors.

Andrew Holland: Just to be clear: you say your partners cannot do anything; can Pepsi? I take it you are referring to the bottlers rather than to PepsiCo.

Paul Moody: On the basis that one of our partners is Pepsi Beverages Company, which is a wholly owned company within Pepsi, I would extend that to PepsiCo.

Charles Pick (Numis): This is Charles Pick of Numis. I have two questions. You mentioned the largest ever campaign for Transform Your Patch; is it possible to say what the two partners, collectively, are spending on that scheme? Secondly, on the concentrate Fruit Shoot manufacturing capability in Dublin, I think you mentioned last December about the investment that had been made in that area; can you say what capacity is now and when you expect to expand that capacity?

Paul Moody: I shall take the second question; Simon, perhaps you can take the first?

Simon Litherland: On the first one, I do not think we really want to disclose a specific amount of money that we are spending on the campaign, but it is significant relative to other soft drinks or consumer goods categories and it is multidimensional, as you would have seen from the presentation. We are very excited about the impact that will have. The campaign itself is funded on consumer insight, with consumers looking for further investment in the communities and finding that appealing to themselves. Secondly, the campaign fits very well with our brands, if you think of Robinsons and kids in playgrounds, or Fruit Shoot; Pepsi and football; or Mountain Dew Energy and skate-parks, etc. We are very excited about the campaign will bring.

John Gibney: I shall just to cover off the modelling piece, Charles. The expenditure is within our guidance, if that was what was behind the question.

Charles Pick: Is it possible to say what your capacity could currently supply?

Paul Moody: Again, I will not give a specific figure, but what we have at the moment is that the investment we have made in our plant in Kylemore is certainly adequate to take us through the next 12-18 months, with an expectation of a steady growth. Clearly, what that does not legislate for is a decision by one of our partners to significantly accelerate the programme. However — again, trying to get underneath the question — there will be no requirement to invest significantly behind the Kylemore plant in the near term; to give a further expansion to the answer: in the event that we do, we have both the space and the capital within the existing guidance to support that, should we need to.

Simon Gergell (RCM): This is Simon Gergel from RCM. Following that up on the States, could you say whether Ohio will be supplied from the same bottling plant as that from which you are supplying the other US states, or will it involve a new plant? As to the state you cannot mention, is that also going to be supplied from the same distribution plant; from the same concentrate?

Paul Moody: The way it is currently modelled is that to the extent that the manufacturing capacity in the plant in Carolina can support beyond its home market, then it will; to the extent that it is unable to do that, then we will continue the export model that we have worked with over the last two or three years. In relation to the additional state, the same answer applies. To give a slightly more helpful observation; clearly what we are consciously pursuing now is the potential for establishing further points of manufacture in the US, to support that territorial expansion. As you will appreciate, there is the tricky challenge of, 'Is it lead or a lag?' and I suspect at the moment both ourselves and our partners will be working on a slight lag; so, establish the density supported by an export model but very rapidly then build capability in-market. In terms of the relative investment — and I will not give the absolute market — that is required by the partner is, for a soft drinks-based business, relatively small. In terms of time, from beginning of project to online production, that is also relatively small; because here, we are talking about conversion of a pre-existing line rather than installation of a brand new line. As such, we are pretty confident that should the market accelerate, we are in good shape to accelerate the productive capacity.

Jonathan Fell (Deutsche Bank): Hello, this is Jon Fell from Deutsche. I have a financial question which my guess is might be for John. Looking at your guidance, it appears as though your mid-term guidance on volumes and revenues has not really changed. I would think for most of us, an expectation input inflation being at mid-single digits is perhaps slightly worse than you would have hoped last year, or even six months ago. Are we in a situation where you are going to struggle, actually, to deliver your mid-term guidance for the next few years; or how do you make that picture fit together?

John Gibney: I suppose the mid-term guidance we have spoken about refers specifically to guidance we got some time ago and really, was against a backdrop of low single-digit raw material inflation. If we continue to see mid-single digit inflation on raw materials, our ambition would be absolutely the same; which would be to recover the cash-margin impact of that. Where we would see, then I guess — again, from a modelling perspective — what you would want to do is increase ARP growth in order to recover that. As such, as a broad theme, our ambition as regards low-single digit or mid-single digit would always be to be able to recover the cash-margin impact.

Paul Moody: Any further questions? Clearly, we will be around for a while afterwards. My experience of these events is that there are very few questions, and then we shall be inundated with questions over a glass of something. At that point, I shall ask the guys to leave the stage, but they can leave their chairs. Then I shall do the close and we can break-out. Thank you very much.

Concluding Remarks

Paul Moody
Chief Executive, Britvic plc

Resilience

What I would like to do is give you a bit of a summary close, without necessarily replaying the entire afternoon. I think my comments would be: clearly, that the soft drinks market that we work within is remaining resilient in the face of the economic uncertainty and the fragility of general consumer confidence. I cannot imagine that we have made observations about the consumer space which you have not heard many, many, many times before over the last several months.

Customers searching for value

However, notwithstanding the resilience of the category, we should not presume that the category is immune from the strictures of what is, in effect, recessionary behaviour. I think Simon’s piece around shopper behaviour very well captured the behaviour that perhaps not everyone of us in this room is exhibiting, but certainly up and down — whether it is Ireland or GB or France — we are seeing evidence of: consumers searching for value and spending only what they can afford. This materially impacts on the scale and relative cost of promotional activity. Again, the commentary from both Simons makes it very clear that consumers who, perhaps a year or two ago, would have been seduced by a buy-two-get-two-free, are now wondering whether they actually need eight litres and whether they should perhaps be buying only what they need for that very moment. So, our consumers are searching for value.

Customers competing on price

Our customers are competing aggressively on price. This seems to be, to us — certainly, me — the primary, if not only discriminator that our customers are now pursuing. All categories are under increased pressure to perform and indeed, the space traditionally reserved for impulse categories in big stores is now being coveted by household goods, health & beauty and general everyday commodity categories, in a way that you would not have seen perhaps a year or two years ago. I do think we are in, at the moment, a new consumer reality, and for how long is very difficult to predict; but we are managing our business on the presumption that a full recovery is still some little way away. Notwithstanding that, in that context, I actually think that Britvic is in great shape; and this afternoon, we hope we have demonstrated to you that Britvic is in great shape. As John explained, we are very well funded for the medium term, and have strong support from our consortium of banks and the holders of our US private placement bonds.

Strength of marketing

As I look out to the balance of this year, I really am genuinely excited by the strength — both the depth and the breadth — of our marketing programmes in GB, in Ireland and France. We have fantastic equity programmes that leverage the key events of the year, be it the Diamond Jubilee, Euro football, Wimbledon or Tour de France; and our recently-launched 'Transform Your Patch' initiative engages the whole nation in GB, across the broadest portfolio of brands, in building a genuine legacy for our communities up and down the country. We have an excellent array of innovation in our GB business, encompassing liquid and packaging; and two very important refreshes of market-leading brands designed to cement their supremacy in the category.

France

France continues to stretch their juice brand into new and different consumer occasions and profit pores and of course, the success of Multivitamin Fruit Shoot demonstrates the success to date and our confidence in its continued success going forward.

US

Our expansion with Fruit Shoot into the US is — we realise — headline-grabbing. We also recognise that we may be viewed as rather cautious in our public statements, never quite delivering as much detail as many of you might like.

Progress

However, I think I should be clear and talk about the outstanding progress that we have made in the last 12 months. We have moved from one to four distribution agreements; one of these with the single largest and Pepsi-owned bottler in the US. We have increased our distribution outlet from five to 12,000 outlets and can be confident that this will significantly exceed 20,000 by the end of the year. We have moved from one to eight US states, covering a population in excess of 50 million. Most important of all, we have shipped our first consignment of concentrate from Dublin to the US, where PVB will produce Fruit Shoot for their own and adjacent territories, to be in-market by early May. No doubt we all live in challenging times. Britvic is well placed to weather the storm and more than that, well-prepared to take advantage of a recovery in global and national economic health. We are focussed on our brands; we are focussed on our consumers; we are focussed on our customers; and we are convinced that we have a winning package.

Feedback

Before I invite you to join us for a drink or two in one of the break-out rooms — if you would like to have a locker, those are out in the lobby — we really are very keen to understand your feelings about this event. In the past, we have encouraged you to feed back on the event, in terms of its content, its structure, its duration and so on; and I have to say, we are never inundated with responses. Consequently, we have now resorted to flagrant bribery and corruption; well, certainly bribery, if not corruption. You will have found on your chair a feedback form, which we would very much like you to complete; and putting your name on it, so there is no anonymity. You will have noticed, if you read it, that the incentive is, for the lucky piece of paper that gets pulled out, we will donate £500 to a charity of your choice; so, a very altruistic gesture and one that we are prepared to make for you simply filling in the form. However, to add that further encouragement, what I, personally, will offer to that person whose paper is pulled out, is two centre court tickets for the middle Saturday of this year's Wimbledon championship, which is a prize money just cannot buy. So, please fill the form in; please take your chance at both the donation and the prize; and now, join the entire Britvic team for a drink.

Thank you very much for your attention and focus; I appreciate your forbearance in this somewhat warm room. We will be very happy to chat as we break out. Thank you very much.

[END OF TRANSCRIPT]