Britvic Prelim Results

24th November 2021

Transcript

Simon Litherland...: Good morning, everyone. Thank you for joining us today for our 2021 full year results presentation. I will start by sharing some of the highlights of the year. Joanne will then run through our financial performance, and I will come back to talk about our future growth and investment plans. After that, we'll be happy to answer your questions.

It's been another remarkable year for Britvic and all our people. I'm incredibly proud of the Britvic team who've delivered a strong performance in another challenging year and ensured that we are emerging from the pandemic as a stronger, faster growing, more at agile and resilient business. In at home, we continue to grow strongly consolidating the gains we've made across our portfolio of family favourite brands, and we end the year with shares significantly ahead of where we were in 2019. We continue to successfully access new growth spaces through innovation, acquisition, and partnership.

Simon Litherland...: We have stepped up investment behind our brands, infrastructure, people, and planet, especially in the second half of the year as our markets started to open up again. I am especially proud of our supply chain resilience which has benefited from the investment in the business capability program and our teams working in close partnership with our customers and suppliers to respond to market volatility and supply challenges, thereby protecting our service levels and the on-shelf availability of our brands. This year, we have also generated our highest ever free cash flow enabling us to further reduce our net debt and increase our dividend in line with our policy.

Simon Litherland...: I'm delighted to share the holistic nature of our delivery with strong improvement across all our key people, planet and performance metrics. Underlying revenue is up 6.6% adjusted EBIT by 10% and margin has improved by 40 basis points. We have delivered free cash flow of 133 million, an increase of 43 million pounds and increased our dividend by 12%. From a people and planet perspective, our calories per serve at 25 is well below our stated target of 30. And despite the challenging market environment, we have highly engaged teams across all our business units with a top quartile employee engagement score of 80%. Finally, we've now moved all of our GB immediate consumption packs into a hundred percent recycled PET.

Simon Litherland...: I will now headline our progress by business unit starting with GB. We've seen three key channel trends in GB in 21. Continued growth in the structurally larger at home channel with online participation at 16%, double what it was in 2019. A second half rebound for on trade customers as restrictions lifted an immediate consumption is now back to 2019 levels as people move around more and start returning to the office. Our portfolio of low and no sugar family favourite brands has continued to grow. Carbonate brands, Pepsi Max, 7UP and Tango delivered strong revenue growth. And following the lifting of restrictions in the on trade and the reopening of schools, J2O and Fruit Shoot also grew strongly this year. Flavour concentrates consolidated the gains made during the pandemic with consumers continuing to spend more time at home. Against the tough 2020 comparable, Robinson's revenue declined slightly year on year, but remains ahead of where it was pre-COVID.

Simon Litherland...: We continue to innovate to access new occasions and accelerate growth. Firstly, across the core portfolio, we have launched new flavours to broaden appeal for both new and existing consumers, such as Pepsi Max Lime and Tango Dark Berry. We've introduced new offerings to expand our health and wellbeing leadership, including the relaunch of Purdy's and Robinson's Ready to Drink. We've also leveraged our dispense leadership to offer new experiences and access new occasions with the rollout of London Essence Fresh Serve, which is now in over 500 outlets and the expansion of Aqua Libra Co taps beyond the workplace into trials in leisure and retail. The acquisition of Plenish has given us access to the fast growing plant based category. The integration with the wider Britvic is going well and we've started to see the benefits of bringing the brand into our business gaining new listings in both GB and the Netherlands.

Simon Litherland...: We are also progressing some exciting brand development for spring 2022. As you know, we took on Rockstar at the end of last year, giving us access to the scale mainstream energy category. During the year, we have worked closely with PepsiCo on their brand makeover. The completely revamped proposition is now successfully in market with a new pack design, improved liquids, a higher price point and a new marketing platform built around gaming. While it is still early days in many of these growth areas, I'm excited by the potential they represent and by our plans to accelerate their progress further. A healthier people, healthier planet program has remained central to our work in GB. We've been working hard to bolster wellbeing, diversity and inclusivity to retain and recruit the best talent. And over 90% of our GB volume sits below the soft drinks levy and the threshold for HFSS.

Simon Litherland...: So, we are well placed to take advantage of the continuing trends towards health and wellness. On healthier planet, we've made excellent progress in rolling out recycled PET and continue to support the development of a workable deposit return scheme across the UK which is essential to collect sufficient feed stock for the rPET system. We were the first UK soft drinks company to commit to the science based target of limiting global warming to 1.5 Degrees C. And we're implementing a number of decarbonisation projects such as installing heat pumps to replace boilers and migrating from fossil fuels to renewable energy. And on water stewardship, we've partnered with the River's Trust and are working with them on site specific water catchment initiatives to protect this most precious resource.

Turning now to Brazil where we've delivered another year of double digit growth. Our core ready to drink and flavour concentrates brands achieved record market share in both categories during the course of the year. Our performance in the kid’s category has also recovered strongly with Fruit Shoot taking share as schools reopened.

Simon Litherland...: We've also continued to expand our category presence, further scaling recent launches, such as Puro Coco, Selecao grape juice, and nurturing Natural Tea and the plant-based Nuts brand. Although a small part of the business today, we are also trialing some of our group brands, including Pressade, Britvic and London Essence mixers, and Mathieu Teisseire syrups, to grow our presence in more premium, higher margin categories that have long-term potential. We've partnered with farmers and educational bodies to ensure efficient, sustainable production, achieved our first full year of zero waste to landfill, and our factories are increasingly powered by biomass.

Simon Litherland...: Our other international markets include France and Ireland, where our main focus has been on improving margins, as well as the growth opportunity offered by broader international expansion of our premium brands, London Essence, and Mathieu Teisseire.

Simon Litherland...: In France, following the disposal of the private labeled juice business, we are focused on our higher margin brands, and delivered share gains across the portfolio. Fruit Shoot had a very good year, benefiting from the return of children's activities, while the comparable for syrups was extremely tough and was exacerbated by adverse summer weather.

Simon Litherland...: In Benelux, we are focused on higher margin syrups, and we've taken share and are please also to have gained a first listing for Plenish.

Simon Litherland...: In Ireland, we exited the wholesaling of third party brands, closing Counterpoint, while retaining access to the On trade through distribution agreements.

Simon Litherland...: At home performance has remained strong through the year, and as lockdown restrictions eased, we saw consumer demand led to a strong bounce back in Q4 across the on trade and the on the go channels. From a healthier people and planet perspective, we converted Ballygowan into 100% recycled PET, and received a gold award from Origin Green, Ireland’s leading sustainability network for food and beverage companies.

Simon Litherland...: While the global restrictions over the last year have inevitably slowed the progress of our premium brands, we have started to see a recovery, as restrictions have eased. London Essence is now stocked in twice the number of outlets it was before COVID, and we are seeing good progress in our focus international markets, such as Teisseire into the Middle East.

Simon Litherland...: Finally, I would like to remind you of the consistent returns Britvic continues to generate for shareholders. Since 2013, 534 million pounds has been returned to shareholders through dividends, and our market cap has increased from 1.1 billion to 2.4 billion. Over this period, we've delivered a total shareholder return of 156%, well ahead of both the FTSE 100 and 250. As a business, we are committed to maintaining this up performance in the years ahead, and I'll share more later on how we plan to do that. But for now I'll hand over to Joanne to share further detail on our financial performance.

Joanne Wilson: Thank you Simon, and good morning, everyone.

Joanne Wilson: As Simon shared, we have delivered a strong performance in the year, with all key financial metrics on a positive trajectory, reflecting the resilience and agility of our business and the entire global Britvic team. Before we get into the detail, figures on my slides will focus on adjusted measures, and items expressed in percentage growth terms are calculated on a constant currency basis and adjusted to remove the French private label juice and Counterpoint agency businesses from the base to aid a like for like comparison.

Joanne Wilson: Group revenue increased 6.6% year on year, and we saw a sequential improvement, the second half revenue increasing 16.8% versus financial year 20, and 3.3% when compared to our second half 2019. Adjusted EBIT increased 10% to £176.5 million, resulting in an adjusted EBIT margin of 12.6%, and underlying year in year improvement of 40 basis points.

Joanne Wilson: Profit performance reflects the higher operating leverage as volumes increased, a partial improvement in mix and continued discipline on discretionary spend. All of which enabled us to rebuild investment in the business. Adjusted EPS increased 2.5% year and year, with growth impacted by a higher effective tax rate versus last year. This reflects the one off, non-cash revaluation of deferred tax, in line with the enacted 6% increase in the UK corporation tax rate from April 2023 onwards. Our cash performance was particularly strong, with a year on year improvement of £43 million, driven by a continued focus on day to day cash management. As a result, we've delivered an adjusted net debt to EBITDA ratio of 2.1 times, which is in line with year end leverage in our financial year 2019.

Joanne Wilson: The final dividend per share of 17.7 Pence takes our full year dividend to 24.2 Pence, a year on year increase of 12%. The full year dividend equates to a 50% pay out ratio, in line with our stated dividend policy, after adjusting for the deferred tax impact on our EPS.

Joanne Wilson: Our business has been impacted by lockdown restrictions since March 2020. Driven primarily by trading restrictions placed in the out of home channel. As a consequence, we have seen significant growth in the at-home channel, where we have grown our market share. Within at home, we saw a shift away from immediate consumption to larger deferred packs, driven by fewer people on the go. These channel and pack shifts contributed to an adverse margin mix effect in the business, as the GB out of home channel dropped from a 40% share of volumes in our finance year 2019, to 27% in our first half 2021. As restrictions eased earlier this year, we saw the share out of home increase to 36% in our second half, supported by our Reopen Right program, targeted at our On Trade customers. Within at home, we have also seen immediate consumption volumes recover back to 2019 levels during the summer, supported by increased mobility and staycations.

Joanne Wilson: With the lifting of restrictions, we have seen a positive revenue trajectory for all business units in the second half, with GB, Brazil, and total group revenue ahead of both 2020 and 2019. Overall, our mix remains adverse to 2019 levels, driven by continuing strong performance in at home, but with the on trade channel trading at approximately 85 to 90% of pre COVID levels. In the absence of further restrictions, we would expect the gap to 2019 to continue to narrow through our financial year 2022.

Joanne Wilson: We delivered a record free cash flow of £132.7 million, driven by a strong underlying improvement in working capital and a relentless day to day focus on cash management. The improvement in working capital was driven by an increase in payables, and supported by continued focus on our cash collection with average Day Sales Outstanding reducing by seven in GB.

CapEx increased year on year, as we began to rebuild investment after delaying certain projects in 2020 due to COVID. Other significant cash movements included outlays relating to acquisition and increased dividend payments. And a one off receipt of £20 million relating to past pension contributions following our successful court ruling in relation to the setting of future annual increases. Our strong cashflow generation enabled us to further reduce our net debt, which now stands at £78 million lower than closing debt in September 2019. Our leverage ratio at 2.1 times is back to pre-pandemic levels, despite a lower level of EBITDA.

Joanne Wilson: Moving on to our performance across each of our reporting segments. In GB, we have made good progress across all metrics with revenue growth of 8% being driven by the at home channel, which grew at 10.9% versus financial year '20 and by 16.6% versus financial year '19.

Joanne Wilson: Out of home was broadly flat for the full year, and while it continues to lag pre COVID levels, we did see a strong recovery in the second half of the year.

Joanne Wilson: ARP growth of 3.1% was driven by an improved mix across both channels and packs. We increased our A&P in the second half in GB to levels above H2 2019 which held back margin growth in the full year, but enabled us to take full advantage of the easing of restrictions.

Joanne Wilson: In Brazil, we saw continuation of strong double digit volume and revenue growth with reported revenue up 21%, which after adjusting for PIS and COFINS tax benefits, translates to underlying revenue growth of 22.5%. This was driven by both volume and ARP growth and came from across the portfolio.

Joanne Wilson: Whilst brand contribution grew in the year, brand margin declined 330 basis points driven by continued inflationary pressures and product mix.

Joanne Wilson: Finally, turning to other international. While volume increased 0.2%, ARP declined 1.4%, and revenue declined 1.3%. This was due to restrictions in the on trade and weaker performance in France, which was impacted by poor weather in the summer and a tough 2020 comparable for flavour concentrates. Ireland began to recover strongly from the start of Q3. The second half revenue growing 21%, bringing it to flat in the full year vs 2020 after adjusting for the counter point agency business. Total brand contribution declined 1.9% with margin decreasing 20 basis points.

Joanne Wilson: We continued to exercise discipline on our fixed cost base with total costs increasing 3.9%, despite a rebuild of investment most notably A&P as signalled at interims. Total A&P was almost 27% higher year on year, the spend in the second half higher than the second half 2019. Fixed supply chain costs increased 2.2%, primarily driven by co-packing in GB and Brazil as a result of high levels of demand in each of those markets. We increased capacity in Brazil in the second half and are on track for our new can line in Rugby to be operational from early 2022, which will reduce co-packing costs in this financial year. Overheads and other costs increased 8.6%, primarily driven by a rebuild of variable reward.

Joanne Wilson: We are seeing a higher inflationary environment than in recent years, driven by commodity and energy prices, as well as haulage costs. We are focused on minimising the impact on our business and have a variety of levers to do so. In 2021, we saw a limited impact from inflation, benefiting from our commodity hedging activities and fixed supply contracts. Some of these continued into our 2022 financial year and where it has made sense to do so we have increased cover further giving us a high degree of visibility of expected costs in 2022.

Joanne Wilson: In our planning for this year, we have also sought to offset some of the inflation we are seeing through our cost initiatives, including value engineering and efficiency projects. The most significant lever however, to manage the impacts of inflation on our P&L is of course smart revenue growth management. We have built on our RGM capability in recent years and with the investment in our GB supply chain have a greater degree of operational flexibility today than ever before, to optimise our price pack architecture and our brand channel and customer mix. We have also started to implement list price increases in certain markets, and it is our intention to take further price increases across our portfolio. We have a good understanding of the elasticity of our brands and products and have confidence in our ability to execute our pricing plans. The soft drinks category has proven itself to be resilient in past inflationary periods. And the relatively high level of promotional participation provides a degree of flexibility to ensure the trade off between volume and value growth is optimised.

Joanne Wilson: So moving on now to share some modelling considerations and technical guidance for the year ahead. The shape of our growth in 2022 will reflect soft base comparators in the first half as a result of lockdowns in winter 2020 and extended restrictions through spring 2021. As shared, we are seeing higher inflationary pressure across commodities, labour, and energy. We have a high level of cover in place for 2022 and therefore good visibility of the year on year cost impact, which we expect to be mid to high single digit.

Joanne Wilson: We have a number of levers, including list price, revenue growth management, and cost efficiencies, which we will use to mitigate the impact of inflation in our P&L. We are planning to continue to invest behind our strategic growth drivers, including A&P, and will retain a degree of flexibility should market conditions change.

Joanne Wilson: Overall, we expect to make further progress on margin rate recovery. However, the extent of this in year will be somewhat held back by the anticipated time lag between inflation hitting our P&L and landing our price increases in their entirety. Plus, a continued channel mix effect.

Joanne Wilson: In terms of more technical guidance, we estimate our effective tax rate to be 21% to 22% and interest charge to be between £17 to £18 million pounds. We anticipate CapEx to be between £90-£100 million, reflecting a catch up on projects delayed during COVID and our cash pension contributions to decline from £10 million to £5 million. Thank you very much and I will now hand you back to Simon to talk about our confidence in our future growth.

Simon Litherland...: Thanks Joanne, I'll start this final section with a brief reminder of our growth strategy. We refreshed our strategy in 2019 and I spoke this time last year about how we had stress tested it in the light of COVID. We remain confident that it will continue to drive faster growth into the future. And our four strategic priorities and market choices remain constant. Each of our geographies has a clear role in our future growth. In GB, we will continue to outpace the category by growing our existing scaled brands and accessing new growth spaces, both channels and categories. Despite the strong growth over the last few years in Brazil, there is still significant opportunity for us to continue to scale the business further and thereby increase operational leverage down the P & L. We'll grow by continuing to rejuvenate our flavour concentrates brands and by expanding into new categories through locally developed innovations and by introducing other Britvic brands. In other international, the simplified Ireland and France business units will focus on growing our higher margin brands and we see an exciting opportunity for premium brands, such as London Essence and Teisseire to grow in selected markets.

Simon Litherland...: We have reinvested behind our brands in the second half of 21 and will continue to do so in 22 with an exciting and comprehensive program of marketing activation across all our markets. We continue to leverage our proven platforms, executing them through the line to deliver scale activity for our customers, retail partners, and brands. And we are activating seasonal events as we know they're a major driver of growth for soft drinks, Christmas being the current example. This slide captures a small proportion of our plans for 2022, which include J2O returning with Mojo the Alpaca and it’s a season to sparkle campaign, Robinson's and their let there be fruit theme while Fruit Shoot will give families the opportunity to win their dream thing in GB and are sponsoring the Young Brazilian Awards. And finally, Pepsi will continue its hugely successful association with Champions League Football and the taste test challenge among other things.

Simon Litherland...: We have led the market in providing healthier soft drinks in recent years, reducing calories and delivering growth through our broad portfolio of great tasting low and no sugar brands. We'll continue to build on the success by adding additional health benefits to some of our brands. In 21, we added vitamins to Mi Wadi in Ireland and reformulated Rockstar with added functional benefits. In 22, we'll add vitamins to our Robinson's fruit and barley range and seek to flavour more water occasions by launching a new range of Robinson's minis with specific functional benefits. Work is also well underway to the further development of Plenish brand with a complete relaunch planned for next spring. While in France, we're expanding the Teisseire flavour concentrates range into a more premium artisanal format.

Simon Litherland...: We've had great success in recent years leveraging innovation off the shoulders of our family favourite brands. This will continue in 22 with examples, such as another new flavour for Club in Ireland, and Robinson's just launched a new cordial flavour in time for Christmas. There's a lot more in the pipeline that I'll share at our interims in May.

Moving beyond our brands, we are also investing in our business capability, technology and infrastructure. As part of our commercial transformation program, we are supporting our critical revenue management journey with the implementation of a market leading digital solution from Kantar. This will also upgrade our customer relationship management across both GB and Ireland to an industry leading standard. We're creating a centre of excellence for consumer experience to integrate and enhance our digital marketing capability. And we are developing an in-house digital studio to create multi-channel marketing content. We're also bringing our new SAP enabled tech and data expertise to consumer data.

Simon Litherland...: This builds on last year's successful IT investments into SAP analytics cloud and Snowflake, which are now giving us access to richer, realtime analytics and POS data.

In our supply chain, we are building on our recent business capability program with investment in a new can line to keep up with accelerating demand and we are upgrading our national distribution centre. And we've implemented SAP Ariba to support our supplier relationship management and our procurement team which will ultimately benefit our end-to-end purchasing efficiency. And finally, we're also continuing to invest in our sustainable business agenda.

Simon Litherland...: We are using technology to underpin connected collaborative working everywhere. And we are refreshing our offices as we migrate to more flexible working. Importantly, we continue to invest in employee wellbeing and also in diversity and inclusion. And we are supporting learning and development through global online training resources. On the planet side, we have an ambitious roadmap to minimise our total environmental footprint. We're working to decarbonise our business as quickly as possible, both our direct and indirect emissions. We are improving our understanding of water usage at our sites and operating our water stewardship in every market. And finally, we are continuing our journey to reduce packaging per serve, through increased rPET usage, light weighting, and beyond the bottle solutions.

Simon Litherland...: So, to conclude, soft drinks remains an attractive space in which to operate. Consumption of the category continues to grow, and as soft drinks brands are an affordable everyday consumable, the category has always proved resilient in challenging times. At Britvic, we have shown our own ability to successfully navigate multiple headwinds over the years. And we have many different levers and choices at our disposal to mitigate the current short term challenges.

Simon Litherland...: We have come through the pandemic as a stronger, faster growing, and more agile business. We have a highly engaged, capable and connected team. We are very cash generative. We have a solid balance sheet and we are confident that we'll make further progress this year on revenue, margin and profit. Longer term, I foresee an exciting future for this company. We have an unparalleled portfolio of trusted family favourite brands across multiple markets and a strong pipeline of innovation to access new growth spaces. And we continue to invest to accelerate our growth trajectory in our brands, technology, infrastructure, as well as in our people. So, when I put all that together, it gives me great confidence that we will extend our track record of delivering outstanding returns to our shareholders in 22 and beyond. Thank you for listening and I look forward to your questions.

Operator: We will now take our first question from Richard Felton from Goldman Sachs. Please go ahead.

Richard Felton: Hi. Good morning, Simon. Good morning, Joanne. My first question is on the overall pricing environment, particularly in the GB market. Clearly, we're in a more inflationary environment today than we have been for a long time. So how does the relatively higher level of UK CPI impact your conversations with customers on pricing? Is CPI the starting point for those conversations and is there any difference you'd call out between channels or product categories?

Richard Felton: And my second question is a question on CapEx for Joanne. You've guided for between £90 and £100 million of CapEx in FY 22, which is a little bit higher than your medium term guidance of £70 to £80 million a year for CapEx. How should we think about the extra CapEx this year? Is it a one off and we should expect CapEx back at the 70 to 80 million range moving forwards, or are you facing a slightly higher CapEx requirement moving forward to support your growth ambitions? Thank you.

Simon Litherland...: Thanks. Good morning, Richard. Thanks for those questions. I'll take the first and, Joanne, you pick up the CapEx one please?

Joanne Wilson: Yeah.

Simon Litherland...: So, on the pricing environment, I think, as we said in the presentation, this category is a low priced affordable. It's an expandable category and on the whole it's proved itself to be resilient and is pretty inelastic and we've seen that through price incidences like sugar tax, for example.

Simon Litherland...: Secondly, I think if you look at our portfolio, we've got a large number of number one and two brands, family favourites, that have an inherent brand strength and are growing strongly in the market which obviously is a great place to start if you want to take price.

Simon Litherland...: And then I think if you look at where inflation's coming from, it is broad based. It is affecting all our customers and competitors alike and therefore, we expect the category and the market to move together, if you like, and there's evidence that that's already starting to happen. And of course, as you rightly point out, GB customers or indeed retailers in France, never liked tracking price but I think there is real evidence that they understand the situation. They're experiencing it and feeling it themself and I think the key thing for our customer base is that they feel price evenly across the sub channels and the customer base so that each retailer, for example, is not undermined in their own competitive position relative to the other and that's one of the jobs of work that we need to do.

Simon Litherland...: And then finally I'd say, obviously as a category and as a business with a broad portfolio and a well invested supply chain, we've got many levers available to us to move price, whether that be headline, depth and frequency of promo, SKU mix. We got much more capability to manage price across our SKUs than we did pre-business capability. And then brand customer channel all create opportunities for managing our margin.

Simon Litherland...: So, as we're going through this process, we've already taken some price. You already see the category ARP moving up in Nielsen as people have deescalated and we're having very positive conversations with customers, so we remain confident that we will get price away. Thanks, Joanne.

Joanne Wilson: Thanks Simon, and thanks for the question, Richard. Yes, in terms of the £90 to 100 million, you should view that as a catch up in the FY20. You'll recall our CapEx dropped to 50 million, so about 20 to 30 million lower than the range, and that was intentional to delay some of the projects as a result of COVID. So, this year we're catching up on some of those.

Joanne Wilson: What I would say is a lot of the CapEx is skewed to growth as it typically is, and it is relating to increased capacity so the additional can line in Rugby being a good example of that but also, we expect our commercial assets CapEx to increase as well in the year.

Joanne Wilson: In terms of going forward, I wouldn't expect CapEx to remain at that level 90 to 100. I'd expect to be more like five to five and a half percent of revenue and where we see spikes in a year, it'll be driven by capacity where we're increasing capacity across our business units.

Richard Felton: Thank you. That's all very clear and also very good to see that Mojo the alpaca is coming back for the J2O Christmas campaign.

Simon Litherland...: Thanks, Richard.

Operator: We will now take our next question from Simon Hales from Citi. Please go ahead.

Simon Hales: Oh, thank you. Morning, Simon. Morning, Joanne. Well, two or three from me please. Simon, can I just come back to your comments on pricing, and I think Joanne mentioned in her presentation as well, you have taken some list price increases in some markets already. Can you just flesh that out a little bit more in terms of where those price increases have gone in, perhaps which channels, a little bit more on the scale. And then in association with that, can you talk little bit about the current level of promotional activity we are seeing in markets like GB and how that compares to the past as we head into festive season.

Simon Hales: Secondly, obviously the energy category is clearly a very exciting growth space for the broader soft drinks industry at the moment. I know it's early days with Rockstar, but is there anything more you can share around the brand's performance post the makeover and price repositioning?

Simon Hales: And then finally, just with the ongoing investment plans in 2022, the ongoing up-weighting of A&P investment, is there any specific areas you're targeting there or is it really just about normalising investment back to pre-COVID levels?

Simon Litherland...: Okay, thanks Simon. Good morning to you. I'll pick up on the price and Rockstar and Joanne, do you want to pick up on our A&P and investment levels?

Joanne Wilson: Yes. Yeah.

Simon Litherland...: So, Simon look, I mean, there's not that much I can say. As you know, certainly the cycle in GB and France tends to happen for us mainly at the end of the calendar into the beginning of the new calendar year and in France towards the end of February. But we have already taken some price in Brazil in September. We've already taken price across our customer base in Ireland and during the back end of our financial year and into the new financial year, we've also de-escalated some of our promotional mechanics and as I said to Richard's question, you've seen some of that across the category.

Simon Litherland...: So, ARP for the last 12 weeks before the end of September was up 7%, I think, for the category. So, you're starting to see that price through and obviously our intent is to take price fairly across the customer base. We've also started to see the competition take some price in certain customers, which is helpful, and we're confident that they will. And I think maintaining price relativity is critical for us and our brands.

Simon Litherland...: In terms of Rockstar, look, I think we've made great progress. It's a year in and I think we have reestablished the brand with a new look and feel. New pack, new liquids, new marketing campaign and as you rightly say, a new price point, which has all gone down very well, I think well received from customers. We have had some supply challenges on Rockstar through the course of the year. Primarily, it's one of the few brands that is co-packed for us at the moment, and that has held us back a little bit in the back end of the year as we relaunch the brand, if you like. But we are confident that we will grow the brand and take some share in 2022.

Simon Litherland...: And we are very excited about the brand and being part of the category. It's the second biggest category, 1.4 billion, and growing double digits and has done for some time. So having a brand like rockstar and a partner like PepsiCo with a quality of thinking behind the brand and the marketing campaign, we are confident that we'll start to participate in the category in '22 and beyond.

Joanne Wilson: Hi Simon, just to answer the question of investments. So if I may just give a bit of context on '21. Of course, in first half '21, we pulled back on a lot of the investment given we were in lockdowns and restrictions for most of that half, and we stepped it up in the second half. So our A&P in the second half was about three million higher than '19 but for the full year, we were still about five to six million behind FY 19 levels.

Joanne Wilson: So, we will see a step up in AMP this year as we catch up with those historic levels and have plans to go beyond that where we see the growth opportunities. What I would add is we have a much greater degree of flexibility than we had in the past, just as a result of lead times for some of our A&P and media campaigns, which really helps us manage that through the year and make sure that we're making the appropriate level of investment and, of course, that will be

	skewed to the second half just given the seasonal trends that we see across our category,
Joanne Wilson:	Beyond A&P, there are other areas of investment that we've talked about. I would call out College and Beyond the Bottle. We see those as growth opportunities for Britvic. And we had started to invest behind some of those as well and we see an opportunity in immediate consumption and so investing in college and digital.
Joanne Wilson:	We referenced some of the restructuring that we did in summer '20 and that really gives us a little bit of headroom and fuel to reinvest and reallocate across those areas. So, I'm not expecting to see a significant incremental cost into the P&L, you should see it more as a reallocation. Thanks.
Simon Litherland...:	Thanks Simon.
Simon Hales:	Thanks ever so much.
Operator:	We will now take our next question from Edward Mundy from Jefferies. Please go ahead.
Edward Mundy:	Thanks, and morning, Joanne. Three questions from me, please. As you look to take price, are you able to share with us what you think elasticity of demand is for your portfolio? I think looking back at the time of the sugar tax, it looked about 0.2/0.3, but love to get a bit more colour on how you think about elasticity of demand.
Edward Mundy:	The second question is around some of the efficiency measures Joanne, that you're looking to put through to help protect the P&L this year. I think you talked about the canning line in Rugby, but what are the key levers to protect the P&L into fiscal '22?
Edward Mundy:	And then, Simon, on slide six, you show how the portfolio has evolved and continues to evolve. Given you've got a strong balance sheet, do you think you've got the right portfolio now or there are more opportunities to add into high growth, high revenue per case categories perhaps across either adult soft drinks or ready to drink coffee?
Simon Litherland...:	Great. Do you want to take the first two, Joanne, and I'll pick up on the portfolio?
Joanne Wilson:	Yes. Good morning, Ed. So let me start with elasticity. We're advantaged, we understand our elasticity very well across the category and we run the usual

statistical models based on what we've seen historically. And of course, Ed, you call out the sugar tax. So, we have had good instance in the past to understand that the level of elasticity is low, so the level that you're talking about is broadly about right.

Joanne Wilson: Of course, it depends on what happens with competitors' prices and across other categories but I think the message is that we've built that into our pricing plans for the year and of course, because it's a highly promoted category, we have more levers than perhaps other categories to just optimise that balance between value and volume. So yeah, we'd expect a low elasticity.

Joanne Wilson: In terms of the efficiency measures, there's a number of projects that we have ongoing. Obviously, value engineering is one that we've had quite a lot of success with over the past few years and we'll to you to do that this year. We also look across our supply chain and we deliver efficiencies every year from the supply chain and there's some more projects in '22 to help offset some of that inflation.

Joanne Wilson: Beyond that, some of the projects that we talked about, and Simon shared across supply chain automation and our commercial systems delivered good returns and we'll start to see some of the benefits from those in year and that's really automating and helping with our promo effectiveness, which will also help to mitigate some of the inflation. And as I touched on, we did take the opportunity through COVID to take cost out of our business, to give us the opportunity to reallocate that. We will have reallocated some of that, and some of that of course will as well help with a lower cost and mitigating some of the inflationary pressures that we see this year. Thank you.

Simon Litherland...: Thanks. Morning, Ed, thanks. Just on the portfolio, I mean look, I think we have got a very broad base portfolio, particularly in GB&I, where you see the combination of the Britvic brands and the PepsiCo brands coming together very well. Our core family favourite brands in both those markets are doing well, growing strongly, taking market share. And we've also got a wide range of, I guess, smaller faster growing brands under the way where our focus is on scaling those. So, we've talked about Rockstar, but Purdey's is in a great place for that. London Essence, three or four years in, we're starting to get a bigger footprint. Rockstar, we've talked about. Plenish, we've bought into the business, which we're excited about. Likewise, beyond brands, our Beyond the Bottle activity with the Aqua Libra company is an exciting space for us. It's not to say we cover the whole of the soft drink spectre. So, cold/hot is a fast-growing category. We're doing particularly well with Lipton, which grew 26% again this year, and is now starting to become a scale brand. But as you rightly suggest, cold coffee is also interesting. We haven't got a way into there yet.

Simon Litherland...: And in other markets, we continue to expand our portfolio as well. In Ireland, for example, we are bringing in Ballygowan into fruit, which is a flavoured water offer for the number-one water brand in Ireland. We're expanding our energy presence in Ireland as well, and likewise in Brazil. We continue to expand into new categories and see ourselves participating in a wider range of categories. So, there is still opportunity for us, but I think in the short-term we've got plenty to focus on, and it's about scaling what we have as much as entering into new spaces.

Edward Mundy: Very good. Thank you.

Simon Litherland...: Thanks, Ed.

Operator: We will now take our next question from Emma Letheren from Royal Bank of Canada. Please go ahead.

Emma Letheren : Hi. Thank you. Morning, Simon and Joanne. Firstly, you mentioned you're expecting mid-to-high-single-digit levels of inflation to impact you next year. I understand that previously you were more thinking mid-single-digit. So, I'm wondering, therefore, what level of price increases are you negotiating with retailers? Secondly, what kind of lag will there be between inflation impacting your business and your price increases benefiting you? Lastly, you mentioned some digital investments at the end of the presentation there. Where do you think you sit versus peers on these capabilities? Thank you.

Simon Litherland...: Great. Thanks very much for those. I'll take the first, Joanne, if you want to pick up on digital.

Joanne Wilson: Yeah.

Simon Litherland...: And the infrastructure investments. So yeah, look, I mean the inflationary environment has continually moved. So, it has probably moved a little bit even in the last few months, and we expect it to continue to move around a bit. So aluminium, for example, reached a peak, or we think a peak, six or so weeks ago. Started to come off a little bit. And I think what we to be is agile and be able to respond, and we've got a wide range of levers to mitigate that inflation. Some of it is within procurement in itself. So we've got a lot of category expertise, we've got a very talented procurement team, and we've got multiple sources for most of our inputs, and obviously hedging and long-term contracts.

Simon Litherland...: So, better procurement is very much part of the solution. Cost efficiency is another part of it. So, value engineering, light weighting, recipe changes, removal of package elements like trays or shrink wrap. And then finally, there's price. I can't really answer the question of the level of price increase, because it is multiple levers through revenue growth management that we will use. So, it won't be consistent across our markets, it won't be consistent across our brands or pack sizes. But as we said all along, with the multiple of levers and choices that we have, we remain confident that we can absolutely cover the cost of inflation and we will move margin forward in '22 and beyond.

Joanne Wilson: Thank you. Good morning, Emma. Just in the digital investments. So first of all, I'd say I'm really pleased with the progress that we've made across data analytics and some of the systems that we are implementing. It's really taken us on in terms of getting the right information and helping with our decision-making. The big investment areas that we have made have been around procurement, our warehousing systems, commercial, and our digital marketing. In procurement, we've implemented SAP Ariba. In warehousing, we've in implemented an automated warehousing in Leeds, and Beckton and Rugby will be next year. For commercial, we've talked about the Kantar system that we're implementing, which will really help drive promotional effectiveness and the realtime data that we have access to.

Joanne Wilson: So, all really, really great projects with good returns, as I said, and really good paybacks. What I would say is that they do take us to ‘best-in-class’ across the industry. So, you've asked, how does it compare to peers? I can't comment on what others are doing, but with the procurement and the commercial systems that we are putting in, it'll really help from a view of our end-time processes. Bringing automation in so we can get information quicker, we can execute quicker, we can work much more closely with both our suppliers and our customers. So, this is absolutely the right thing to do, and as I said, the implementation is going well and we'll start to see some of those benefits in financial year '22.

Simon Litherland...: Thanks for the questions, Emma.

Emma Letheren : Sure. Thanks very much. Thank you, guys.

Simon Litherland...: Thank you.

Operator: We will now take our next question from Richard Withagen from Kepler Cheuvreux. Please go ahead.

Richard Withagen...: Yeah. Good morning, Simon. Good morning, Joanne. I have two questions, please. First of all, a question on the recovery of immediate consumption volumes. I mean, you're saying they are back to pre-COVID levels for Britvic. Although if you look at Google mobility data, it shows that workplaces are still down some 20% in the UK compared to pre-COVID. So, can you elaborate a bit on what is driving the recovery of immediate consumption, and is the product mix very different compared to pre-COVID? And then the second question I have is, what are your expectations with regard to the product or packaging mix in the at-home channel in 2022, as beverages prices are likely to increase more than what consumers are normally used to?

Simon Litherland...: Sorry. Can you just repeat the second question, Richard?

Richard Withage...: Yeah. I was just wondering your expectations with regards to any changes in the product or the packaging mix in the at-home channel specifically, because we're going to see some inflation. So, I was wondering, is there going to be a down-trading that you expect towards larger pack sizes or different brands?

Simon Litherland...: Okay. Sure. Yeah. So, look, I mean, on the recovery of the IC channel, you're quite right. I think workplaces haven't caught up yet. They're obviously still well down, but people are moving around more. So, you're starting to see people on the roads, in the train stations at night, and the different channels, sports, sports activities, social activities. So, the evidence is there. We are selling more, and we're pretty confident that as people do start to return to the office, city centres will start to see some of the benefit that's been more regionalised to date. But let's see how this pans out. Of course, different geographies have responded in different ways. And of course we've seen some more restrictions come through in certainly Holland, and Ireland more recently, around COVID. So, let's see how it plays out, but at the moment that's where it is. And we're very happy for that, given that we have a higher-margin single-serve pack that sold through that immediate consumption channel.

Simon Litherland...: And then in terms of changes to the product mix, I think on the whole, not massively. Clearly, with more at-home consumption, more family occasions, we saw categories like concentrates, Robinsons, MiWadi, Maguary, and Teisseire benefit significantly from that. And as people have started to move around a bit more, that's had a slightly more challenging time. Likewise, we've seen significant growth in large multi-pack cans, for example, in at-home, which may moderate slightly. But what's really pleasing is that as the out-of-home and immediate consumption channels have returned to growth, the at-home channel has remained resolutely strong. And we've got a higher index of share in the at-home channel that's already benefited us, and you can see that coming strongly in the results of last year. Again, we've started this year very strongly as well in the first six weeks. So, that's probably what I can say around that. Thanks. Thanks, Richard.

Richard Withagen..: Yeah. Thanks, Simon.

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

Andrea Pistacchi...: Thank you. Yes. Morning, Simon and Joanne, I have two, please. The first one, Simon, on France. France was down slightly. In part, you flagged the summer weather, not good, and also the comps. How do you feel about the French business now, post-disposal of private label? Is it in the position, do you think, to grow a little, or at least to remain stable? The second one, maybe for Joanne, on the balance sheet. Net debt-EBITDA has been declining fast. I mean, I think on consensus numbers next year, it should be definitely below two times. So, the question is really on the use of cash. With your payout at 50%, at what point would you consider share buybacks in the absence of M&A?

Simon Litherland...: Great. Morning, Andrea. Thanks for those. Yeah. So, in France, you're quite right. I mean, I think this year was a bit challenging. Particularly strong comps, specifically on syrups, partly driven by the extent of at-home consumption in the prior year, and also unfavourable weather. Certainly, the syrups brand Teisseire is the most weather-responsive brand, but never want to be dependent on weather. Fruit Shoots, on the other hand, had a particularly strong year, as children's activities and schools restarted. Generally speaking, with France, I think that the at-home channel and our retailer situation, French retailers are notoriously challenging, and yet they too understand the position around inflation and price. We've had some very encouraging early conversations with the retailers in France as well, and we will end up taking price in France. I have no doubt.

Simon Litherland...: From a business perspective overall, undoubtedly getting rid of our private-label juice business was the right thing for us. It's left us with a smaller but much more focused business. Four or five key brands, higher margin, and a smaller, more focused team. And we're quite excited that we will get some growth out of France. We've got some exciting plans for all of our key brands in the new year. And of course, we've also bought that business under the stewardship of Hessel De Jong, who's running our international business. We see quite a lot of synergies across Belgium and Holland, and some of the Teisseire opportunities across the rest of the Europe, and indeed into other markets like Asia. Asia and India, we've got a good partner for Mathieu Teisseire. And in the Middle East, we've got some strong partners more recently as well.

Simon Litherland...: So, we're see some synergistic opportunities across Europe and our international business. So, I think we're in a good place. We've done the right thing. We've got a better, stronger business for it. And while times are challenging, I'm confident that we'll start to see some benefits coming through from our French business in '22 and beyond.

Joanne Wilson: Good morning, Andrea. Yes, just on the leverage, really pleased with the cash generation over the last 18 months, and what that's enabled us to do in terms of paying down our net debt and getting that leveraged down to 2.1 times. We talked before COVID about getting leverage down below two, and I would expect that we'll see further net debt paid on in '22. So, absolutely on that trajectory. In terms of the rest of our capital allocations, you said, really pleased we have also maintained the 50% dividend payout throughout the last couple of years, and we touched on CapEx. We have taken the opportunity to acquire some smaller businesses in the last 12, 18 months as well, and we'd continue to look at M&A opportunities where they made sense. I think, in terms of the question of when do we look beyond all of that and give back more to shareholders, if our leverage is comfortably below two and at a sustainable level below two, then we would obviously look to return to shareholders if that made sense at the time. I would expect that we're probably about a year away from that.

Andrea Pistacchi...: Super, thank you.

Simon Litherland...: Thanks, Andrea.

Operator: We will now take our next question from Mitch Collett from Deutsche Bank. Please go ahead.

Mitch Collett: Good morning. I've got two questions, if that's okay. Just coming back to inflation, you said mid to high single digit for F-22, but I guess that benefits from some of your hedges. Can you comment on what that would look like on an un-hedged basis, as it might give us a steer for how things are likely to develop going forward? Then, I appreciate on 22 EBIT you basically said that you'll make progress relative to 21 on revenue, profit, and margin, but there's quite a few moving parts relative to 2019, including higher COGS, higher pricing, higher A&P, but also the efficiency measure. Can you perhaps talk through some of the moving parts for 22, relative to 2019?

Simon Litherland...: Okay. Do you want to pick up the first one about raw materials, and I'll try and attempt to answer the second one?

Joanne Wilson: Yeah, of course. Good morning, Mitch. In terms of an on-hedge, first of all, what I'd say is I think our procurement team have done a fantastic job in looking at how do we mitigate some of the market inflation that we're seeing through our hedging on our fixed multi-year supply contracts. I think that's an important point to make. If you looked at an un-hedged, we'd be well into the double digit inflation and probably up at the high teens. So, we are seeing, as Simon said earlier, broad brush inflation. The other thing I'd say about it Mitch is, there's a few drivers of the inflation and I'm not going to attempt to conclude on whether it's temporary or permanent, but certainly some of it is being driven by COVID.

Joanne Wilson: So pent-up demand, labour shortages, and of course the impact on the global supply chain. You would expect some of that to unwind. Other instances like the haulage inflation and wages for drivers in GB are probably a more structural issue, and therefore we'd expect those to remain in place, but we're very much focused on how do we mitigate the impact on 22. We've talked through some of those levers today, and we'll also look to continue to increase our cover as we go through the next 12 months. Typically, we run with about, anywhere between 40% and 80% of a rolling 12 month coverage on hedging and our commodities. As we said in the pre-prepared comments, we have a good level of coverage and visibility into our costs for 22, and we've also started to take cover beyond 22 where it makes sense for us to do so.

Simon Litherland...: Great. Thanks, Joanne. Yeah. Mitch, on the sort of shape of the P&L going forward, I think the key thing to kind of focus on is ... what we've done is we've written a strategy for growth, and what we're endeavouring to deliver is stronger top line growth for the business than we have in the past, but at the same time continue to grow our margin. Obviously, COVID has interrupted certainly the latter, but we've got a strong track record of growing margin over time, 370 basis points I think between 13 and 19. We're confident that next year we will accelerate growth. We're emerging from this pandemic as a stronger business. We have momentum, 22 started well, and we've got the supply chain flexibility and agility to deal with some of the challenges that we currently face.

Simon Litherland...: So, as we've said in our statement, we're confident we'll improve margin again next year. We probably won't get quite back to 2019 levels, but beyond then, after next year we will, and we're confident we'll continue that margin progression. Clearly, next year we anticipate the at-home channel will remain structurally strong and larger, and that the out-of-home channels will continue to improve through the year, but that will mean that overall, there's a slightly negative mix in the year, as Joanne has called out. We also anticipate investing more behind our brands and growth opportunities to accelerate growth next year, but of course, we will maintain some degree of flexibility around that as things pan out. Net, I would expect a stronger top line and slightly less margin than you might have seen in 2019 coming through in 2022. I hope that helps answer the question.

Mitch Collett: Yeah. That's very helpful. Thank you.

Simon Litherland...: Thanks, Mitch.

Operator: Then I will take our next question from Fintan Ryan from JP Morgan, please go ahead.

Fintan Ryan: Hey. Good morning, Simon. Good morning, Joanne. Thanks for the questions. Following on from that last question actually, in terms of some of the drivers from margin of the midterm, we're seeing that margins in Brazil have come under pressure in FY 21 despite strong top-line growth, and even in the international business margins are also down on underlying basis. How should we think of the sort of beyond 2022? How should we think of the brand contribution margins in both of those regions, and do you have any target margins in mind when it comes to the Brazil business, international business, over the midterm? Secondly, I think it's clear that the premiumisation agenda is very front and centre of your thinking over the mid to long term. Can you give us a sense of how much of your portfolio in each of the key markets would be under that sort of premiumisation, premium umbrella? Again, do you have any targets for that we should be considering, going forward?

Simon Litherland...: So, the targets questions easy. We're not giving up targets for those but let me try and give you more of a flavour. So, look, we think there's plenty of opportunities to grow margin across all of our business units, actually. Of course, the first point is there's a normalisation of the channel mix. Then there's the opportunity to grow a share of more profitable channels, such as IC and out-of-home, which are particularly relevant for us in GB. Then if you look at our brand mix, and look at our strategy, flavouring billions of water and family favourites, there's certainly brand mix opportunities. Most of our innovation is margin accretive, and that's where some of the premiumisation agenda comes in.

Simon Litherland...: So, we don't have specific targets, unless some of the alcoholic drinks companies in terms of premiumisation. I don't think the cut is as clear in soft drinks, but certainly there is an opportunity to premiumise, and certainly in our growth spaces, they do tend to be margin accretive. Then we've got revenue, growth management, and cost efficiency across all of our business units. More specifically to Brazil, look, that is a lower margin business. It's structurally a lower margin geography, and where we're playing with a category and the strategy is to attack particularly new categories at a lower price point, but with equally strong brand propositions that we can make more profitable over time. I think that strategy's proving successful with the likes of Sil Grape or Pura Coco coconut are two of the best examples of that.

Simon Litherland...: Obviously, our concentrates business in Brazil is high margin as well. We've got a strategy to grow that piece of our business, albeit with a 76 share of liquid concentrates. They're still a huge part of concentrate consumption, and flavouring water is a big opportunity for us. So, there's a portfolio mix, and then some of the new brands that we're introducing into that market will also be higher margin as they start to establish themselves and then scale. Over time, you'll get operational leverage as the business gets bigger and flows on the P&L. Our goal across all of our markets is to trend them towards the group average. We would see Brazil probably staying slightly behind that, but certainly moving up a few basis points in the years ahead.

Simon Litherland...: International, I think, just be a little careful. There's lots of moving parts in that. I think through the COVID period, there's been some big ups and downs, but ostensibly it's a much stronger business than it was three or four years ago. We're clearly focused on Tesseire, Mathieu Tesseire and the London Essence Company, and we're building some good distribution partnerships in certain geographies, and the margin behind those brands is good. So again, I think you will see a strengthening of margin, certainly at a TC level. From an EBIT level, it very much depends on how much we invest and the pace at which we invest for growth, but we should see strong growth coming through next year in international business and continue to step forward in the margin.

Fintan Ryan: Thanks, Simon. To follow up quickly on the premiumisation question, I know that you said that the distribution of London Essence has doubled versus pre COVID levels. When you go into the conversations with the retailers and the bars, the club owners and distributors, how well received as the brand generally, and I guess is there an appetite for a new premium mixer in the market, or how are you pitching that to sort of get the new listings?

Simon Litherland...: Yeah. Look, I'll be slightly biased in what I say, but we're generally getting a good response for London Essence. It's building, it takes time. I think to establish a brand in the soft drinks category, you're talking five, seven ... seven, eight years, and we're kind of halfway through that, I guess. We are growing strongly across all of our markets, GB and Ireland in particular, but also markets like Holland, Spain, for example, we're doing well. Of course, with COVID, that interrupted certainly some of the on-trade growth, but we've done very well in the off-trade as well. Overall, we're almost in about 49% distribution in UK off-trade, for example, which is slightly faster than we'd originally intended. We're in sort of just under 9,000 outlets on a global basis.

Simon Litherland...: We've made some quite big distribution moves I think in the recent years, particularly given COVID, and yet the premium nature of the brand is resonating very well. So, the look and feel, the story behind the brand, the liquid and the quality of the liquid measures up very well. As we sort of spread our wings a little bit further, we still remain very focused on making sure that we are targeting premium outlets. Indeed, we're in seven of the world's top 10 bars. We're in about 25% of the top 50 bars. In the UK, we continue to build and maintain our premium and super premium listings very well.

Simon Litherland...: So, I think on the whole, there is definitely space for a more premium offer in this category, and that's the one that we're intending to fill, and I think very pleased with the progress that we've made. I think the final point is we've kind of launched this London Essence Fresh Serve, which is effectively our sodas and mixers on tap. We're in just over 500 outlets now, certainly interrupted because of COVID, but again, that really works from a sustainability perspective and ease of use, and the quality of pour and liquid is fantastic. So, we're also excited by a very different proposition that very much works from a very different proposition that very much works from a margin perspective for ourselves and the retailer. It very much works from an ease of use, if you like, and very much works from a sustainability perspective. Still early days, but really pleased with the progress that we are making. We've got a strong marketing print campaign for Christmas and excited about the brand going forward.

Fintan Ryan: Thank you very much.

Operator: We will now take our next question from Yubo Mao from Morgan Stanley. Please go ahead.

Yubo Mao: Thank you. Morning, Simon, Morning Joanne. I have two questions please. The first one on Brazil. Can we just zoom in on the price mix development there? Very strongly H2, why volume continued to grow strongly. Can you give us a sense of the price increases you've taken there so far and what you are seeing on the ground in terms of consumer confidence in an inflationary environment?

Yubo Mao: And second question, very quickly on the supply chain costs. Can you update us on the timeline for filling out the co-packing arrangements in GB and the size of potential cost savings that that could generate? Very much.

Simon Litherland...: Great. Pleasure. Joanne, do you want to pick those up?

Joanne Wilson: Yeah. On Brazil and on the price mix, what we've done in Brazil as Simon talked about, our strategy is to be a challenger brand in categories like coconut and grape juice. In coconut, because we've got greater skill there, 50% market share. We've actually taken a couple of price increases actually probably three in the last six to nine months to just offset some of the inflation that we are seeing.

Joanne Wilson: And that's really helped us understood on the elasticity. And the brand has held up well, volumes have held up well. And we've seen other competitors also take price in that market. In terms of the price and mix and how that's developed through the second half. As we said, we saw good growth in ready to drink coconut juice and grape juice in the second half. Concentrates slowed down a little bit. And that was off the back of very strong comps in 20. And that had a bit of a drag on our mix in the second half. And as I say, that's really driven by the comps.

Joanne Wilson: But looking forward, we've seen inflation in Brazil for longer than some of our other markets. And some of that is also are driven by FX. And we are confident that we can continue to take price. We've taken some last month as well. And just understanding the volume impact in those. It won't wholly offset inflation in that market, hence you're seeing the drag on the margin rates, but it is helping mitigate some of it. What we're very much focused on is continuing to grow, share across those categories and to continue to scale in some of the newer categories that we have moved into. Hopefully, that helps give you a little bit more colour in that market.

Joanne Wilson: In terms of our fixed supply chain costs. So, we had co-packing in 21 for Brazil and in GB. In Brazil, we increased capacity and so those co-packing costs fell away. And the second half, in GB they continued through the second half, and they will continue until our new line is operational in January. And so, there will be about four months of co packing costs in GB in '22. And the impact, it's reasonably significant. It's mid to high single digits, I should say, impact year on year in GB.

Simon Litherland...: Thank you.

Yubo Mao: Very helpful. Thank you.

Operator: We will now take our next question from Damian McNeela from Numis. Please go ahead.

Damian McNeela: Hi, morning, Simon. Morning, Joanne. Just a few from me please. Hopefully quick ones. Obviously, we've talked a lot about the pricing environment and all the levers and initiatives that you've got to recover some of cost inflation that you're seeing. I was wondering if you could just give us a broad breakdown of how much you expect to recover from pricing and how much is from cost/efficiency savings? First question.

Damian McNeela: Second question is I think, Joanne, you mentioned that the investments that you are making deliver good paybacks. Can you just remind us of what the typical payback is? And if I look at digital that looks to me like it should be a faster payback, but whether you could give us some colour on that. And then just finally, building on Fintan's question around London Essence. I think Simon, you said you are midway through developing the brand. Can you give us a sense of what success looks like at the end of that five to seven years please?

Simon Litherland...: Okay. I'll take the first and third. Damian, thanks. And Joanne will take the second. Yeah, look, I mean the first one is a quick one. The answer is no.

Simon Litherland...: It does vary very much by, by customer. And we will use all the levers that we have, as you would expect us to, but I can't give you any specifics on that. And then, on the third look, it'll be a scaled play. It will be big enough to make a difference to Britvic. And we'd hope to get up to reasonable share of the premium mixers category.

Simon Litherland...: I won't put a specific target on it because I think it's very hard to do. I think if you look at how brands develop, they take time, but then they tend to go quite quickly. I don't want to put a target on there because could quite easily be wrong either way. All I can say is that we take each year at a time. We're scaling our investment and we're pleased with how the brand's performing and we're on that journey.

Joanne Wilson: Yeah. And Damian on the paybacks, a quick answer to that one. Typically, two to three years is what we look at in payback. And the digital ones are to the lower end of that at that range, as you would expect.

Simon Litherland...: Thanks, Damian.

Damian McNeela: Brilliant. Thank you very much.

Simon Litherland...: Thank you.

Operator: We will now take our next question from Doriana Russo from HSBC. Please go ahead.

Doriana Russo: Yes. Good morning, everyone. Good morning, Simon. Good morning, Joanne. Some of my questions have already been answered, but I have two left. One is coming back to Brazil. The contraction in brand contribution margin of 330. Without pricing, what would it have been really? Just to get an idea of how much top-line has driven margin dilution and how much was purely cost inflation issue?

Doriana Russo: And my second question is on your cost base, is there any COVID-related costs that are still waiting on your P&L, which might actually disappear next year? Or if anything, we can see an improvement of on those, where you can quantify this, if you can.

Simon Litherland...: Joanne, do you want to pick those up?

Joanne Wilson: Yeah, just let me start with the COVID-related one. Doriana, not really significant COVID-related costs that will fall away. We have been on a rather discretionary spend over the last 18 months. And as things get back to normal, I would expect some of those costs to come back in travel conferences, et cetera. But again, not significant. And what I would say is we're very much focused on those not getting up to levels that we saw pre-COVID. continuing to manage those tightly.

Joanne Wilson: In terms of Brazil, the 300 basis points of DBC, there's a peace and conference tax, which we've talked about the last couple of years and that's having a year in year impact. And if you stripped that out, the contraction was probably more around 250, 270 basis points. And within that, we did tick some price, but it was in the second half of the year so without that price, you'd probably be up more around the 300 to 350 basis points impact on DBC. Hopefully that helps.

Doriana Russo: Yeah. Thank you.

Simon Litherland...: Thanks, Doriana.

Operator: We will now take our last question from Charlie Higgs from Redburn. Please go ahead.

Charlie Higgs: Hi, Simon, Joanne. Hope you're well. Two for me please. The first one is on the slides talking about structurally high growth in the UK at home. I was just wondering if you could elaborate a bit more on what gives you confidence in making that statement at this time and what it could mean for your business going forwards? Particularly around things like Robinson's, more innovations there. And then maybe the focus on multipack cans with Pepsi.

Charlie Higgs: And the second question is PepsiCo recently announced this new CO international beverages position, and Britvic has been a great partner to PepsiCo for many years. So, I was just wondering in practice, do you have any comments on what this appointment could mean and what we should expect going forwards maybe in terms of innovations or marketing support from New York? Thank you.

Simon Litherland...: Yeah. Thanks, Charlie. To be honest, I can't really comment on the Pepsi appointment. You're right. We do have a fantastic partnership and I'm sure that will continue to go from strength to strength. They have always brought, I think, some great marketing thinking and capability to their brands that we've certainly benefited from in the markets where we partner with them. I'm sure that will continue.

Simon Litherland...: In terms of the structurally higher of trade. Look, we don't know that for sure, but what we do know is that it's held up really strongly as the on trades come back and the IC channels come back. For us, as I said earlier, we over index in that channel. We've got great customer relationships in that channel. And I think they go from strength to strength.

Simon Litherland...: I think not just the big retailers, but I think also if you think of some of the discount players, I think there's still opportunity for us there. And I think we've seen a structural move in digital and we do very well in online as well. I think we are well positioned. And does it stay, does it hold? I haven't got a looking glass, but what we've seen so far is yes.

Simon Litherland...: And I think the other thing I'd say, to your multipack point, with the business capability program, we absolutely do have more capacity, flexibility for multiple SKU sizes. And there's no doubt that we have benefited from that over the last couple of years and we will continue to do so. And we can participate in places that we were unable to participate before. And the bringing in of another can line into Rugby, that we'll operationalise over the next month or so, is just another example of that. We do see that growth; we think our brands are in a strong place. We think we've got momentum. And as I say, we are in a strong place with the customer base too.

Charlie Higgs: Great. Thank you.

Simon Litherland...: Thanks, Charlie.

Operator: That concludes today's question and answer session. I would like to turn the conference back to Mr. Litherland for any additional or closing remarks.

Simon Litherland...: Great. Well, listen, just to say thanks very much to everybody for dialling in. I'm sure we'll be speaking to you very soon. But thanks very much for the questions and thanks very much for your time today. Take care and see you soon.