

## Britvic plc Preliminary Results – 30 November 2016

Britvic plc announces another year of strong results for the 53 weeks ended 2 October 2016.

### Group Financial Headlines:

- Revenue increased 10.1% to £1,431.3m
- Pre-exceptional EBITA\* increased 8.4% to £186.1m
- Like-for-like revenue\* increased 0.4%
- Like-for-like pre-exceptional EBITA\* increased 3.8% to £178.8m
- Profit after tax increased 10.3% to £114.5m
- Adjusted earnings per share\* increased 6.5% to 49.3p
- Full year dividend per share of 24.5p, an increase of 6.5%

### Strategic highlights:

- Outstanding year in GB Carbs, with like-for-like revenue\* growth of 5.3%
- Challenged stills performance, improvement in the second half of the financial year
- Excellent first year in Brazil with Fruit Shoot now launched in Sao Paulo
- Continued progress in the USA with Fruit Shoot multi-pack now on-shelf
- Transformational three-year supply chain programme on-track to deliver a minimum 15% EBITDA\* return by 2020

	53 weeks ended 2 October 2016 £m	52 weeks ended 27 September 2015 £m	% change Actual Exchange Rate	% Like-for-like change**
Revenue	1,431.3	1,300.1	10.1%	0.4%
Pre-exceptional EBITA*	186.1	171.6	8.4%	3.8%
Pre-exceptional EBITA margin*	13.0%	13.2%	(20)bps	40bps
Profit after tax	114.5	103.8	10.3%	
Basic EPS	43.8p	41.8p	4.8%	
Adjusted EPS*	49.3p	46.3p	6.5%	
Full year dividend per share	24.5p	23.0p	6.5%	
Underlying adjusted net debt/EBITDA	1.8x	1.7x	0.1x	

\* Items marked with an asterisk throughout this document are non-GAAP measures, definitions and relevant reconciliations are provided in the Glossary on page 11 to 13.

\*\* 'Like-for-like' change adjusts for the impact of Brazil, an additional week in 2016 and constant currency. Detailed like-for-like adjustments are shown on page 12.

### **Simon Litherland, Chief Executive Officer commented:**

“Britvic has delivered another strong set of results in challenging market conditions. In our core markets, we continued to take market share with a particularly strong carbonates performance. Internationally, we have had an excellent first year in Brazil and Fruit Shoot continued to grow in France, USA with the launch of multi-pack, and latterly in Brazil following its recent launch in Sao Paulo.

We are confident we will mitigate inflationary input costs through a combination of revenue management activities and internal cost saving initiatives. The new financial year has started well and although 2017 will be another challenging year, we expect to deliver pre-exceptional EBITA in line with current market expectations.”

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There will be a live webcast of the presentation given today at 9:30am by Simon Litherland (Chief Executive Officer) and Mathew Dunn (Chief Financial Officer). The webcast will be available at [www.britvic.com/investors](http://www.britvic.com/investors) with a transcript available in due course.

**Notes to editors**

**About Britvic**

Britvic is one of the leading branded soft drinks businesses in Europe. The company combines its own leading brand portfolio including Fruit Shoot, Robinsons, Tango, J2O, Teisseire and MiWadi with PepsiCo brands such as Pepsi, 7UP and Mountain Dew Energy which Britvic produces and sells in GB and Ireland under exclusive PepsiCo agreements.

Britvic is the largest supplier of branded still soft drinks in Great Britain ("GB") and the number two supplier of branded carbonated soft drinks in GB. Britvic is an industry leader in the island of Ireland with brands such as MiWadi and Ballygowan, in France with brands such as Teisseire and Pressade and in Brazil with Maguary and Dafruta. Britvic is growing its reach into other territories through franchising, export and licensing. Britvic's management team has successfully developed the business through a clear strategy of organic growth and international expansion based on creating and building scale brands. Britvic is listed on the London Stock Exchange under the code BVIC and is a constituent of the FTSE 250 index.

**Cautionary note regarding forward-looking statements**

This announcement includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by the Listing Rules and applicable law, Britvic undertakes no obligation to update or change any forward-looking statements to reflect events occurring after the date such statements are published.

**Market data**

GB take-home market data referred to in this announcement is supplied by Nielsen and runs to 24 September 2016. ROI take-home market data referred to in this announcement is supplied by Nielsen and runs to 2 October 2016. French market data is supplied by IRI and runs to 18 September 2016. Brazil take-home market data is supplied by Nielsen and runs to 25 September 2016.

**Next scheduled announcement**

Britvic will publish its quarter one interim management statement on 31 January 2017.

## **Chief Executive Officer's Strategic Review**

We remain focused on delivering the strategy we laid out in May 2013. Despite a challenging environment in all the markets in which we operate, we have delivered another strong set of financial results and continue to make good progress in executing our longer term strategic goals.

The breadth of our portfolio, strength of our core brands and increasing innovation capability means we are well placed to adapt and evolve with consumer trends and customer needs that continue to change, probably faster than ever before.

We have returned to like-for-like revenue growth and, through our transformational business capability programme, we continue to build a stronger, more efficient business. Our pre-exceptional EBITA\* increased by 8.4%, enabling us to declare a 6.5% increase in the dividend.

### **Generate profitable growth in our core markets**

#### **GB**

Our carbonates portfolio, which includes both PepsiCo brands and our owned brands, enjoyed another successful year. Our continued focus on no and low sugar resulted in Pepsi Max, 7UP and Tango all delivering growth. Whilst the value of the cola category declined by 1.4%, Pepsi grew its retail market value\* by 6.7%, adding over £26m of retail value from Max, with its new Cherry variant leading this growth. 7UP Free outperformed the fruit carbonates category with double digit retail value\* growth, and Tango delivered its best performance in over 10 years.

We have been more challenged in stills this year although the second half of the year reflected encouraging signs of improvement. Robinsons declined year on year following our decision to remove added sugar from the range and due to very competitive own label pricing in the dilutes category. J2O had a weak Christmas and our limited-edition flavours performed poorly this year. J2O Spritz, a lower sugar sparkling variant introduced last year is performing well and offers good future growth potential. Fruit Shoot gained share in a declining category. We continue to evolve the brand, reducing sweetness and adding vitamins to the core brand and Fruit Shoot Hydro, our flavoured kids water, is growing strongly.

Over the last three years we have invested in our marketing and innovation capability and this is now starting to bear fruit. The contribution from innovation\* continues to grow and represented 4% of our 2016 revenue. Recent successes in GB include J2O Spritz and Robinsons Squash'd; we are particularly pleased with the early performance of the Drench and Purdey's brands which we have improved, repositioned and relaunched with new variants. Our innovation pipeline is strong; 2017 will include new adult offerings such as the relaunch and extension of R Whites lemonade and the introduction of adult premium brands, including our 'zero proof' Thomas and Evans and our premium mixers range from the London Essence Company.

We have made good progress broadening our channel presence, winning new accounts such as Subway and G1, the leading hospitality group in Scotland, and retaining major contracts such as KFC and Fullers. A key element of our revenue management strategy has been to grow our higher margin immediate refreshment portfolio which includes pack sizes such as 500/600ml PET and 330ml cans. As a result we have taken share and grown more retail market value in this category than any other manufacturer, with Pepsi Max, Drench and Ballygowan leading this success. Further opportunity in this segment remains as we still under-index versus our overall market share.

#### **France**

The tragic terrorist events of the last year, combined with social and economic pressures, have had an impact on consumer confidence and behaviour in France. In addition, syrup sales are particularly weather sensitive and the weather this summer did not match the previous year affecting sales. In contrast Fruit Shoot performed well, aided by the introduction of a 1.5 litre sharing pack. Our juice brand Pressade also continued to grow strongly, with its focus on organic and locally sourced fruit proving popular with consumers. Next year we are introducing a high juice version of Fruit Shoot and a new range of premium syrups under the Moulin de Valdonne brand, addressing the consumer demands for naturalness and a premium treat.

## **Ireland**

2016 has been a successful year for our Irish business unit. We leveraged our number one position in “no added sugar”, in which we enjoy over 30% share, to outperform the market. Ballygowan water contributed more growth to the Irish soft drinks market than any other brand. We successfully extended the brand through the launch of Sparklingly Fruity.

MiWadi led the squash category back into growth and this year MiWadi 0% sugar became the first soft drink brand to receive approval from Diabetes Ireland. It was a successful year for our business out of home as we used the breadth of our portfolio to successfully take share in both convenience and through our licensed wholesaling arm, Counterpoint.

To further increase our reach into the Licensed channel, we are today announcing the acquisition, subject to competition approval, of East Coast Suppliers Ltd, a licensed wholesaler with a strong presence in Dublin. Through this acquisition, our business will become the number two wholesaler, providing a direct route to market for our growing adult premium soft drinks portfolio.

### **Realise global opportunities in kids, family and adult categories**

We have had an excellent first year in Brazil. Despite the current tough economic conditions, we have grown volume and revenue and our brands Maguary and Dafruta have gained market share. Multiple price increases were successfully executed to maintain margins in the face of double digit raw material inflation. More recently we have launched Maguary Fruit Shoot, a fantastic achievement for the combined Ebba and Britvic team in such a short period of time. Initially we are focusing our efforts on Sao Paulo city before we undertake a broader roll out across Brazil. The local senior management team have all been retained and have proved a great addition to Britvic.

We continue to invest behind our international division in the USA. Fruit Shoot singles, distributed by our partner Pepsi in the convenience and leisure channels, have continued to perform well and we have maintained our market share. Fruit Shoot is now listed in Pizza Hut nationally and is performing well.

This year we have also launched multi-pack into the grocery channel with our partner Advantage Sales and Marketing, who are a well-established operator in grocery. The scale of the opportunity is large but the USA grocery market is complex, diverse and highly competitive. We are pleased with the listings we have gained with major retailers such as Walmart, Kroger and HEB but recognise that we have further work to do to properly establish the brand in this channel in the year ahead.

Finally, we took the difficult decision to withdraw from India this summer. Whilst the brand was growing its distribution, the path to sustainable profitability was proving to be a long one and we have decided to focus our efforts and investment elsewhere.

### **Continue to step change our business capability**

Last year we announced a transformational three-year investment programme to deliver increased supply chain flexibility and efficiency with a minimum 15% EBITDA\* return. We continue to see a significant opportunity for our business to improve its capability and our current expectation is that the net capital investment in the programme will be around £240m. The first year of our investment into the supply chain in GB is on track and we have identified opportunities in Ireland and France. In 2016 we commissioned our first new large PET line and on site warehousing in Leeds. We also made significant progress on the installation of three new can lines in Rugby. These will be fully operational in spring 2017 and will start to deliver significant cost and commercial benefits as we head into 2018. In 2017 we will commence the next phase of our investment programme, with a new PET line in London, as well as new aseptic lines in Rugby and in France. In Ireland, we announced changes to our distribution model, outsourcing all warehousing and distribution to increase capacity and reduce cost.

As we have looked to extend our business capability agenda beyond supply chain, we have taken the opportunity to flatten our team structures and create more synergy between our business units, which will improve the speed and effectiveness of decision making as well as drive out cost. We anticipate that these initiatives will deliver incremental annual cost savings from 2017 of £5m.

## **Build trust and respect in our communities**

Public health has continued to be a key issue in 2016, with soft drinks levies proposed to be introduced in 2018 in the UK and Ireland. Britvic believes in offering choice, whilst making it easier for consumers to reduce their calorific intake without compromising taste or quality. We are disappointed at the introduction of category-specific taxes, since we believe a holistic approach is necessary to tackle this complex issue.

Playing a proactive role in helping to address obesity has long been an integral part of our sustainable business plan. We have led the industry in our approach to health: reformulating brands such as J20 and Drench; introducing new product innovations such as MiWadi Zero and MiWadi Mini; and removing added sugar Fruit Shoot and Robinsons. Our actions since 2012 have led to an annualised 19bn calorie reduction and our portfolio is now strongly weighted towards low and no sugar in GB and Ireland.

Our brands have also continued to help families get active, promoting sport through high level sponsorships including Robinsons' enduring association with the Wimbledon Lawn Tennis Championships and Teisseire's sponsorship of the Tour de France. This year Fruit Shoot partnered with Tough Mudder to enable children across the UK, France, Ireland and the USA to participate in a Mini Mudder obstacle course. Fruit Shoot also partnered with Right to Play - a global organisation that uses the transformative power of play to educate and empower children facing adversity.

We have made good progress on reducing our environmental impact, with the investment in our manufacturing plants leading to a 1.5% reduction in water usage per litre of soft drink produced. At our Leeds factory, water consumption is down 22% and energy use reduced 45% relative to production, compared to FY15. We are confident our London and Rugby sites should see a similar efficiency saving once the supply chain investments become fully operational by 2020.

This year our charitable contributions have been valued at nearly £900,000 and our employees have continued to live our values, going the extra mile to support great causes and build an inspiring place to be. In GB, our employees have been supporting our two new charity partners, Sported and the Wildlife Trust. In Ireland, we launched our employee volunteering policy, enabling employees to take 2 days paid leave to volunteer. In France we have been supporting young people entering the labour market through workshops, open days and partnering employee volunteers with young people on job discovery exercises.

## **Outlook**

2017 will be another challenging year, with difficult trading conditions and input cost inflation for the first time in several years. The UK's vote to leave the EU and the proposed soft drinks levies in GB and Ireland from April 2018 have created additional uncertainty.

However, we are well positioned to deal with these challenges. We have a clear strategy that is working, hugely talented and committed people, and a robust balance sheet that provides a strong platform from which we will continue to deliver our strategic goals. The breadth of our portfolio, strength of our brands and innovation capability leaves us well placed to continue to grow. Through our transformational business capability programme we are creating a stronger, more efficient business, with a lower cost base. I am confident that we will deliver 2017 results in line with market expectations whilst continuing to progress our strategic priorities.

## Chief Financial Officer's Review

### Overview

In the period, we sold over 2.3 billion litres of soft drinks, an increase of 12.3% on the previous year, with Average Realised Price (ARP\*) of 59.2p, declining by 3.3%. Revenue was £1,431.3m, an increase of 10.1% (AER) compared to last year. Like-for-like\* performance saw revenue increase 0.4% to £1,321.6m.

Pre-exceptional EBITA\* increased 8.4% to £186.1m, and pre-exceptional EBITA\* margin decreased 20bps due to the first-time inclusion of Brazil. Like-for-like pre-exceptional EBITA increased 3.8% to £178.8m with like-for-like pre-exceptional EBITA margin increasing 40bps. The summer weather was an improvement on 2015 in both GB and Ireland, whilst France lapped a particularly warm 2015. The better weather combined with strong execution meant like-for-like quarter four revenue increased 5.7% for the comparable 12-week period.

### GB carbonates

	52 weeks ended 25 September 2016 <sup>1</sup>	52 weeks ended 27 September 2015	% change
	£m	£m	
Volume (million litres)	1,264.3	1,206.7	4.8
ARP* per litre	47.1p	46.9p	0.4
Revenue*	595.7	565.7	5.3
Brand contribution*	244.7	225.1	8.7
Brand contribution margin*	41.1%	39.8%	130 bps

The performance of the carbonates portfolio has been strong this year. Pepsi has continued to grow and gain market share, generating retail market value growth of £28m in a category where value declined £22m. Pepsi Max was in strong growth, accounting for 90% of the brand's market value growth. 7UP, led by low-sugar 7UP free, outperformed the category and also gained value share. Tango achieved its highest sales since 2005. Quarter four was particularly strong, with total carbonates revenue increasing by nearly 13.5% and both ARP\* and volume in growth. Over this period, we delivered strong growth in our single serve immediate refreshment pack formats and benefitted from the Subway contract, where our range is now available in over 2000 outlets.

### GB stills

	52 weeks ended 25 September 2016 <sup>1</sup>	52 weeks ended 27 September 2015	% change
	£m	£m	
Volume (million litres)	357.6	377.5	(5.3)
ARP* per litre	83.7p	85.2p	(1.8)
Revenue*	299.2	321.6	(7.0)
Brand contribution*	132.8	151.1	(12.1)
Brand contribution margin*	44.4%	47.0%	(260) bps

GB stills performance was challenged and revenue declined 7.0%. The total stills take home market, as measured by Nielsen, declined in retail market value\* by 1.5% (excluding water) with the squash and kids categories declining by 3.0% and 7.6% respectively. The removal of the added sugar range of Robinsons in 2015 resulted in a decline in sales as fewer consumers switched to the new formulation than originally anticipated. However, performance in the second half of the year improved, particularly in quarter four when we began to cycle the removal of the full sugar variant. Whilst Fruit Shoot declined, it outperformed the category with the Hydro flavoured water variant in growth. During the year, we also improved the offering of the core brand with the addition of multi-vitamins and a reduction in sweetness as we continued to improve the "better for you" credentials of our portfolio. J20 performance was also challenged, in part due to the poorer performance of the limited-edition variants. Earlier in the year we relaunched the Drench juice drink brand with a range of new, lower sugar flavours and this resulted in strong growth in the second half of the year.

<sup>1</sup> The GB and Ireland businesses include an additional week this year in quarter four. This occurs as we operate a 52-week accounting calendar rather than a 365-day calendar, resulting in an additional week in 2016. As a result, the next financial year will be a 52-week period ending on 1 October 2017. To ensure consistent and comparable reporting the additional week has been excluded from the segmental analysis included within this report.

<b>France</b>	52 weeks ended 25 September 2016 £m	52 weeks ended 27 September 2015 £m	% change actual exchange rate	% change constant exchange rate
Volume (million litres)	280.0	288.9	(3.1)	(3.1)
ARP* per litre	87.3p	83.2p	4.9	0.6
Revenue*	244.5	240.3	1.7	(2.5)
Brand contribution*	76.0	75.6	0.5	(3.6)
Brand contribution margin*	31.1%	31.5%	(40) bps	(30) bps

Whilst market conditions have remained tough and consumer confidence is weak, performance in the second half of the year was an improvement on the first half. Quarter three was soft, largely due to cooler, wetter weather impacting syrup sales, whilst revenue returned to growth in quarter four. This was in part due to a reversal in the weather trends benefiting our syrups brands. Fruit Shoot continued to grow, led by the launch of a 1.5 litre sharing pack, and the Pressade juice brand, with its organic and "juice from France" credentials significantly outperformed the juice category.

<b>Ireland</b>	52 weeks ended 25 September <sup>1</sup> 2016 £m	52 weeks ended 27 September 2015 £m	% change actual exchange rate	% change constant exchange rate
Volume (million litres)	209.5	202.2	3.6	3.6
ARP* per litre	51.1p	49.7p	2.8	(0.4)
Revenue*	131.7	120.4	9.4	5.8
Brand contribution*	47.2	44.2	6.8	2.6
Brand contribution margin*	35.8%	36.7%	(90) bps	(100) bps

*Note: Volumes and ARP include own-brand soft drinks sales and do not include factored product sales included within total revenue and brand contribution*

Ireland has delivered strong growth this year with both our own brand portfolio and the Counterpoint business contributing to this. Our leading water brand, Ballygowan, performed well, whilst good performances from MiWadi Zero and the fruit carbonate brand Club Zero have also contributed to our growth. Counterpoint has continued to benefit from an improved range in both snacks and alcohol which has helped to provide a more attractive offering to its licensed trade customers. The margins in the licensed wholesale channel and in the water category, both of which grew strongly, are dilutive when compared to the Ireland average.

<b>International</b>	52 weeks ended 25 September 2016 £m	52 weeks ended 27 September 2015 £m	% change actual exchange rate	% change constant exchange rate
Volume (million litres)	41.9	41.3	1.5	1.5 ^
ARP* per litre	120.5p	126.2p	(4.5)	(6.7) ^
Revenue*	50.5	52.1	(3.1)	(5.3) ^
Brand contribution*	9.6	16.9	(43.2)	(44.2) ^
Brand contribution margin*	19.0%	32.4%	(1,340) bps	(1,330) bps

*Note: Concentrate sales are included in both revenue and ARP but do not have any associated volume.*

^Whilst reported revenue, ARP and brand contribution declined, this was in part due to a change in the route to market in the Netherlands resulting in costs that were previously reported against overheads now being reported against revenue and marginal costs. Comparable ARP declined 2.0%, revenue declined 0.6% and brand contribution declined 30.4%. The comparable revenue decline of 0.6% was driven by weakness in our European exports division, including our operations in Benelux and travel sectors where volumes declined in the mid-single digits. Brand contribution was further impacted by our upweighted investment in the USA with the Fruit Shoot multi-pack launch this year. We have also gained a listing for the single-serve range with Pizza Hut in the USA, which will put Fruit Shoot in front of thousands of families every week and will drive brand awareness.

<b>Brazil</b>	52 weeks ended 25 September 2016 £m
Volume (million litres)	184.6
ARP* per litre	48.5p
Revenue*	89.5
Brand contribution*	17.5
Brand contribution margin*	19.6%

*Brazil has no comparatives as it is the first time of inclusion in the Britvic group, however non-audited comparatives are provided in the commentary to aid understanding.*

The performance in our first year in Brazil has been excellent. On a pro forma\* basis, volumes increased by nearly 8%, revenue increased by nearly 19%, brand contribution\* increased by over 7% and our brands gained retail market volume and value share. Price increases have been successfully implemented to recover the inflationary cost pressure faced in the market. Investment in the business has seen a doubling of A&P\* spend as well as the recruitment of additional heads into the commercial team. In the Summer we launched Maguary Fruit Shoot in Sao Paulo with listings secured in key retailers.

<b>Fixed costs</b>	52 weeks ended 25 September 2016 £m	52 weeks ended 27 September 2015 £m	% change actual exchange rate
Non-brand A&P*	(12.1)	(9.7)	(24.7)
Fixed supply chain	(95.8)	(92.6)	(3.5)
Selling costs	(124.9)	(118.6)	(5.3)
Overheads and other	(120.6)	(123.0)	2.0
<b>Total</b>	<b>(353.4)</b>	<b>(343.9)</b>	<b>(2.8)</b>
<i>Total A&amp;P investment</i>	<i>(68.6)</i>	<i>(71.1)</i>	<i>(3.5)</i>
<i>A&amp;P as a % of own-brand revenue</i>	<i>4.9%</i>	<i>5.6%</i>	<i>(70) bps</i>

Fixed costs increased by 2.8% including Brazil. Excluding Brazil fixed costs declined 2.2%, reflecting our continued focus on cost control. A&P\* as a percent of revenue declined in part due to the first-time inclusion of Brazil where A&P\* investment has historically been well below the Britvic average. Actual spend was £2.5m lower than last year with spend in the second half of the year in-line. The reduction in the first half of the year reflected the Robinsons relaunch in 2015 as well as progress in driving down our non-working A&P\* spend across the group.

### **Exceptional and other items**

In the period, we accounted for a net charge of £6.0m of pre-tax (£7.1m post tax) exceptional and other costs. These include:

- Brazil integration costs of £5.2m
- Costs in relation to closure of operations in India of £2.4m
- Gain on disposal of property in GB £3.2m
- Strategic restructuring - cost initiatives of £0.6m
- Strategic restructuring – business capability programme of £8.4m
- Fair value gains of £11.3m
- Unwind of discount on deferred consideration of £3.3m
- Debt repayment charges of £0.6m

The cash costs of exceptional and other items in the period were £11.6m.

### **Interest**

The net finance charge before exceptional and other items for the 53-week period for the group was £20.8m compared with £22.0m in the prior year, reflecting the lower debt profile of the group and the refinancing of the group bank facilities earlier in the financial year.



## **Taxation**

The underlying tax charge was £36.3m which equates to an effective tax rate of 23.0% (52 weeks ended 27 September 2015: 23.5%). The decrease in the effective tax rate reflects the decrease in the UK corporate tax rate during the period. However further start-up losses in certain territories as a part of its International expansion, for which no tax relief is currently available, continue to exert upward pressure on the effective tax rate.

## **Earnings per share**

Adjusted basic EPS for the period was 49.3p, up 6.5% on the same period last year. Basic for the period was 43.8p compared with 41.8p for the same period last year.

## **Dividends**

The board is recommending a final dividend of 17.5p per share, an increase of 7.4% on the dividend declared last year, with a total value of £46.0m. The final dividend will be paid on 3 February 2017 to shareholders on record as at 9 December 2016. The ex-dividend date is 8 December 2016.

## **Cash flow and net debt**

Underlying free cash flow\* was £10.9m, compared to a £89.3m inflow the previous year. Working capital generated an outflow of £25.8m, due to the 53rd week resulting in an extra payment run. Capital expenditure was £61.0m higher than last year, driven by the implementation of our business capability programme in the GB supply chain. Overall adjusted net debt\* increased by £152.5m and took our leverage to 1.8x EBITDA\* from 1.3x last year. In July 2015 £87.8m of cash was received from the issue of shares under a non-pre-emptive placing, which was subsequently used in consideration for the acquisition of "EBBA" which reduced net debt in the prior year. Excluding the cash received on the placing, leverage last year was 1.7x EBITDA. The adjusted net debt\* (taking into account the foreign exchange movements on the derivatives hedging our US Private Placement debt) at 2 October 2016 was £416.4m, compared to £263.9m at the end of last year.

## **Treasury management**

The financial risks faced by the group are identified and managed by a central treasury department, whose activities are carried out in accordance with board approved policies and subject to regular Audit and Treasury Committee reviews. The department does not operate as a profit centre and no transaction is entered into for trading or speculative purposes. Key financial risks managed by the treasury department include exposures to movements in interest rates and foreign exchange rates whilst managing the group's debt and liquidity, currency risk, interest rate risk and cash management. The group uses financial instruments to hedge against interest rate and foreign currency exposures. At 2 October 2016 the group has £902.3m of committed debt facilities consisting of a £400.0m bank facility which matures in 2021, and a series of private placement notes with maturities between 2016 and 2026, providing the business with a secure funding platform.

At 2 October 2016, the group's unadjusted net debt of £573.9m (excluding derivative hedges) consisted of £115.1m drawn under the group's committed bank facilities, £659.8m of private placement notes, £3.3m of accrued interest and £3.8m of finance leases, offset by net cash and cash equivalents of £205.9m and unamortised loan issue costs of £2.2m. After taking into account the element of the fair value of interest rate currency swaps hedging the balance sheet value of the private placement notes, the group's adjusted net debt was £416.4m which compares to £263.9m at 27 September 2015.

In November 2016, agreement was reached with a series of investors to raise a further £175m of USPP floating and fixed rate notes funding in February 2017, with maturities between February 2025 and February 2032. The funds raised will be used to replace USPP notes maturing in December 2016 and February 2017 and to provide additional funding headroom.

## **Pensions**

At 2 October 2016, the IAS 19 pension deficit in respect of the group defined benefit pension schemes was £17.4m (27 September 2015: net surplus of £17.3m). The move from surplus into deficit was driven by significantly higher liabilities due to a sharp decrease in gilt yields partly offset by improved performance of the scheme assets (especially in the GB scheme where a significant proportion of assets are held in corporate bonds and gilts), the additional employer contributions made to the GB plan of £20.0m, and the Pension Increase Exchange exercise completed by the GB scheme during the financial period.

The defined benefit section of the GB pension scheme is closed to future accrual. The Northern Ireland scheme is only open to future accrual for members who joined before 28 February 2006, and new employees are eligible to join the defined contribution scheme. All new employees in Ireland join the defined contribution plan. The 1 January 2015 actuarial valuation of the Britvic Ireland Defined Benefit scheme has been completed and shows there was no past service deficit. The GB Pension scheme actuarial valuation as at 31 March 2016 is underway.

The Ireland and Northern Ireland Defined Benefit Pension schemes have an investment strategy journey plan to manage the risks as the funding position improves. The GB Pension scheme mainly has credit-type investments and the Trustees have developed proposals to manage the investment risks.

## **Risk management process**

### **Our approach**

As with any business we face risks and uncertainties. We believe that effective risk management supports the successful delivery of our strategic objectives. The management of these risks is based on a balance of risk and reward determined through assessment of the likelihood and impact as well as the Company's risk appetite. The Executive Team perform a formal robust assessment of the principal risks facing the Company annually, which is reviewed by the Board. Similarly all business units and functions perform formal annual risk assessments that consider the Company's principal risks and specific local risks relevant to the market in which they operate. Risks are monitored throughout the year with consideration to internal and external factors, the Company's risk appetite and updates to risks and mitigation plans are made as required.

### **Key areas of focus**

This year the Board and the Executive Team has placed a significant focus on defining the Company's risk appetite. This is an expression of the amount and types of risk that the Company is willing to take to achieve its strategic and operational objectives. We have agreed a set of Company appetite statements for our principal risks. We are using the articulation of risk appetite in decision making across the Company and to define and validate the mitigating activities required to manage our risks. During 2015/16, in accordance with the requirements under the UK Corporate Governance Code the Directors also assessed the long-term viability of the Company in the context of its principal risks.

## **Glossary**

Non-GAAP measures are provided because they are closely tracked by management to evaluate Britvic's operating performance and to make financial, strategic and operating decisions. Furthermore, on the basis that the current period is a 53-week period, 52-week period information has also been presented in the CFO report to show comparability with the previous year.

**Volume** is defined as number of litres sold, excluding factored brands sold by Counterpoint in Ireland. No volume is recorded in respect of international concentrate sales.

**ARP** is defined as average revenue per litre sold, excluding factored brands and concentrate sales.

**Revenue** is defined as sales achieved by the group net of price promotional investment and retailer discounts.

**Brand contribution** is a non-GAAP measure and is defined as revenue less material costs and all other marginal costs that management considers to be directly attributable to the sale of a given product. Such costs include brand specific advertising and promotion costs, raw materials, and marginal production and distribution costs.

**Brand contribution margin** is a non-GAAP measure and is a percentage measure calculated as brand contribution, divided by revenue. Each business unit's performance is reported down to the brand contribution level.

**Pre-exceptional EBITDA** is a non-GAAP measure defined as operating profit before exceptional and other items, depreciation, amortisation, impairment of PPE/intangible assets and profit/loss from sale of PPE/intangible assets.

**Pre-exceptional EBITA** is a non-GAAP measure and is defined as operating profit before exceptional and other items and amortisation. Only amortisation attributable to intangibles related to acquisitions is added back, in the period this is £7.4m (2015: £2.6m). EBITA margin is EBITA as a proportion of group revenue.

**Adjusted earnings per share** are a non-GAAP measure calculated by dividing adjusted earnings by the average number of shares during the period. Adjusted earnings is defined as the profit/(loss) attributable to ordinary equity shareholders before exceptional and other items adjusted for the adding back of acquisition related amortisation. Average number of shares during the period is defined as the weighted average number of ordinary shares outstanding during the period excluding any own shares held by Britvic that are used to satisfy various employee share-based incentive programmes. The weighted average number of ordinary shares in issue for adjusted earnings per share for the period was 261.7m (2015: 248.6m).

**Underlying free cash flow** is a non-GAAP measure and is defined as net cash flow excluding movements in borrowings, dividend payments and exceptional and other items.

**Adjusted net debt** is a non-GAAP measure and is defined as group net debt, adding back the impact of derivatives hedging the balance sheet debt.

**Underlying adjusted net debt** is a non-GAAP measure and is defined as group net debt, adding back the impact of derivatives hedging the balance sheet debt and the value of cash received from the 2015 share placement.

**Like-for-like** is a non-GAAP measure and excludes the impact of Brazil and the additional 53rd week and on a constant currency basis.

**Innovation** is a non-GAAP measure and is defined as new launches over the last three years, excluding new flavours and pack sizes of established brands.

**Retail market value and volume** is a non-GAAP measure and is a measure of the recorded sales at the retail point of purchase. This data is typically collated by independent organisations such as Nielsen and IRI from data supplied by retailers.

**A&P** is a non-GAAP measure of marketing spend including marketing, research and advertising.

**Pro-forma** is a non-GAAP measure of performance in Brazil where non-audited comparatives are provided in the commentary to aid understanding of performance.

**Constant currency** is a non-GAAP measure of performance in the underlying currency to eliminate the impact of foreign exchange movements.

**Business in the community Index (BITC)** is an independent measure of responsible business practices.

**Great Place to Work (GPTW)** is a methodology process adopted by businesses to measure employee engagement.

## Non-GAAP reconciliations

### Like-for-like

	Revenue	EBITA	Profit after tax	EPS
	£m	£m	£m	pence
<b>FY15</b>				
52-week period ended 27 September 2015, as reported	1,300.1	171.6	103.8	46.3
Adjust for FX	15.8	0.7	(0.1)	0.1
<b>52-week period ended 27 September 2015 @ constant currency</b>	<b>1,315.9</b>	<b>172.3</b>	<b>103.7</b>	<b>46.4</b>
<b>FY16</b>				
53 week period ended 2 October 2016, as reported	1,431.3	186.1		
Brazil	(89.5)	(3.1)		
Week 53	(20.2)	(4.2)		
<b>FY16 “like for like” with FY15</b>	<b>1,321.6</b>	<b>178.8</b>		

### EBITDA

	53 week period ended 2 October 2016	52 week period ended 27 September 2015
	£m	£m
Operating profit before exceptional and other items	178.7	169.0
Acquisition related amortisation (note 14 annual report)	7.4	2.6
<b>Pre-exceptional EBITA</b>	<b>186.1</b>	<b>171.6</b>
Depreciation	33.2	29.9
Amortisation (non-acquisition related)	8.9	8.5
Pre-exceptional impairment of PPE	-	0.3
Pre-exceptional loss on disposal of PPE	1.9	0.8
<b>Pre-exceptional EBITDA</b>	<b>230.1</b>	<b>211.1</b>

### Underlying adjusted net debt

	2 October 2016	27 September 2015
	£m	£m
Adjusted net debt	(416.4)	(263.9)
Cash received for 2015 share placement	-	(87.8)
<b>Underlying adjusted net debt</b>	<b>(416.4)</b>	<b>(351.7)</b>

**Free cash flow**

	<b>53 week period ended 2 October 2016</b>	<b>52 week period ended 27 September 2015</b>
	<b>£m</b>	<b>£m</b>
Pre-exceptional EBITDA	230.1	211.1
Pre exceptional working capital movements	(25.8)	10.4
Purchases of intangible and tangible assets	(121.9)	(61.1)
Net pension charge less contributions	(25.9)	(22.2)
Net Interest and finance costs	(20.5)	(23.8)
Income tax paid	(34.2)	(30.2)
Share based payments	6.6	10.5
Issue of shares	4.8	3.7
Purchase of own shares	(2.1)	(9.2)
Other	(0.2)	0.1
<b>Underlying free cash flow</b>	<b>10.9</b>	<b>89.3</b>