Britvic plc
Preliminary Results | Audio Webcast

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Transcript

Simon Litherland: Good morning and welcome to our 2024 Full Year Results Presentation.

Britvic has delivered another strong performance this year despite the challenging environment. Our portfolio of family favourite brands has continued to win with consumers across our markets, and we are successfully building scale and profitability in Brazil. We've continued to upweight our investment behind both our growth opportunities and in our infrastructure to ensure the business is future fit. And we are proud to have extended our consistent track record of delivering a market-beating performance.

We have delivered another set of outstanding results across all our key performance metrics. This holistic delivery across people, planet, and performance reflects the successful execution of our strategy.

We have successfully taken significant price over the last few years in order to offset the unprecedented levels of inflation. Encouragingly though consumer demand for our brands has remained strong, and this year we've delivered volume growth of 3.1% and revenue growth of 9.5%.

We've increased the A&P investment behind our brands by 31% while still expanding our margin by 60 basis points.

Adjusted EBIT was up 15.2%, and adjusted EPS grew by 13.9%.

Our healthier people, healthier planet metrics also remain strong. On the people side we continue to benefit from top quartile employee engagement and we are very proud that our long-term continuing focus on lower, no sugar is leading to average calories per serve across our portfolio of just 21. On planet we continue to reduce our carbon emissions in line with our science-based targets.

Last year I set out a clear and compelling growth algorithm for Britvic by which we could measure the success of the strategy.

We operate in a resilient and growing soft drinks category driven by increasing consumption, widening consumer repertoires, and population growth. There is also the opportunity to expand margins as value outgrows volume, and consumers seek more premium experiences. Beyond capturing category growth, we identified three incremental growth accelerators that enabled Britvic to outperform.

Firstly, we have a long-established track record of our scale family favourite brands outgrowing their respective market segments. We also continue to build share and channels where we under-index, which is positive for mix and margin.

Secondly, Brazil is now a major growth market for us and big enough to move the dial for the group, both in terms of revenue growth and margin improvement through increased operational efficiency and participation in higher margin categories.

And thirdly, expanding our presence in new, faster growing segments like iced coffee and plant-based drinks offers further opportunity for us to grow ahead of the market.

We have driven substantial growth this year across all three accelerators in this algorithm.

The revenue of our family favourite brands, which form the bulk of our business, has increased by 5.5% year-on-year. We have also delivered over 35% growth in Brazil, and over 52% in our fast-growing smaller brands.

As another way to look at this, of our 9.5% top-line revenue growth, 4.9% of it came from our family favourite brands, Brazil added 3%, and new growth spaces added another 1.6%. While the exact numbers will of course always vary from one year to another, it is clear that these segments are driving out performance for Britvic.

I'll now pull out some of the highlights from the year for each of these areas.

In GB, we've continued to benefit from our broad and established portfolio.

Pepsi had a standout year growing revenue 7.5% and achieving 32% value share as we successfully activated the biggest global brand refresh in 14 years. Both Core Pepsi Max and Flavours are driving growth.

Tango, our iconic fruit carbonates brand, had another fantastic year with the revenue increasing 11%, well ahead of the category. Our new Flavour launches continue to be successful with the launch of Tango Mango in February and two ready-to-drink versions of Tango Ice Blast in April exclusively for the convenience channel. We have also further up-weighted A&P spend on Tango, including fantastic new TV and social campaigns.

We firmly believe that Flavour Concentrates offer an exciting growth opportunity. It is a scale category and we have the number one brand in each of our major markets that offer consumers tasty, healthy, and affordable hydration at a lower packaging per serve. This year, the combined brands delivered 2.6% revenue growth led by MiWadi, Ireland and our Concentrates brands in Brazil, both up 12% year-on-year.

Ballygowan, Ireland's number one water brand, grew 27% with both our plain and flavour water offerings in strong growth. Ballygowan benefits from a highly visible partnerships with both Ireland Rugby and the Gaelic Athletic Association, and Hint of Fruit has now achieved a 31% share of the flavoured water category in three years.

Lipton Ice Tea remains the clear number one brand in this fast-growing and scale soft drink segment. This year, revenue increased nearly 13% with a continued focus on low calorie, healthier variants with no artificial flavours, colours, or preservatives.

Turning now to Brazil, where our performance has been outstanding with revenue up 35%. The organic revenue increase of 20.6% shows that growth is coming from the core portfolio as well as our newly acquired energy brands Extra Power and Flying Horse, which grew 32% in their first year of Britvic ownership.

As planned in the acquisition, we've built distribution of our existing core brands into the regional heartland of our acquired brands, as well as starting to take the acquired energy brands into regions of existing Britvic strength such as Rio de Janeiro.

We also continue to invest into the business engaging consumers through a targeted range of sports and carnival sponsorships, we've expanded our merchandising team, and installed a new small carton line to meet growing demand for Fruit Shoot and our other juice brands. Brazil's brand contribution margin increased 730 basis points, which was driven by growth in energy and concentrates and improved cost to serve. And we have also successfully realised the anticipated cost energies from the acquisition.

New growth brands have accelerated this year growing revenue 52.1%.

Total Aqua Libra revenue grew nearly 35%. The brand's canned portfolio revenue increased over 109% and now include still, sparkling, and infused water all containing no sweeteners or artificial ingredients.

As you know, we also offer three tap propositions under the Aqua Libra brand. Table bottling for hospitality, standard still sparkling and hot water taps, and our industry-leading flavour tap for the workplace. With some significant wins in the year, we now have an estate of 7,000 taps in the market.

Global premium brands revenue increased by 17%. The key highlight was London Essence in Great Britain, which grew revenue by 38%. During the year we refreshed the packaging, launched the premium sodas in a can format, and won new listings in the hospitality channel. Retail distribution points in GB increased by 39%, and we now have over 2000 of our unique dispense units in the hospitality market.

Mathieu Teisseire also had a strong year with revenue growth of 14.3%.

We bought Plenish three years ago. Since then, we've developed the proposition, executed a complete brand relaunch, expanded the health shots range, and developed the only barista plant-based milk in the UK that's free from oils, gums, or other additives.

Our hard work is now bearing fruit as revenue grew over 100% in the year. We are now the number three dairy alternative brand in the category, and our single juice shots are now the number one brand in the retail channel. We have also leveraged the Britvic supply chain and procurement capability to unlock significant margin opportunities.

Jimmy's is at an earlier stage of its journey as part of Britvic, we acquired it last year to access the fast-growing iced coffee category. Since then, we've started to leverage Britvic resources gaining 4,000 new distribution points in the last 6 months. Particularly on the back of new launches such as our partnership with Myprotein and a new larger pack format. This is leading to an accelerating performance with 15% year-on-year retail sales value growth in the last 6 months.

So before I hand over to Rebecca, 2024 was a record-breaking year with Britvic once again doing an outstanding job of executing our strategy to outperform the wider market.

Importantly, each of our growth drivers, family favourites, Brazil, and emerging growth brands played a key role in delivering this performance, validating our growth algorithm.

Sustainability has remained at the heart of the strategy and with only 21 calories per serve, we lead the industry.

I'm really proud of our holistic delivery and the whole Britvic team across the world who have made this happen.

I'll now hand over to Rebecca who will share more detail on our financial performance.

Rebecca Napier: Thank you, Simon, and good morning everyone. I'm delighted to report Britvic's best ever performance.

As a reminder, I'll be focusing on adjusted measures on a like-for-like constant currency basis.

Volumes grew 3.1% as consumer demand for our brands remained strong. We continue to execute revenue management initiatives to drive revenue growth of 9.5%, allowing us to invest in our business with A&P growth of 31% while expanding adjusted EBIT margin by 60 basis points.

I'm particularly proud that we've achieved volume and revenue growth and positive price and mix in every quarter of the year. Our adjusted EBIT grew by 15.2%, and we delivered £250.9 billion of profit in the year.

Conversion to earnings was strong with EPS increasing 13.9% year-on-year.

Leverage was broadly flat at 1.98x, well within the targeted year end range and was achieved after completing the acquisition of Extra Power and the impact of an additional payment run.

Our GB business delivered a really strong performance with revenue growth of 8.5% and brand contribution growth of 12.8%. And while the trading environment remained challenging, and the summer weather was again below par, consumer demand for our brands was strong, delivering volume growth of 1.8%.

Our revenue growth came from both our own brand portfolio and the PepsiCo brands. The largest revenue increases came from Pepsi, Tango, J2O, and Lipton Ice Tea.

Importantly, we grew revenue in both the retail and hospitality channels. In new growth spaces, we saw excellent growth from our emerging brands, London Essence, Plenish, Aqua Libra, and Jimmy's.

This also helped to grow our brand contribution margin by 160 basis points, and that includes increased investment in our brands with a 35% increase in A&P spend.

Brazil's performance was outstanding with volume growths of 19.7% and revenue growths of 35.3%. Organic revenue increased by 20.6% with underlying volume increases in all key categories and a return to growth in B ingredient of fruit processing business.

The Extra Power energy acquisition grew 32% versus the year before it became part of Britvic. Extra Power has now been successfully integrated into the Brazil business unit.

As well as delivering its cost synergies, the higher product margin of the acquisition has helped us to increase Brazil brand contribution margin by 730 basis points to 30.5%.

The combined international business, which covers France, Ireland, and our other international markets, grew revenue by 2.8%, led by an excellent performance in Ireland.

Ireland's growth was particularly pleasing given the deposit return scheme launched in February. As expected volumes were initially impacted before returning to growth in quarter four. Brand highlights include MiWadi with revenue up 12.5%, Ballygowan up 27.3%, and Pepsi up 15.4%.

France has continued to be our most challenged market. The flat revenue performance was largely driven by a decline in lower margin juice and private label syrups. Branded syrups were slightly up led by Moulin de Valdonne and with Teisseire benefiting from the sponsorship of the Women's Tour de France in the final quarter. Consequently, profitability improved materially year-on-year.

Performance across our other international markets has been softer in half two. While Mathieu Teisseire was in strong growth, this was offset by the transition of our Fruit Shoot operations in the USA to a new bottling partner and some weakness in export sales in other markets.

I'll briefly cover pre-tax adjusting items, which totalled £48 million of which £9.3 million is cash.

The largest items included cost relating to the potential acquisition of Britvic by Carlsberg of £21.3 million. Our Norwich site, which closed in 2019, has now been impaired totalling £8.4 million. A non-cash acquisition related amortisation totalling £11.1 million.

As well as increasing margins we've also invested significantly in our business.

Among a number of technology investments, we completed a £25 million upgrade of our GB National Distribution Centre to improve productivity and to ensure the site is future-fit. We also launched a digital manufacturing program in partnership with LineView, a manufacturing efficiency software company.

Moving to brand building, we increased A&P spend by 31% year-on-year, investing across all markets behind major brand initiatives such as the Pepsi Global Refresh and the Teisseire sponsorship of the Women's Tour de France. Across our emerging brands, we invested in innovation to accelerate their growth trajectory, including new flavours and packed formats for Plenish and Jimmy's.

We've continued to invest in expanded production capacity with our latest can line in Rugby now fully operational in delivering incremental year-on-year volume. I can also confirm that another can line is on order for our rugby site and should be operational from late 2025. In Ireland, we've expanded capacity at Newcastle West with a €6 million investment, which has bought the strong growth of Ballygowan into fruit. And in Brazil, we invested in a new small carton line as demand for this affordable pack continues to grow.

Sustainability is at the heart of our strategy and we have continued to make great progress this year. Our brand focus on healthier, "better for you" offerings and investing in our R&D capability to create great tasting, low calorie offerings is evidenced by our industry-leading 21 calories per serve.

Within our communities we've partnered with organisations across our markets to promote young people's emotional resilience.

From a planet perspective we announced a power purchase agreement this year. It is now fully operational and supplying 75% of our GB factory electricity with solar power that previously came from the grid.

An £8 million investment in a heat recovery system is now fully operational at our Beckton site. And we've invested in our water process plant at Rugby where as well as now using less water, we also use 60% less energy. We have always been proactive supporters of well-designed deposit return schemes. The Irish scheme launched in February and so far resulted in 600 million bottles and cans being returned to date. Overall, I'm really happy with our progress across all of our people, planet, and performance metrics. I'll now hand it back to Simon for the final part of today's presentation.

Simon Litherland: Thanks, Rebecca. I will now close by sharing a quick update on the Carlsberg transaction, a few marketing and innovation highlights for Q1 2025, and a reminder of the long-term value Britvic has delivered to our shareholders.

The Britvic board recommended the Carlsberg offer in July and shareholders voted overwhelmingly in support of the deal at the end of August.

Since then, as anticipated, the competition authorities in the UK and Europe have started their review of the transaction. The CMA in the UK launched their formal inquiry on the 23rd of October with a phase one decision due by the 18th of December. The EU process has also started with their phase one decision due by the 16th of December.

The current estimate is that the transaction will close in the first calendar quarter of 2025, subject to regulatory approval and court sanction.

The Britvic team remains focused on maintaining the strong momentum across our brand portfolio in 2025. On this slide are just a few examples of the marketing and innovation plans we have in our first quarter.

In celebration of the highly anticipated cinema release of Wicked, Universal Pictures and Robinson's have joined forces to launch an on-pack promotion and two spellbinding limited edition flavours. In a major on-pack promotion, Pepsi has partnered with EA Sports FC25 to offer consumers the opportunity to win some great gaming prizes.

And we continue to develop our new growth brands with the launch of a Jimmy's Cinnamon flavour and a new marketing campaign for Plenish called "Nothing to Hide", which emphasises the brand's differentiation through its all-natural ingredients.

In Brazil, we have rebranded and relaunched our Flying Horse energy drink. And finally, at Ireland, we've added a new flavour to our Energise brand and launched a new range of sleek cans across our carbonates portfolio.

Looking at Britvic's performance since flotation in 2005, you'll see we have a track record of strong holistic delivery across all of people, planet, and financial performance metrics.

As shown on this slide, we've delivered a volume CAGR of 3.3% and a revenue CAGR of 5.4%, resulting in an EPS CAGR of 7.2%. At the same time, we've driven margin improvement of 270 basis points successfully navigating both the impact of the pandemic and the challenging cost environment of the last few years.

With sustainability at the heart of our strategy, we've also delivered great outcomes for both our people and planet measures since we set them in 2017. For example, our average calories per serve is down 41% to only 21, and over the same time period, we've also reduced our carbon emissions by 35%.

As you can see on this slide, our shareholder returns over the same period have been outstanding consistently outperforming the FTSE. Those who have held Britvic shares since the float in 2005 and reinvested their dividends have enjoyed a total shareholder return approaching 1000%. That group includes a sizable number of our dedicated employees who have worked so hard to drive the performance while participating in the success of the company.

Shareholders who've come on board more recently, under my tenor, have continued to enjoy substantial returns that far outstrip those of the FTSE over every major timeline. I'm incredibly proud of what we have achieved collectively as a team.

So to summarise, 2024 was another record-breaking year with our growth trajectory continuing and our profits at an all time high, we continue to deliver superior returns for our shareholders. The business is well-invested across all of supply chain, people, and brands. We have a portfolio of market-leading brands in today's scale categories, and we're successfully building a strong presence in fast-growing new spaces with our emerging brands. Our Britvic people are passionate, dedicated, and very capable, and I'm hugely proud of everyone and all that we have achieved together. I am confident that the prospects for our brands and people are extremely positive, and I look forward to them going from strength to strength. Thank you.

Operator: That concludes today's presentation. If you have any questions on today's results, please contact Steve Nightingale in the first instance. His contact details are shown on the slide. Many thanks for listening.