

Britvic

Consumer
26 November 2021

Emerging stronger

Britvic's recovery continued in H2, with continued growth in at-home channels while out-of-home rebounded. GB and Brazil both posted revenue growth, while Other International was affected by weaker performance in France, caused – among other things – by poor summer weather. Organic revenue growth was 6.6%, while adjusted EBIT was up 10% on the same basis. Adjusted EPS was up 2.5% to 44.3p, as it was adversely affected by a one-off deferred tax charge. The dividend per share is 24.2p, up 12%. Current trading is encouraging, with volumes in the first six weeks of the year ahead of both FY21 and FY20. Management remains confident in making further progress with revenue, profit and margin growth in 2022 despite inflationary cost pressures.

FY21 results

Reported revenue was down 0.5%, but up 6.6% on a like-for-like and constant currency basis. Adjusted EBIT was up 10% on this comparable basis, and up 6.5% on a reported basis, with adjusted EBIT margin up 40bp to 12.6%. Adjusted EPS was up 2.5% to 44.3p and adjusted net debt was £31.9m lower year-on-year as a result of the strong free cash flow generation. Adjusted net debt/EBITDA for FY21 is back to the 2019 level.

Delivering the strategy

Britvic continues to make progress against its strategic objectives: it has accessed new growth spaces, simplified its Irish business and converted all GB immediate consumption packs to 100% recycled PET. Group margin was up while Britvic rebuilt investment in the business, and the outlook is confident that the multiple operational headwinds can be mitigated through a combination of agile supply chain, revenue management and cost saving actions.

Valuation: Discount should narrow

Britvic trades at a consensus FY22e P/E of 17.0x, a c 20% discount to the UK beverages sector (excluding Fever Tree) and a c 10% discount to AG Barr, reflecting its more geared balance sheet and the fact that some of its brands are part-owned by third parties. We believe those discounts should narrow over time with reducing balance sheet leverage, although in the shorter term, inflationary cost pressures and some COVID-19 uncertainty remain the biggest risks for the whole sector.

Consensus estimates

Year end	Revenue (£m)	Adjusted EBIT (£m)	Adjusted EPS (p)	DPS (p)	P/E (x)	Yield (%)
09/20	1,412.4	165.8	43.2	21.6	21.5	2.3
09/21	1,405.1	176.5	44.3	24.2	21.0	2.6
09/22e	1,546.9	199.6	54.7	27.3	17.0	2.9
09/23e	1,586.4	220.5	61.0	30.7	15.2	3.3

Source: Refinitiv, company data

Price 930p
Market cap £2,481m

Share price graph



Share details

Code BVIC
Listing LSE
Shares in issue 266.8m

Business description

Britvic is a soft-drink beverage company with headquarters in the UK. The company participates in the marketing and manufacturing of popular brands including PepsiCo in Great Britain and Ireland. Britvic also has operations in France, Brazil and selected other EU markets.

Bull

- The soft drinks segment is relatively resilient and at-home consumption continues to grow.
- The business continues to make progress against its strategic objectives, including sustainability-linked targets.
- Market leadership status: number one in branded still soft drinks and number two in branded carbonated soft drinks in Great Britain; number one in ready-to-drink (RTD) juice in Brazil.

Bear

- Other International business performance continues to be weak, with poor weather affecting French performance.
- Some brands are in part-owned by third parties.
- GB out-of-home consumption is still below 2019 levels. GB immediate consumption market is back to 2019 but both could be affected by any COVID-19-related restrictions.

Analysts

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