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Britvic

Consumer

30 November 2022

Price	814.5p
Market cap	£2,126m

Strong growth despite headwinds

Britvic reported strong double-digit revenue growth across all business units in FY22, reflecting brand resilience despite significant headwinds. Trading benefited from a full year with no COVID-19-related restrictions and hot weather during the summer. Performance was boosted by balanced growth in volume and price, as management mitigated the significant cost inflation in the year through price rises and efficiency initiatives. As such, adjusted EBIT was up 17% while adjusted EPS grew 29.3%. The dividend per share increased 19.8% to 29p. Despite the more challenging macroeconomic environment, management notes no slowdown in consumer demand, with current trading in line with expectations. Although current headwinds on costs and consumer spend are expected to persist into FY23, management believes it is well positioned to navigate these challenges successfully.

FY22 results

Revenue grew 15.2% on a reported basis and 15.5% on a like-for-like and constant currency basis to £1.62bn (FY21: £1.41bn), ahead of consensus expectations (Refinitiv: £1.59bn). Adjusted EBIT grew 17% while reported EBIT was up 26.2%, at an adjusted margin of 12.7% (reported 11.9%). Adjusted EPS was up 29.3% to 57.3p. Strong free cash flow of £129m enabled the lowering of adjusted net debt to £475m (FY21: £489m). Adjusted net debt to EBITDA fell to 1.9x (FY21: 2.1x).

Deliver on strategy as cost headwinds are managed

Britvic continues to deliver against its strategic objective of sustainable growth. It is investing in its brand portfolio and supply chain, while making strong progress on sustainability targets and developing growth opportunities in new areas. Although input cost pressures are expected to remain elevated in FY23, management has greater cost visibility given the hedging strategy, which has secured prices, although at a higher level than FY22. Britvic will also use revenue management and efficiency savings to maximise pricing.

Valuation

Britvic trades at a consensus FY23e P/E of 14.3x, a c 17% discount to the UK beverages sector (excluding FeverTree) and a c 11% 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 weak consumer spend 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 (%)
09/21	1,405.1	176.5	44.3	24.2	18.4	3.0
09/22	1,618.3	206.0	57.3	29.0	14.2	3.6
09/23e	1,721.8	212.5	56.8	29.2	14.3	3.6
09/24e	1,782.9	227.7	61.3	31.3	13.3	3.8

Source: Refinitiv (30 November 2022)

Share price graph

Share details

Code	BVIC
Listing	LSE
Shares in issue	261m

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.
- 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

- The outlook for consumer demand is weakening given the inflationary environment.
- Some brands are part-owned by third parties.
- Due to uncertainty around wage and energy costs, the cost base could remain elevated into FY24.

Analysts

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