

# Britvic

**Consumer**
**20 May 2022**

## Positive momentum

During H122, Britvic witnessed double-digit revenue growth and volume and price increases in all business units and strong momentum across core brands. Growth continued in the at-home channels, while out-of-home continued to recover towards pre-pandemic levels. Immediate consumption levels are now ahead of where they were before the pandemic. Growth accelerated during the half year, with revenues up 16.5% in Q1 and 20.8% in Q2. In underlying terms, revenue was up 13.6% versus H120 (ie pre-pandemic), and during April momentum has continued to be positive. The company has successfully implemented both pricing and cost actions to mitigate some cost inflation, while continuing to rebuild investment and support the business. Management expects the current geopolitical situation to result in continued cost inflation and pressure on consumer spending, at least until 2023, although Britvic expects to continue to successfully navigate these headwinds.

## H122 results

Reported revenue was up 16.6% and 18.5% on a like-for-like and constant currency basis. Adjusted EBIT was up 20.7% on this comparable basis, and up 22.3% on a reported basis, with adjusted EBIT margin up 20bp to 10.2%. Adjusted EPS was up 27.8% to 19.4p. Adjusted net debt/EBITDA for H122 was 2.2x and is expected to decline further and remain in Britvic's long-term range of 1.5–2.5x.

## Long-term strategy intact but cost headwinds

Britvic continues to make progress against its strategic objective of sustainable growth. It is investing in its broad brand portfolio and its business capabilities, while embedding sustainable business practices into the way it operates and it is building growth opportunities by accessing new growth spaces. Cost inflation remains a concern across all consumer-facing businesses. While headwinds can be mitigated through a combination of agile supply chain, revenue management and cost-saving actions, the outlook for the consumer is likely to remain subdued.

## Valuation

Britvic trades at a consensus FY22e P/E of 14.8x, a c 25% discount to the UK beverages sector (excluding Fever Tree) and a c 15% 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 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	18.9	2.7
09/21	1,405.1	176.5	44.3	24.2	18.4	3.0
09/22e	1,559.9	201.6	55.1	27.7	14.8	3.4
09/23e	1,633.2	219.1	59.5	29.9	13.7	3.7

Source: Refinitiv, company data

**Price** **814p**  
**Market cap** **£2,158m**

### Share price graph



### Share details

Code **BVIC**  
 Listing **LSE**  
 Shares in issue **267.6m**

### 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

- The outlook for consumer demand is becoming subdued, given the inflationary environment.
- Some brands are in part-owned by third parties.
- GB out-of-home consumption is still below 2019 levels and there is some adverse mix in this channel.

### Analysts

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