

Britvic

Consumer
23 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 15.0x, 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 (US\$m)	Adjusted EBIT (US\$m)	EPADR (US\$)	DPADR (US\$)	P/E (x)	Yield (%)
09/20	1,762.7	206.9	1.07	0.54	19.3	2.6
09/21	1,753.6	220.3	1.10	0.60	18.8	2.9
09/22e	1,946.7	251.5	1.38	0.69	15.0	3.3
09/23e	2,038.3	273.4	1.49	0.75	13.9	3.6

Source: Refinitiv, company data

Price **\$20.7**
Market cap **\$2,693m**

Underlying £ price converted at £1.248/US\$.
 ADR/Ord conversion ratio 2:1

ADR price graph



ADR details

Code **BTVCY**
 Listing **OTC**
 ADRs in issue **133.8m**

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

- The outlook for consumer demand is becoming subdued, given the inflationary environment.
- Some brands are 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

Sara Welford +44 (0)20 3077 5700
 Russell Pointon +44 (0)20 3077 5700

consumer@edisongroup.com

[Edison profile page](#)

**Britvic is a research client of
 Edison Investment Research
 Limited**

General disclaimer and copyright

This report has been commissioned by Britvic and prepared and issued by Edison, in consideration of a fee payable by Britvic. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2022 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia