



# AG Barr plc FINAL RESULTS

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52 weeks ended 25 January 2020

**AG Barr**  
BUILDING GREAT BRANDS

**Roger White**

**Welcome and introduction**

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Roger White  
Chief Executive

Stuart Lorimer  
Finance Director

# COVID-19

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- Exited 2019/20 financial year with renewed momentum
- Feb and early March trading on track
- Now beginning to see the impact of the Government's COVID-19 delay measures and the effects on consumer behaviour

## 3 key priorities

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1. **safety and wellbeing**
2. **Group operating resilience**
3. **financial stability**

## Safety and wellbeing

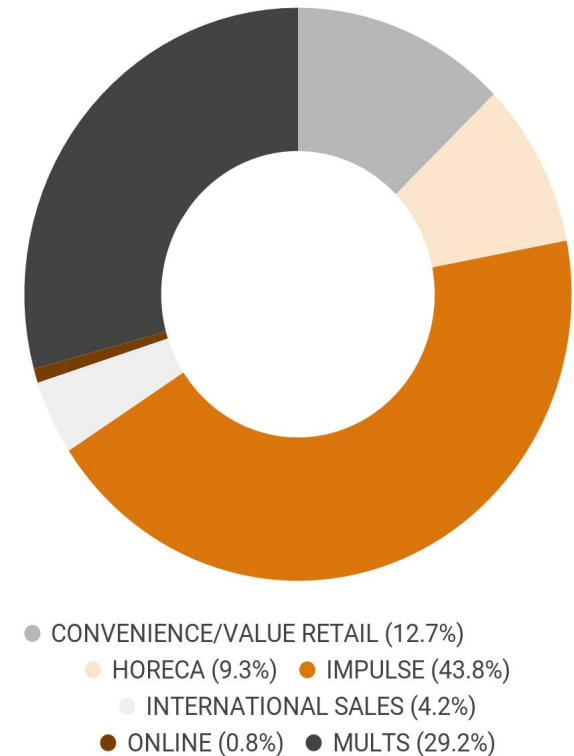
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- following Government guidance throughout
- supporting higher risk and vulnerable people across our organisation
- additional safety, hygiene and 2 metre social distancing measures in place
- home working activated where possible
- increased flexibility and support for those with dependents

## Operating resilience

- Two main production sites with commonality across many SKUs
- Currently no major raw material issues and good finished goods inventory levels
- Multiple routes to market serviced by multiple distribution partners including Company-owned fleet
- Action taken to prioritise essential skills across production workforce
- Focus on high volume, low complexity production runs
- Current trading :
  - Hospitality venues now closed
  - Out of home consumption now significantly impacted
  - Take-home resilient but highly volatile

Group channel coverage



## Financial stability

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- Strong financial base and historically cash generative business
- £60m revolving credit facilities now drawn down and available
- Cash preservation actions :
  - New capital projects on hold
  - Scaling back immediate marketing and commercial activity
  - Focused working capital management
  - No final dividend proposed - dividend position to be reviewed when there is greater visibility of the impact of COVID-19

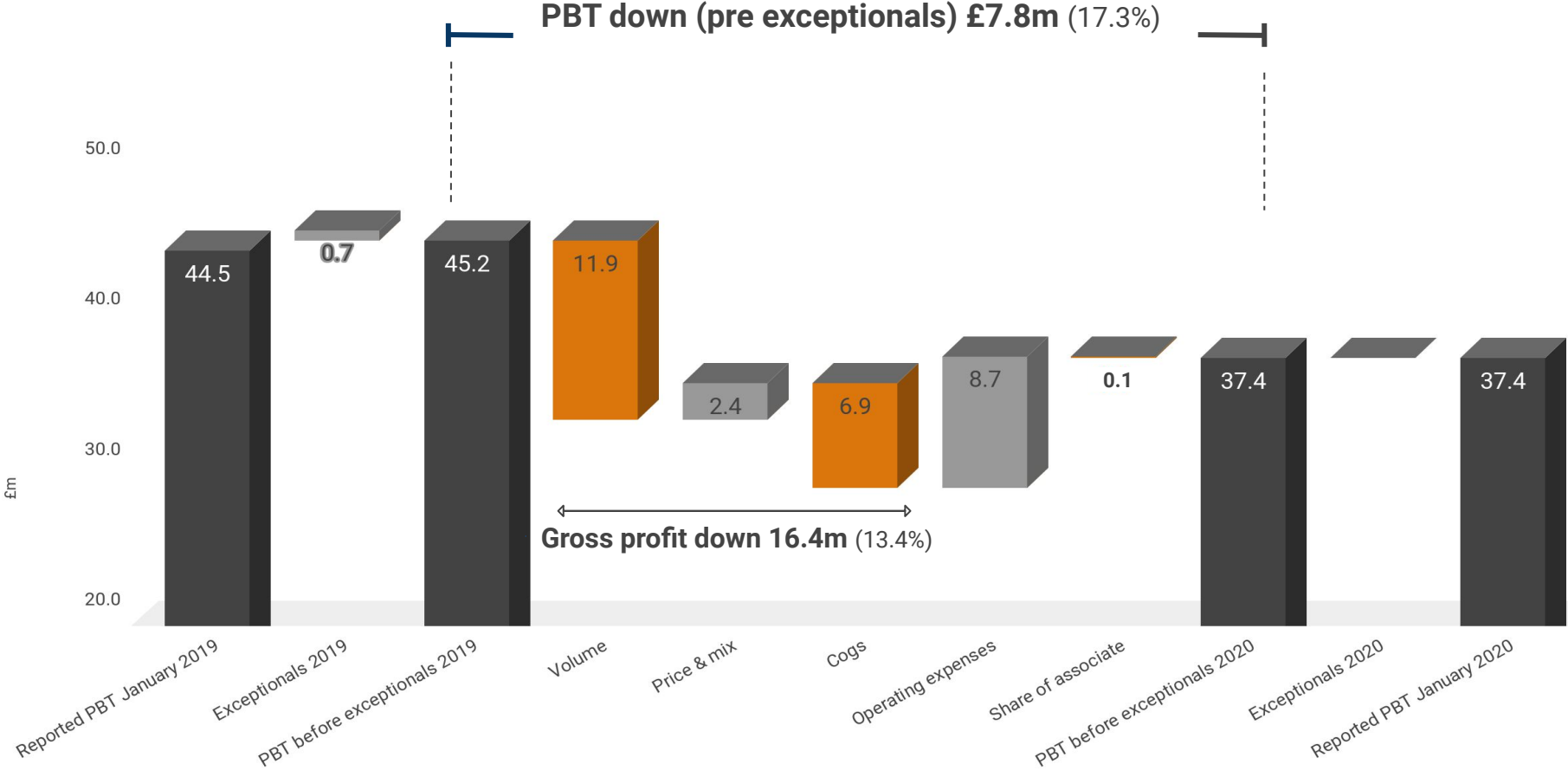
# Stuart Lorimer

## Financial review

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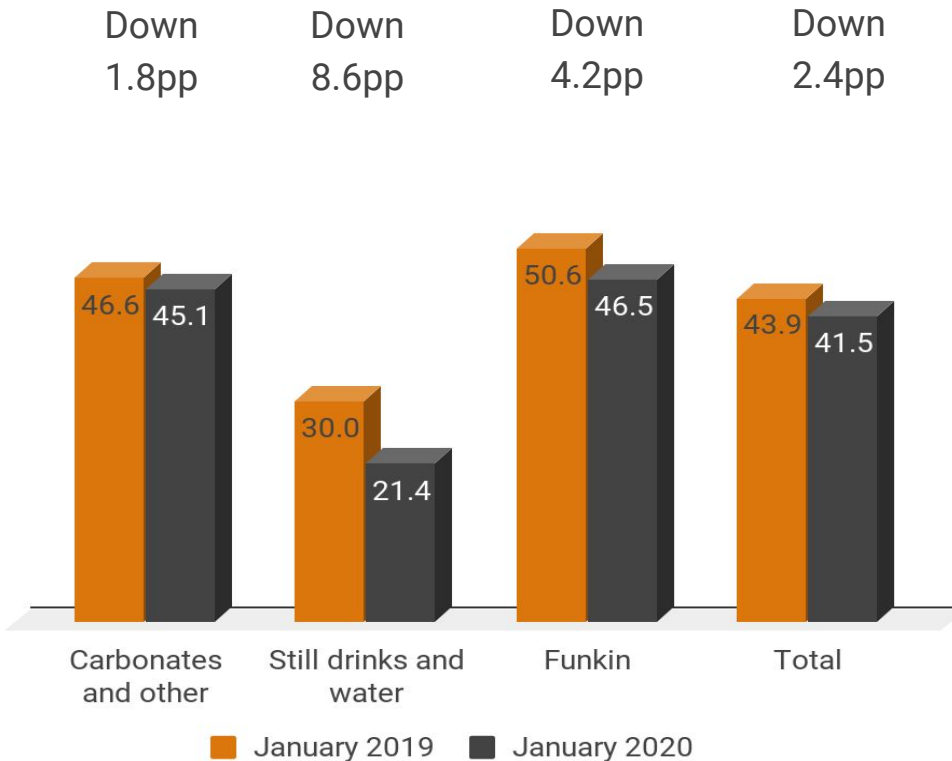
# Profit bridge : Jan 2019 to Jan 2020



# Financial scorecard

	Jan 2020	v to Jan 2019	% v Jan 2019
Case volumes (million cases)	<b>52.9</b>	(6.0)	(10.2) %
Net revenue (£m)	<b>255.7</b>	(23.3)	(8.4) %
Profit before tax and exceptionals (£m)	<b>37.4</b>	(7.8)	(17.3) %
Gross margin before exceptional items	<b>41.5%</b>		(241) Bps
Operating margin before exceptional items	<b>14.9%</b>		(152) Bps
Net cash from operating activities (£m)	<b>40.1</b>	(4.5)	(10.1) %
Net assets (£m)	<b>208.3</b>	(1.5)	(0.7) %
ROCE	<b>16.1%</b>		(482) Bps
EPS - Basic (p)	<b>26.50</b>	(5.01)	(15.9) %

# Gross margin (%)



## Carbonates - 84% of gross profit

Return to value over volume strategy.  
Good performance from IRN-BRU and Barr  
flavours offset by challenges with Rockstar

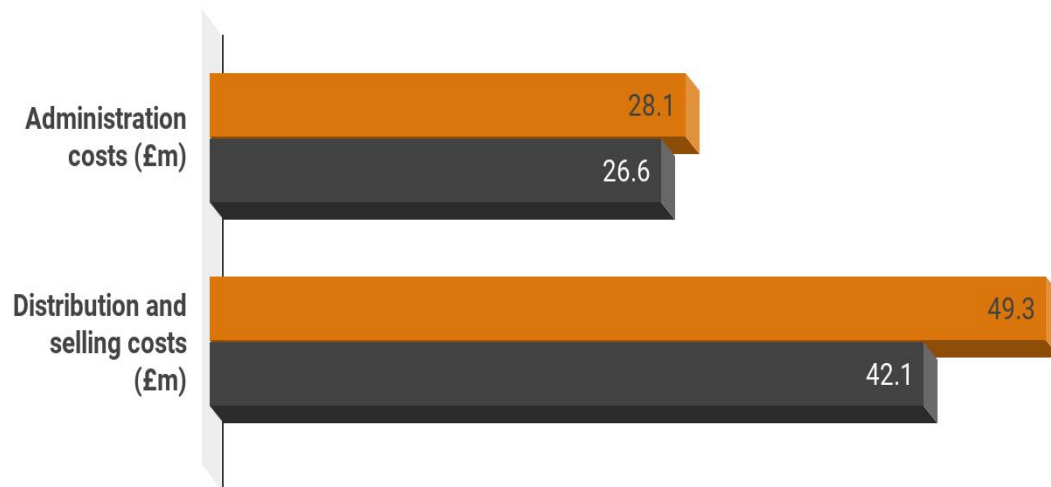
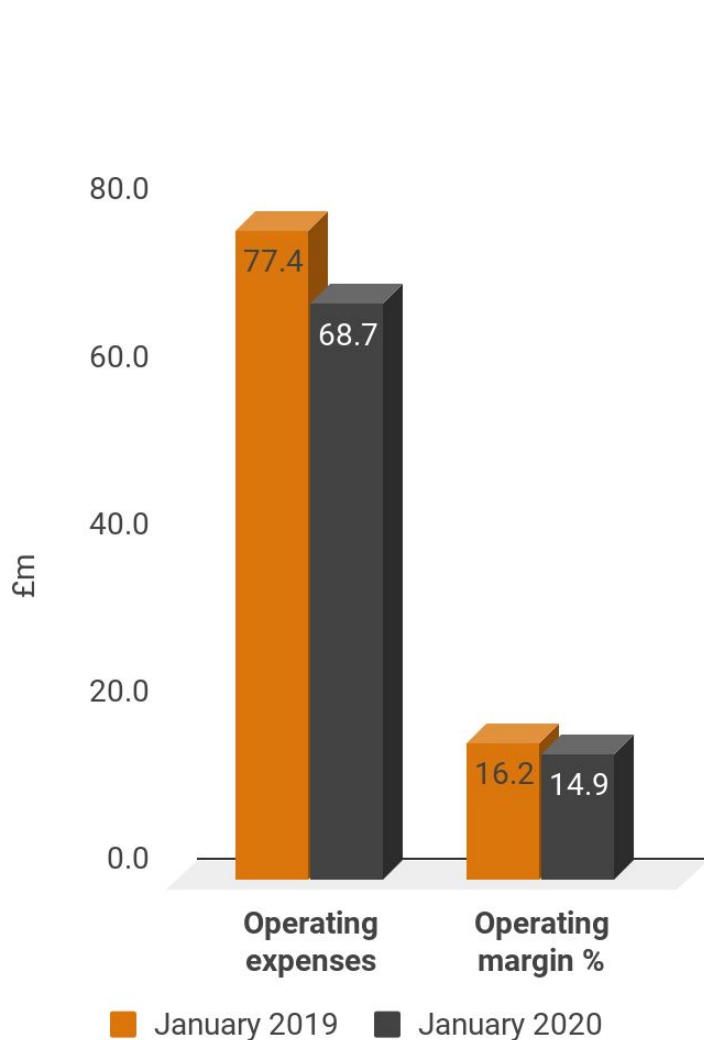
## Stills & water - 8% of gross profit

Margin pressure from a combination of  
market structural decline and Rubicon Still  
product challenges

## Funkin : 8% of gross profit

Double digit revenue growth on the back of  
continued core product growth and  
successful innovation developing a  
consumer brand (RTD)

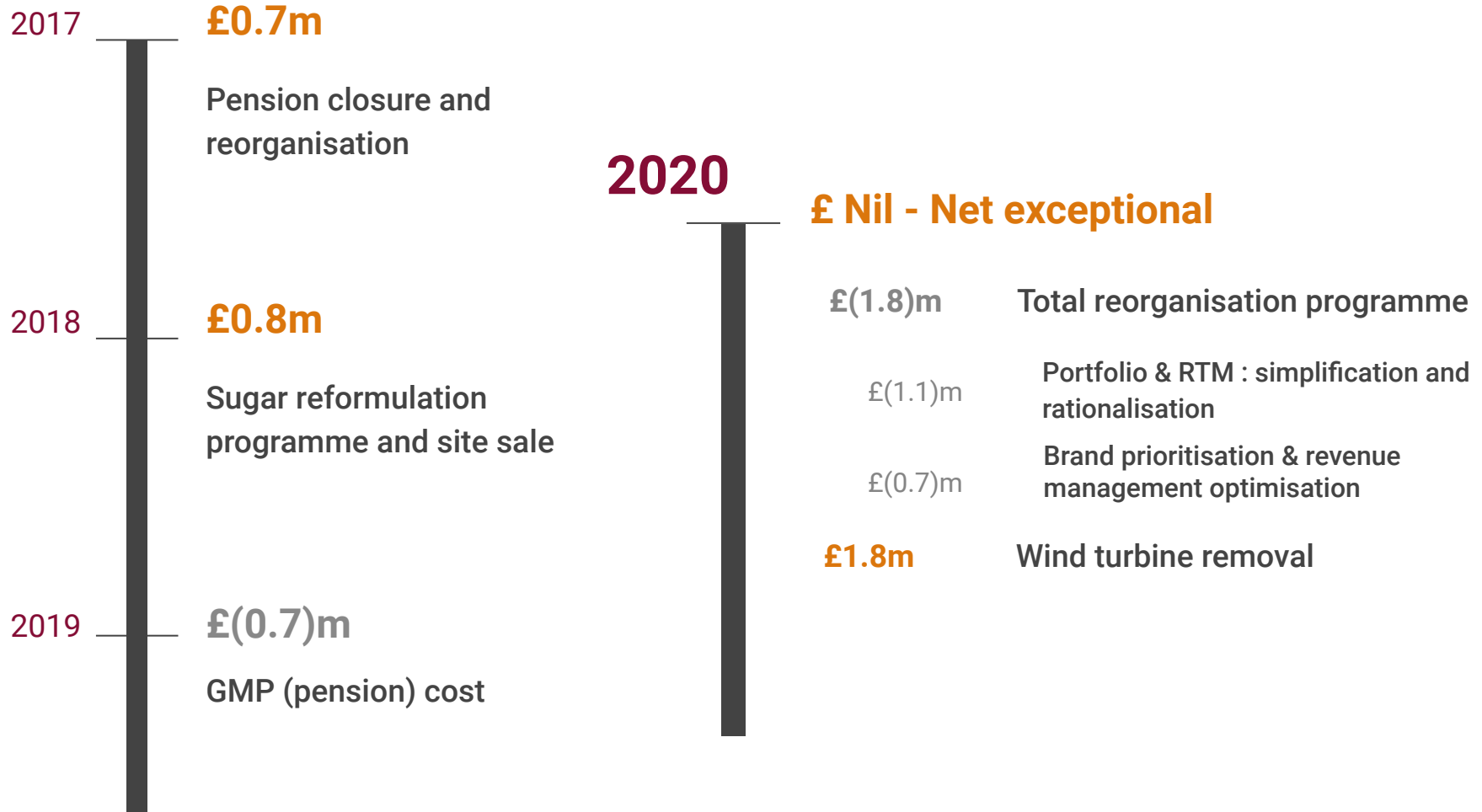
# Operating costs and margin



**Combination of logistics and general cost saving actions.  
Brand investment maintained.**

- Discretionary spend review savings
- Barr Soft Drinks organisational restructuring (phase 1) benefits in Q4
- Funkin expansion continued with upweighted headcount and enhanced marketing support

# Exceptional items

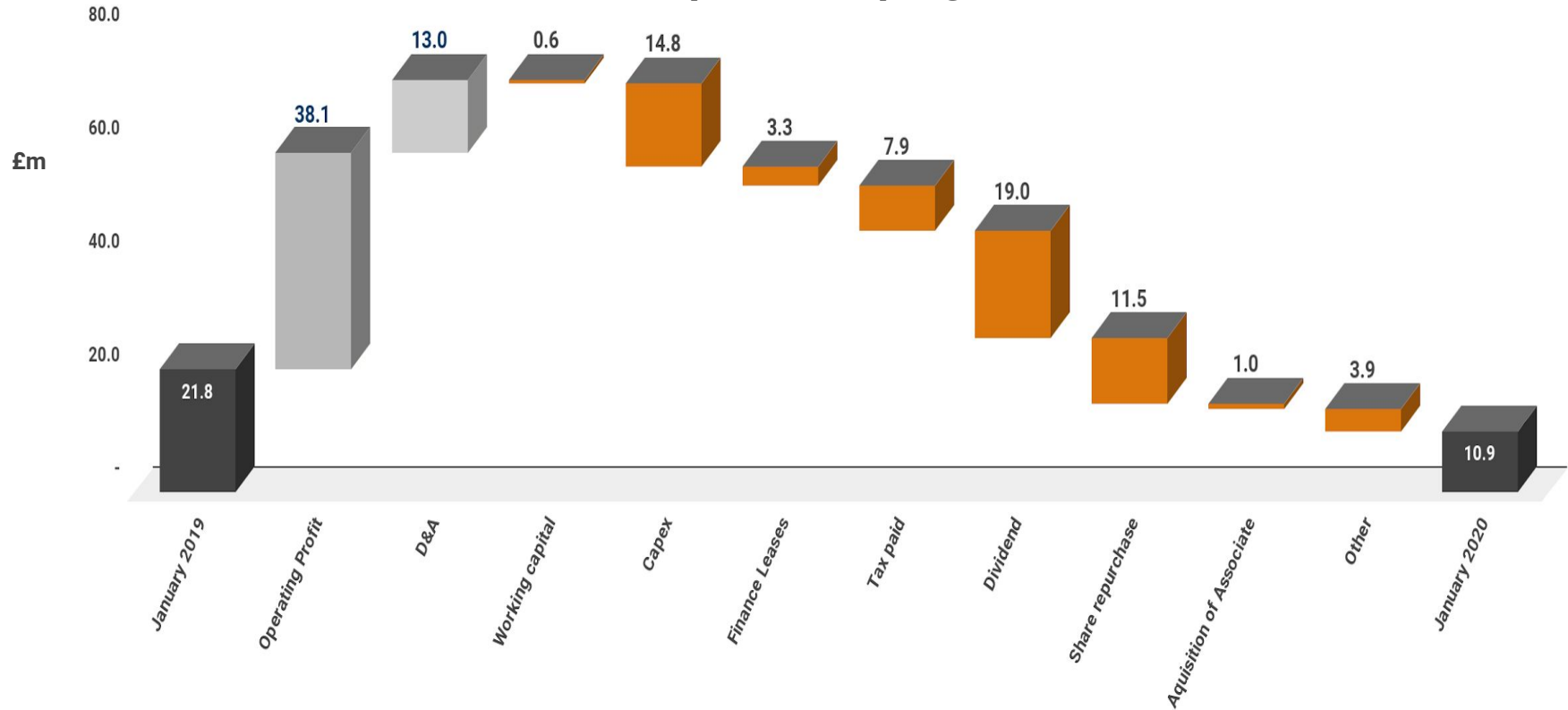


# IFRS 16 Impact (£m)

	Impact	Per Accounts	Excl IFRS 16
PBT	nil	37.4	37.4
Depreciation	3.2	11.7	8.5
EBITDA	3.3	51.1	47.8
Non-current assets (incl right of use assets)	7.6	211.5	203.9
Liabilities (Leases)	7.9	7.9	nil
Net assets	0.3	208.3	208.6
Net cash from operating activities	3.3	40.1	36.8
Net cash	nil	10.9	10.9
ROCE	(55) Bps	16.1%	16.7%

# Cash flow

Cash generation funded increased dividend and share repurchase programme



# Capital expenditure

	January 2020	January 2019	Total project
Delivery fleet investment programme	1.7	1.7	3.4
Cumbernauld liquid to line	7.5	1.6	13.6
Can line upgrades	1.1	2.1	3.2
Other (IT equipment, chillers, change parts etc.)	4.2	3.1	
<b>Total capex additions</b>	<b>14.5</b>	<b>8.5</b>	
Accrual movement	0.3	0.4	
<b>Cash capex £m</b>	<b>14.8</b>	<b>8.9</b>	





# Share repurchase programme

	Cash outflow (£M)	Shares repurchased	Average price (pence)	Issued share capital (%)
January 2018	£8.2m	1.3m	6.15	1.14%
January 2019	£10.3m	1.5m	6.82	1.28%
January 2020	£11.5m	1.9m	6.06	1.64%
	<b>£30.0m</b>	<b>4.7m</b>	<b>6.33</b>	<b>4.06%</b>

**Programme now complete**

# Balance sheet : Key ratios



January 2019 January 2020

## Strong funding platform

Consistent cash generation

Net cash positive at year end

Banking facilities of £40m for 2 years and £20m over 5 years

## Well invested asset base

Net assets have been updated to reflect IFRS 16

2020 capital plan forecast at £10--£12m

## Clear capital allocation model

Robust ROCE despite challenging profit conditions with increase forecast in 2020

## Well managed pension obligation

IAS 19 deficit reduced and deficit reduction plan continuing  
pension scheme de-risking initiatives continue. Triennial valuation scheduled for 2020

# Liquidity

- Strong balance sheet
- Cash in bank : c.£10.9m at year end
- £60m RCF drawn down from our syndicate of 3 large UK banks - standard covenants in place
- Actions implemented to preserve cash

# Roger White

## Strategy execution update

# Business fundamentals

## OUR STRATEGIC PRIORITIES:



**Connecting**  
**with consumers**



**Building**  
**brands**



**Building**  
**trust**



**Driving**  
**efficiency**

## OUR BUSINESS MODEL:

**Make** → **Move** → **Market** → **Sell** → **Behave responsibly** → **Create value**

## OUR RESPONSIBILITY COMMITMENTS:



**Act with**  
**integrity**



**Respect the**  
**environment**



**Support healthy**  
**living**



**Give**  
**back**

# Connecting with consumers - highlights

IRN-BRU “**Get Some IRN in You**” TV, digital and social media campaign



**IRN-BRU 1901** - premium, limited edition IRN-BRU made to the very first 'old and unimproved' 1901 recipe

# Connecting with consumers - highlights

Above the line marketing investment for **Funkin** new range of ready-to-drink cocktails



**Rubicon** - 3rd year as official partner of the England and Wales Cricket Board

# Building brands

Return to long-term value based strategy with re-established consumer price positioning

- Resetting of price positioning
- Reduced promotional intensity
- Volume impact as expected but with planned increase in average realised price

## 2L IRN-BRU illustration :

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2L PET promotional price :  
£1 or 2 for £2



2L PET promotional price :  
£1.25 or 2 for £2.50

## 2019/20 v 2017/18

Volume : 99 ix

Value : 109 ix

Price per litre : 110 ix



**AG Barr**  
BUILDING GREAT BRANDS



# Building brands - highlights

Launch of **IRN-BRU Energy**



INTRODUCING OUR BRAND **NEW LOOK**



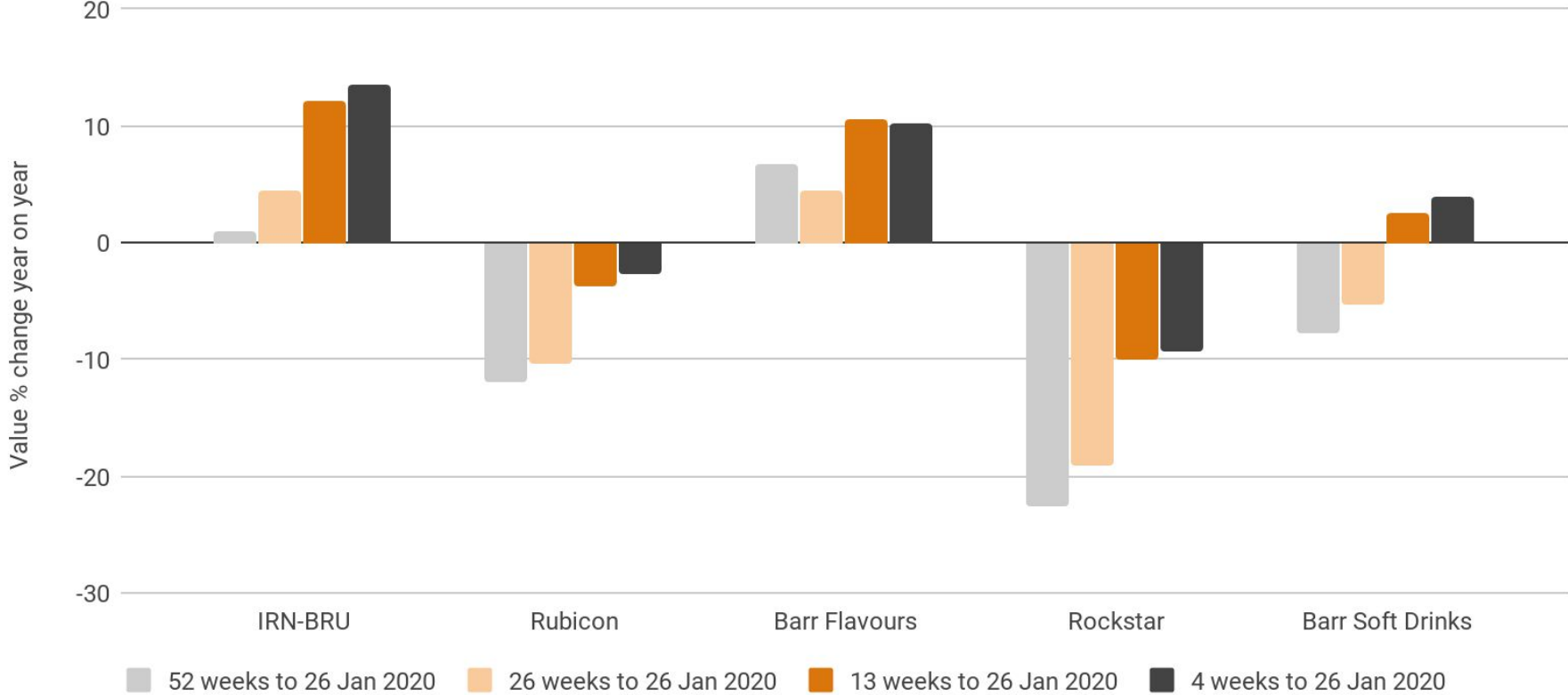
Action taken to address specific

**Rubicon** issues -

- recipe improvement for juice drinks
- full brand redesign and relaunch

# Building brands : Barr Soft Drinks market performance

## Barr Soft Drinks core brand value performance trend



# Building trust - highlights

## Climate change focus

- Increased use of recycled PET
- 100% renewable electricity across all sites
- Working closely with Scottish Government on DRS planning



## Diversity and inclusion progress

- Range of initiatives implemented in support of greater diversity and inclusion
- Gender pay gap improvement
- Greater female senior management representation

# Driving efficiency

£14m capital investment in a **new liquid processing facility** at our Cumbernauld site is nearing completion

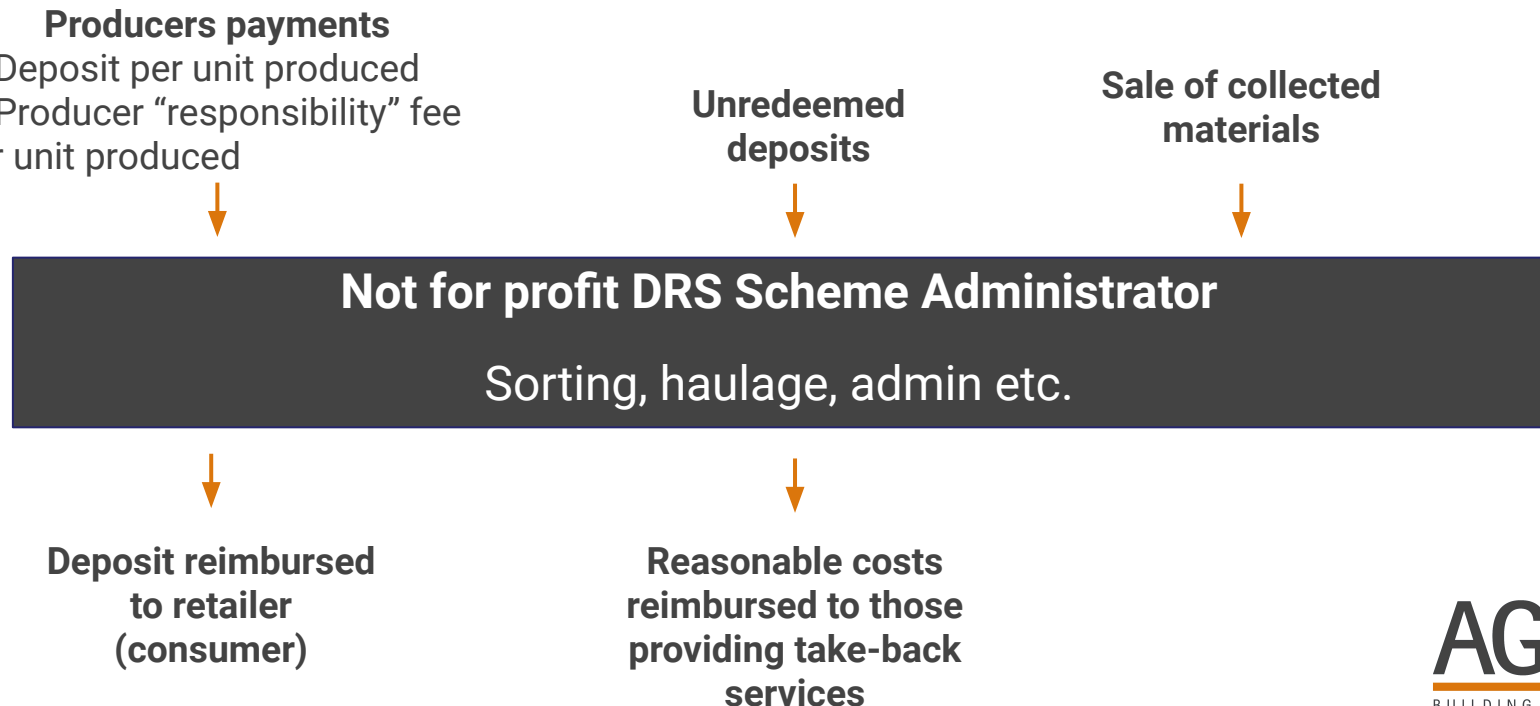


Phase 1 of **business re-engineering programme** -

- portfolio simplification
- brand development prioritisation
- commercial function reorganisation

# DRS in Scotland

- 16 March - final legislation laid before Scottish Parliament for 54 days, prior to vote
- Go-live date delayed to July 2022
- Legislation places obligations on individual producers and retailers
- Producers can appoint non-for-profit Scheme Administrator to collectively discharge obligations
- Working with Scottish producers to facilitate Scheme Administrator application to Government



# PepsiCo acquisition of Rockstar

- 11th March 2020 - PepsiCo Inc. (PepsiCo) announced its intention to acquire Rockstar Energy Beverages
- AG Barr - franchise partner of Rockstar since 2007 with exclusive distribution rights for the Rockstar brand in the UK, Ireland and certain European territories
- Long term contract, extending for several years, for the manufacture and sale of the Rockstar energy brand, which contributes approximately 8% of the Group's sales volumes
- Until this transaction is completed we will continue to work alongside the Rockstar team as normal.

# Summary

- Exited last financial year with improved trading performance and momentum, which continued into the early part of the new year
- However COVID-19 situation evolving rapidly
- Dynamic and uncertain demand conditions
- No immediate certainty around the severity and duration of the impact on our business however material adverse impact to the Group's financial performance anticipated
- The Board is unable to provide financial guidance for the current financial year at this time
- However, the actions we are taking to conserve cash and reduce costs, combined with our strong financial base, give us confidence in the resilience of our business for the long term
- We will continue to monitor developments closely, responding appropriately as required, while also ensuring that we play our part in supporting our communities through these unprecedented times

# Questions

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# Appendix

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# Total UK soft drinks market

## Total UK soft drinks value

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Up 0.4%

## Carbonates value

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Up 3.4%

## Stills value

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Down 2.8%

## Total UK soft drinks volume

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Down 2.5%

## Carbonates volume

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Up 1.3%

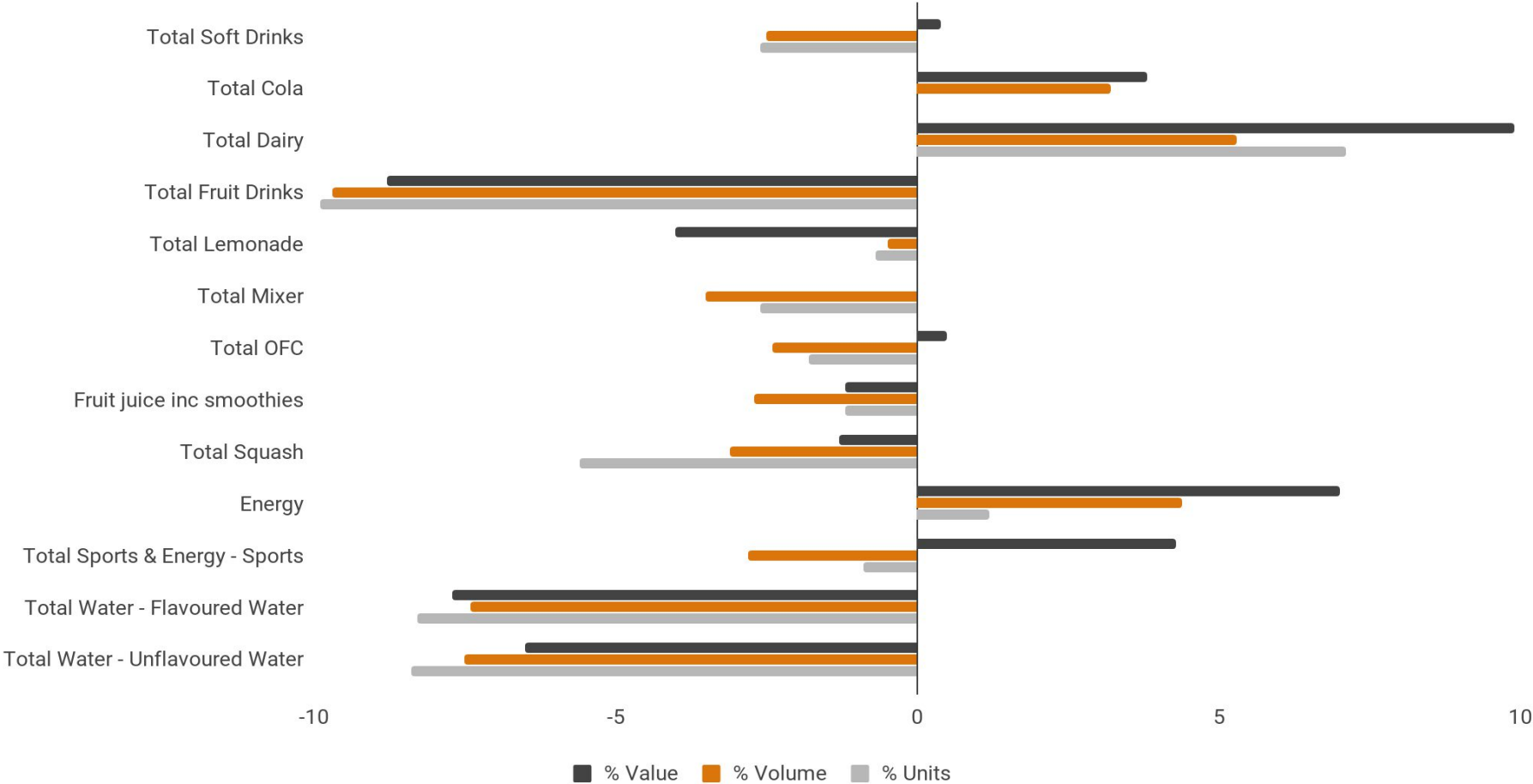
## Stills volume

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Down 5.8%

# Total UK soft drinks market - sub categories

Value, Volume and Units %ages



Source: IRI Marketplace 52 weeks to 26/01/20

# Barr Soft Drinks market performance

## Barr Soft Drinks value share of total soft drinks

Total UK

3.1%

Scotland

12.6%

England & Wales

2.0%

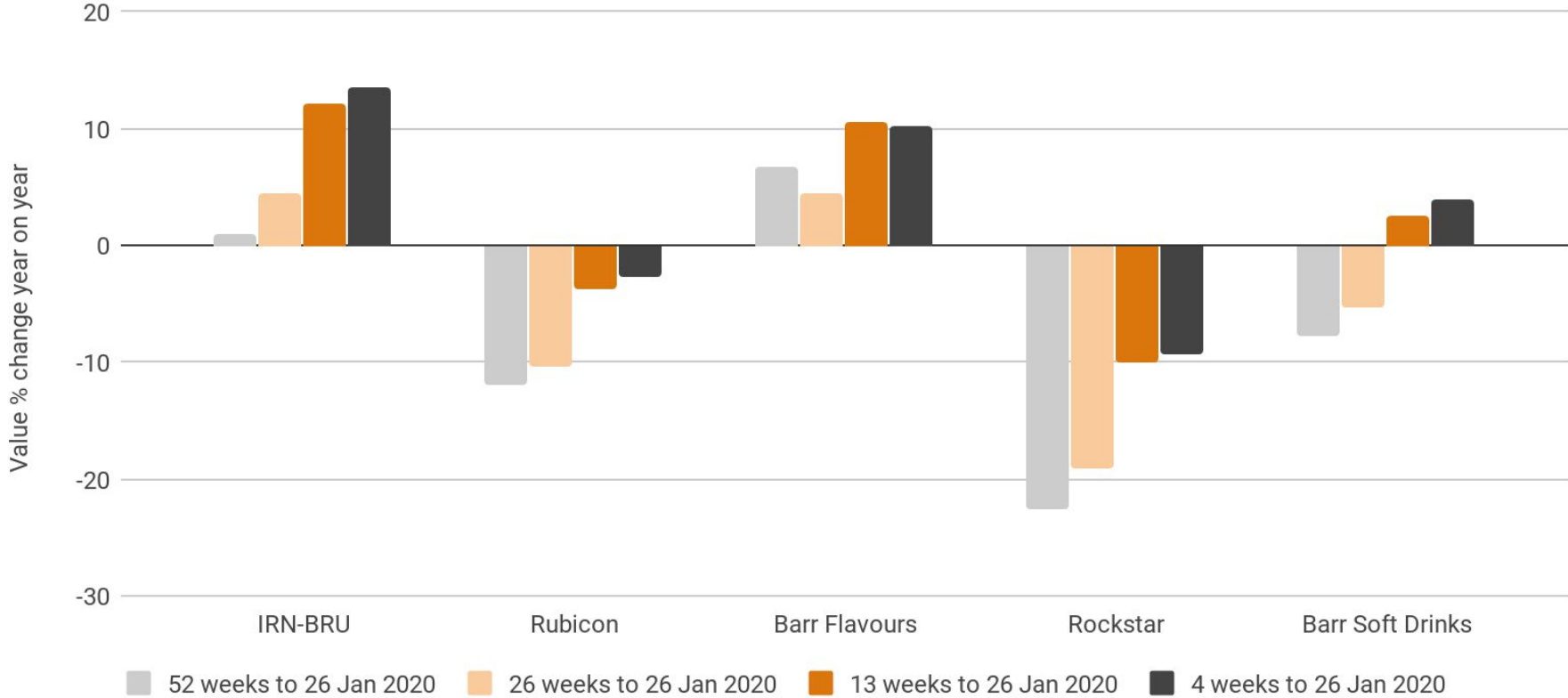
## Value performance to 26 January 2020

	52 weeks	26 weeks	13 weeks	4 weeks
AG Barr value share of total UK soft drinks market	▼ 8.1%	▼ 6.6%	▲ 0.3%	▲ 0.7%

Sources: IRI Marketplace 52 weeks to 26/01/20

# Barr Soft Drinks market performance

## Barr Soft Drinks core brand value performance trend



# Cocktail market dynamics

## Value of cocktails in GB

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£604m

Up 9.9%

## % GB population consuming cocktails in the on-trade

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22% (10.3m consumers)

Up from 18% (8.2m consumers)

## UK outlets stocking cocktails

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42k

Up 3.2%

## UK bars stocking cocktails

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77%