

AG Barr plc FINAL RESULTS

52 weeks ended 24 January 2021



AG Barr
BUILDING GREAT BRANDS

Roger White

Welcome and introduction

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- Financial review
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Roger White
Chief Executive

Stuart Lorimer
Finance Director

Introduction

2019/20

- Action taken in H2 to support our return to growth
- Exited 2019/20 with strong momentum

2020/21

- Momentum carried into the first 6 weeks of the new financial year
- Anticipated 2020/21 to be a period of strong recovery for the Group
- Notwithstanding Covid-19 challenges 2020/21 was a year of action and strategic progress
- Decisive and swift Covid-19 risk mitigation decisions
- Group strategy executed with agility and pragmatism

COVID-19 - delivering on our priorities

People and safety first

- Successfully introduced enhanced range of safety and hygiene measures across all our operations
- Ensured safest possible working conditions across sites
- Seamlessly and effectively transitioned to technology-enabled home working for many
- Significant Mental Health support delivered across the workforce

Group operating resilience

- Factories, warehouses and logistics remained operational throughout
- High level of quality and service delivered to our customers and consumers
- Supported by our key suppliers and partners
- Very proud of the grit, determination and resilience demonstrated by our people

Financial security and stability

- However, given Covid-19 uncertainty took early and decisive action to protect liquidity, conserve cash and reduce costs including :
 - suspension of dividends
 - short period of Coronavirus Job Retention Scheme use
 - voluntary executive salary reductions
 - restructuring plan to right-size the business
- Ended the year with a very strong financial base and balance sheet

Introduction

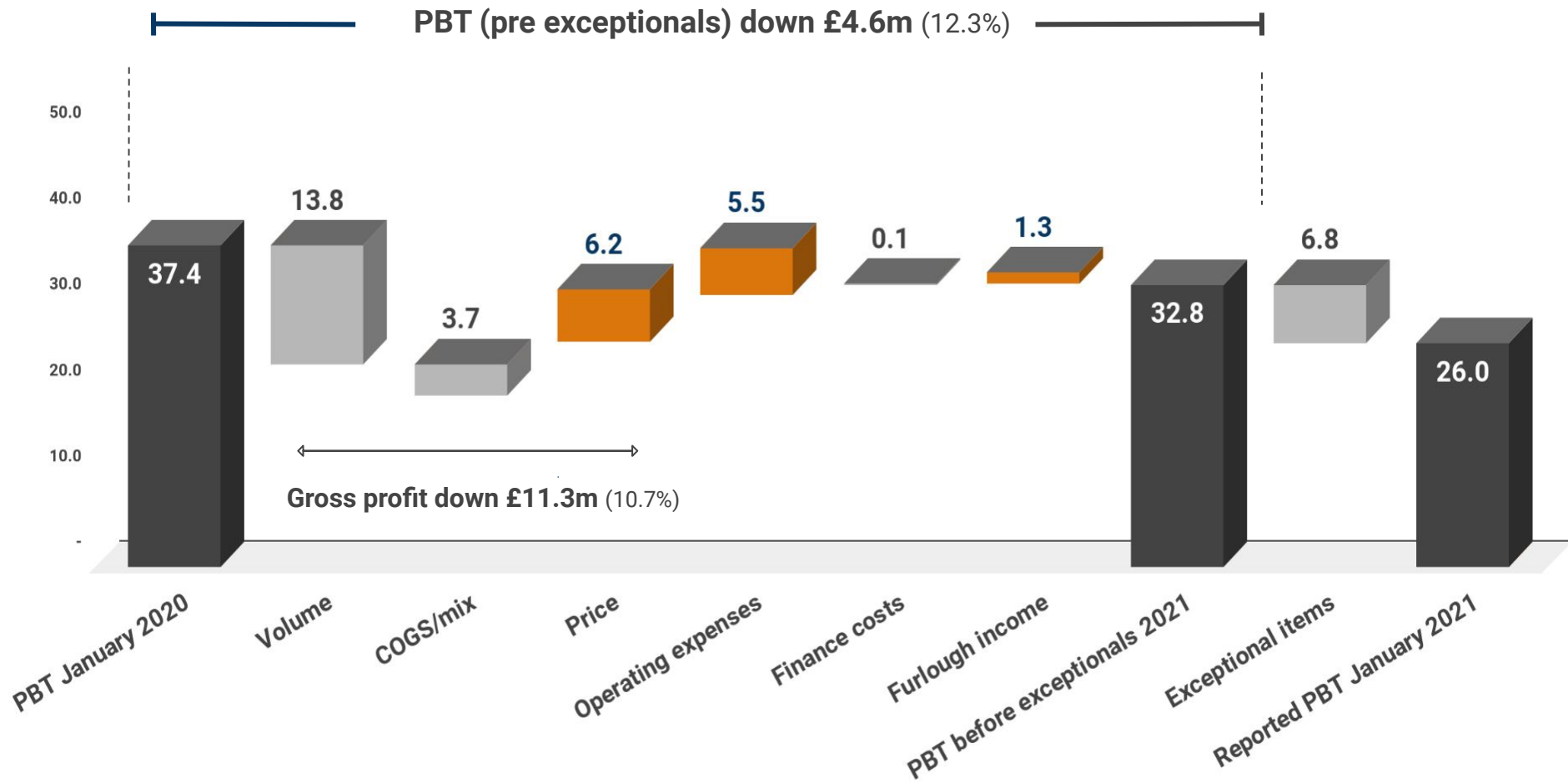
2021/22

- Insight and experience gained in 2020 carried into 2021
- Flexible planning approach for year ahead
- Ready to capitalise on growth potential of portfolio
- Well positioned to benefit from the recovery phase
- Carbon net zero by 2040 ambition

Stuart Lorimer

Financial review

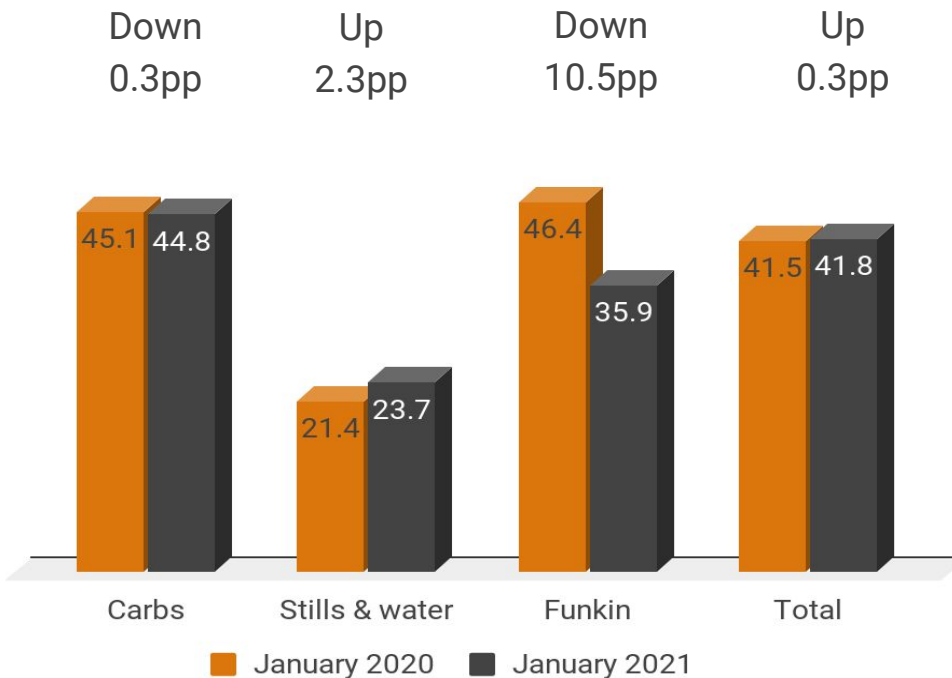
Profit bridge : Jan 2020 to Jan 2021



Financial scorecard

	Jan 2021	v to Jan 2020	% v Jan 2020
Case volumes (million cases)	48.0	(4.9)	(9.3%)
Net revenue (£m)	227.0	(28.7)	(11.2%)
Profit before tax and exceptionals (£m)	32.8	(4.6)	(12.3%)
Exceptional items before tax (£m)	(6.8)	(6.8)	
Statutory profit before tax (£m)	26.0	(11.4)	(30.5%)
Gross margin before exceptional items	41.8%	0.3%	27 Bps
Operating margin before exceptional items	14.8%	(0.1%)	(10) Bps
Net cash from operating activities (£m)	50.7	10.6	26.4%
Net assets (£m)	228.8	20.5	9.8%
Cash at bank (£m)	50.0	39.1	358.7%
ROCE	16.0%	(0.1%)	(13) Bps
EPS - Basic (p)	17.18	(9.32)	(35.2%)
EPS - Basic before exceptional items (p)	22.31	(4.19)	(15.8%)

Gross margin (%)



Carbonates - 87% of gross profit

Full year pricing benefits and continued growth in Barr flavours IRN-BRU Energy, and IRN-BRU XTRA offset margin impact of lower volumes

Rockstar franchise loss has a positive margin impact

Stills & water - 6% of gross profit

Hospitality restrictions disproportionately impacted our lower margin water business, reducing overall gross profit but improving gross margin

Funkin : 7% of gross profit

Growth in ready-to-drink and grocery focused innovations at slightly lower margins than on-trade business

Commodities and currencies

Commodities

Modest overall inflation overall with reductions in aluminium and virgin plastic being offset by increases on sugar and premium pricing of recycled plastic

Short term volatility in FY 20/21 driven by COVID-19 and Brexit. No significant tariff impacts anticipated

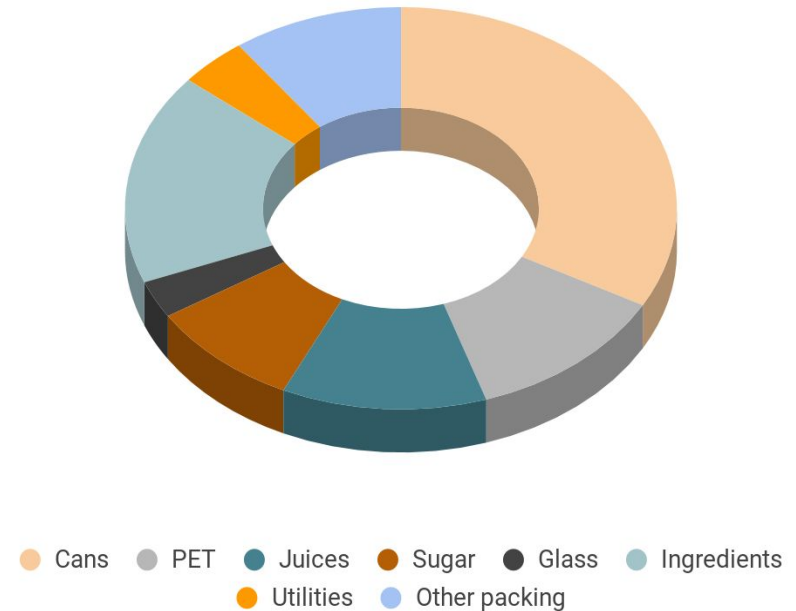
Price pressure expected in FY 21/22 on core materials however coverage in place for majority of commodities

Forex

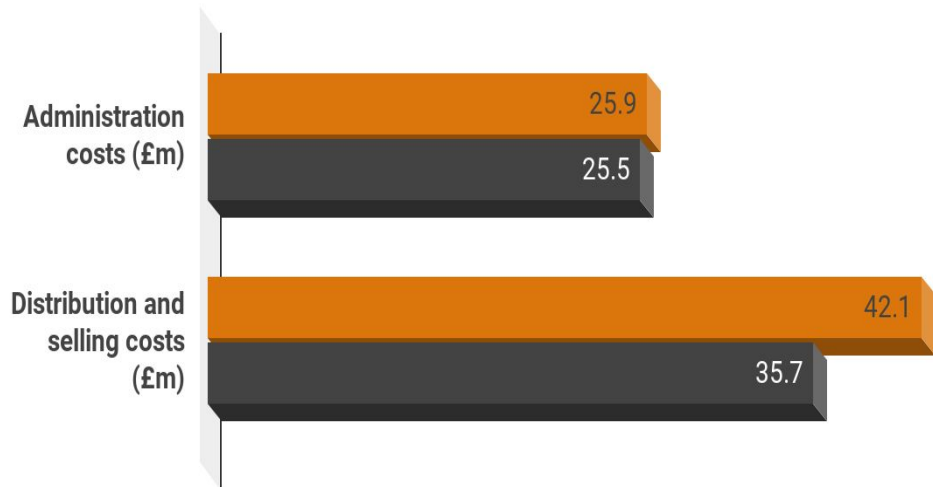
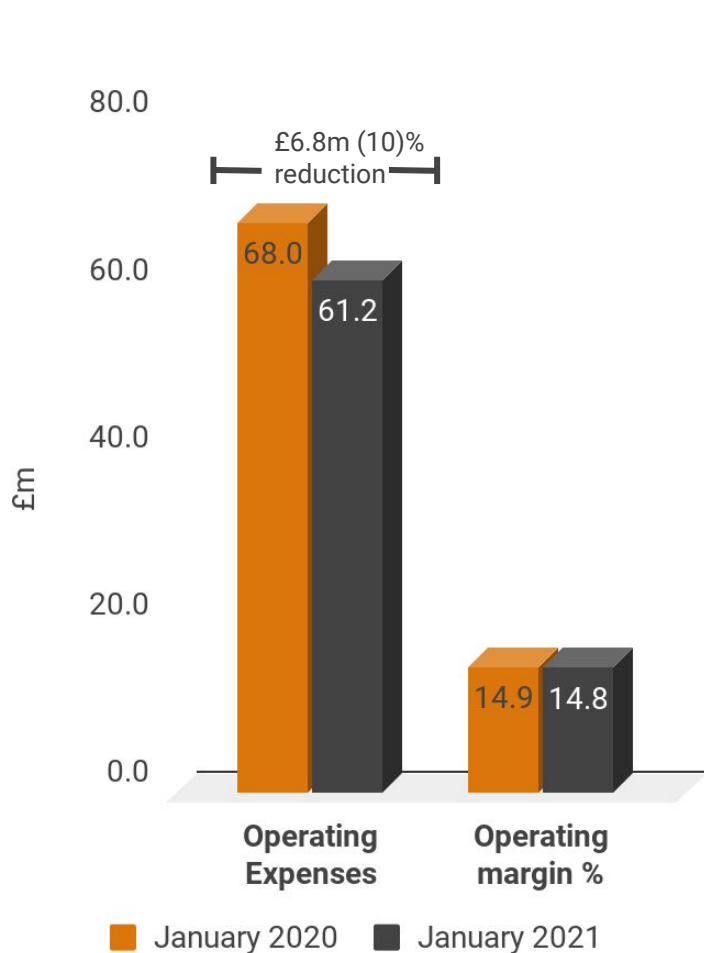
Rolling hedging programme continued throughout Pandemic and Brexit

- 2020/21 was covered with minimal P&L impact versus prior year despite market volatility
- Cover in place for majority of 2021/22 requirements at rates in line with prior year

c.£85m Commodity spend



Operating costs and margin



Logistics savings and benefits of significant cost control actions deliver c £7m savings

- Logistics costs reductions from lower volume 3PL activity and cost to serve initiatives
- Other savings from now complete reorganisations and Furlough benefits
- Marketing focused on core brands (IRN-BRU, Rubicon & Funkin) and non-essential activity curtailed
- New campaigns planned for FY 21/22

Exceptional items

Exceptional cash items

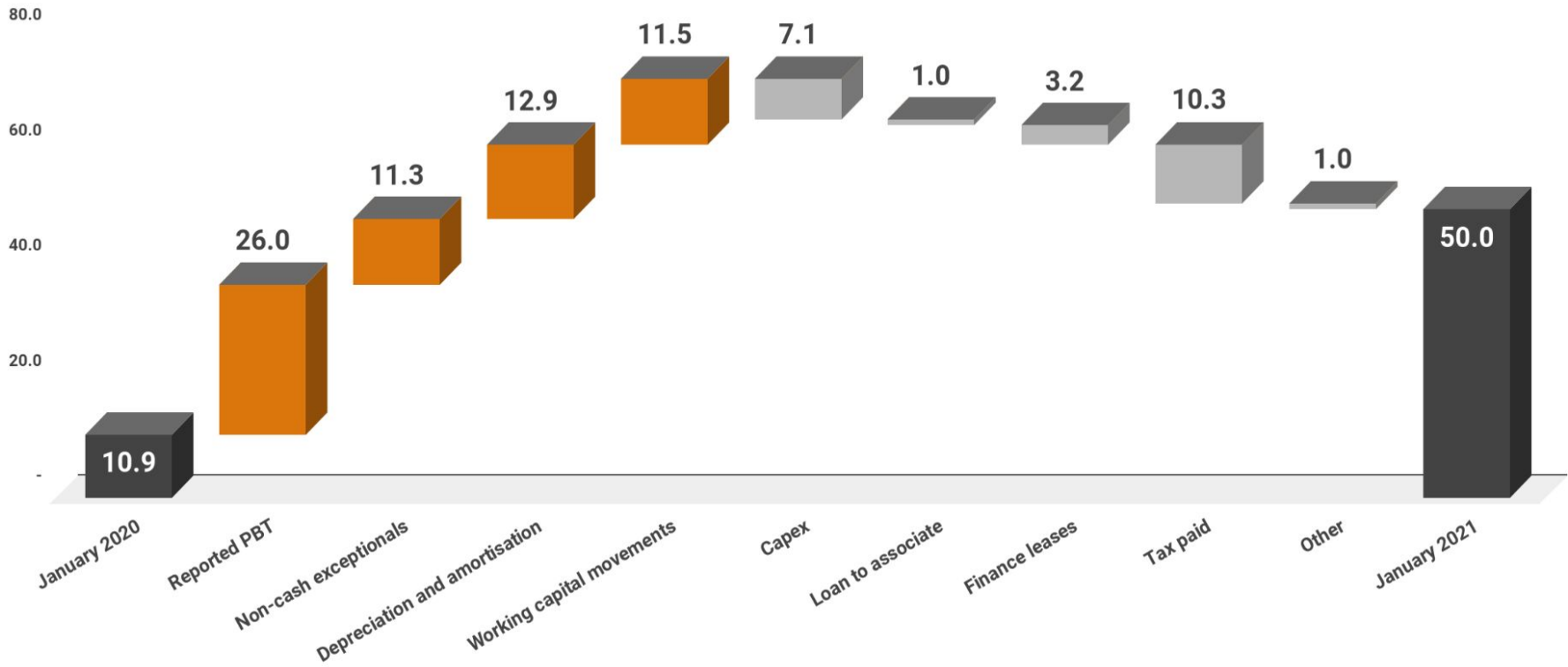
Business re-engineering programme	FY 19/20	FY 20/21	Total programme
Portfolio & RTM : simplification and rationalisation	£(1.1)m	-	£(1.1)m
Reorganisation charge	£(0.7)m	£(3.1)m	£(3.8)m
Total	£(1.8)m	£(3.1)m	£(4.9)m
Rockstar compensation receipt	-	£7.6m	
Net cash impact	-	£4.5m	

Exceptional non-cash items

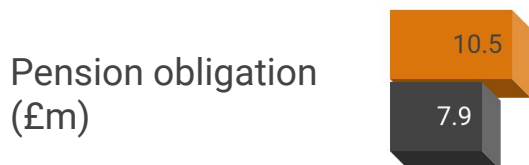
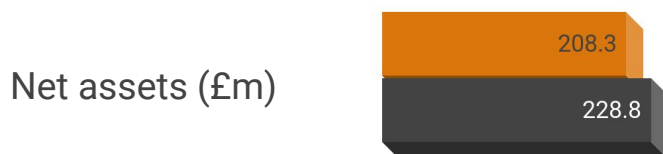
	Goodwill	Brand	PPE	Total
Strathmore impairment	£(1.9)m	£(7.0)m	£(1.1)m	£(10.0)m
Funkin goodwill				£(1.3)m
Net P&L charge	-	-	-	£(6.8)m

Cash flow

£39m increase, benefiting from cash conservation measures



Balance sheet : Key ratios



Strong funding platform

Strong cash generation

Banking facilities of £60m until February 2022, then £20m until February 2025 (extension discussions ongoing)

Well invested asset base

Net asset growth : impact of Strathmore impairment offset by cash conservation and working capital management

Clear capital allocation approach

Focussed balance sheet management protected ROCE in a challenging trading environment

Well managed pension obligation

Triennial valuation completed in April 2020 (£7.8m deficit)

Current deficit recovery plan (£1m p.a.) continues

Scenario planning aligned with current government COVID-19 roadmaps

Revenue	<ul style="list-style-type: none">○ Full year revenue expected to be in high single digit growth (excluding 20/21 Rockstar)○ Full year revenue (on reported basis) expected to be broadly flat
Margins	<ul style="list-style-type: none">○ Operating margin expected to be consistent with prior year○ Some mix improvement anticipated and full year benefit of reorganisation offsetting low single digit cost inflation
Exceptionals	<ul style="list-style-type: none">○ No exceptional costs anticipated
Capex	<ul style="list-style-type: none">○ In line with 2020/21
Cash	<ul style="list-style-type: none">○ Continued improvement in net cash position
Dividend	<ul style="list-style-type: none">○ Dividend payments to recommence in 2021

Roger White

Market and strategy execution update

Total UK soft drinks market

Total UK soft drinks value

Up 1.8%

Carbonates value

Up 7.8%

Stills value

Down 5.1%

Total UK soft drinks volume

Up 2.4%

Carbonates volume

Up 7.8%

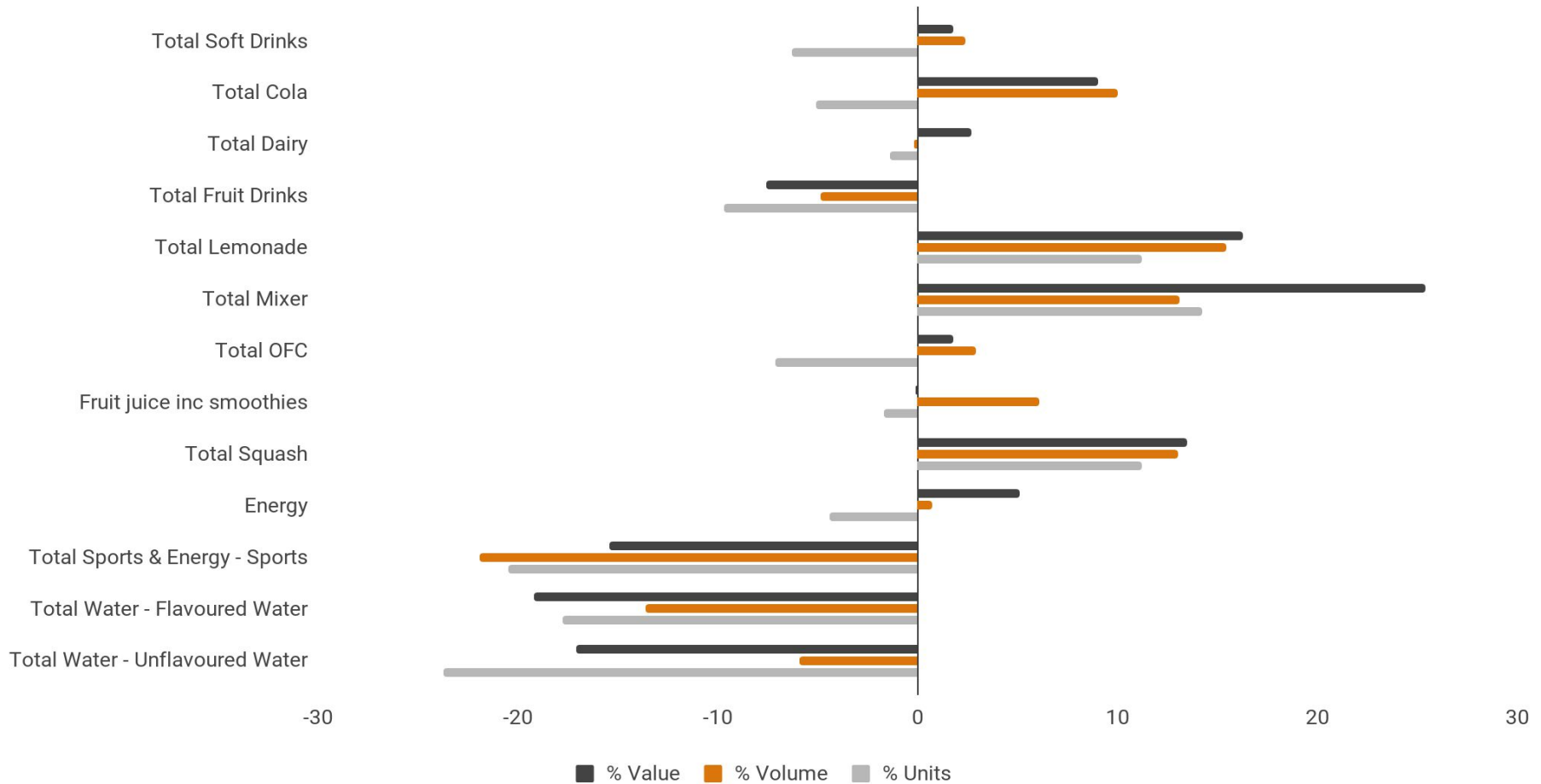
Stills volume

Down 2.7%

**Food service and licensed soft drinks sales reported down c.£4bn in 2020
- predominantly colas, mixers and lemonade**

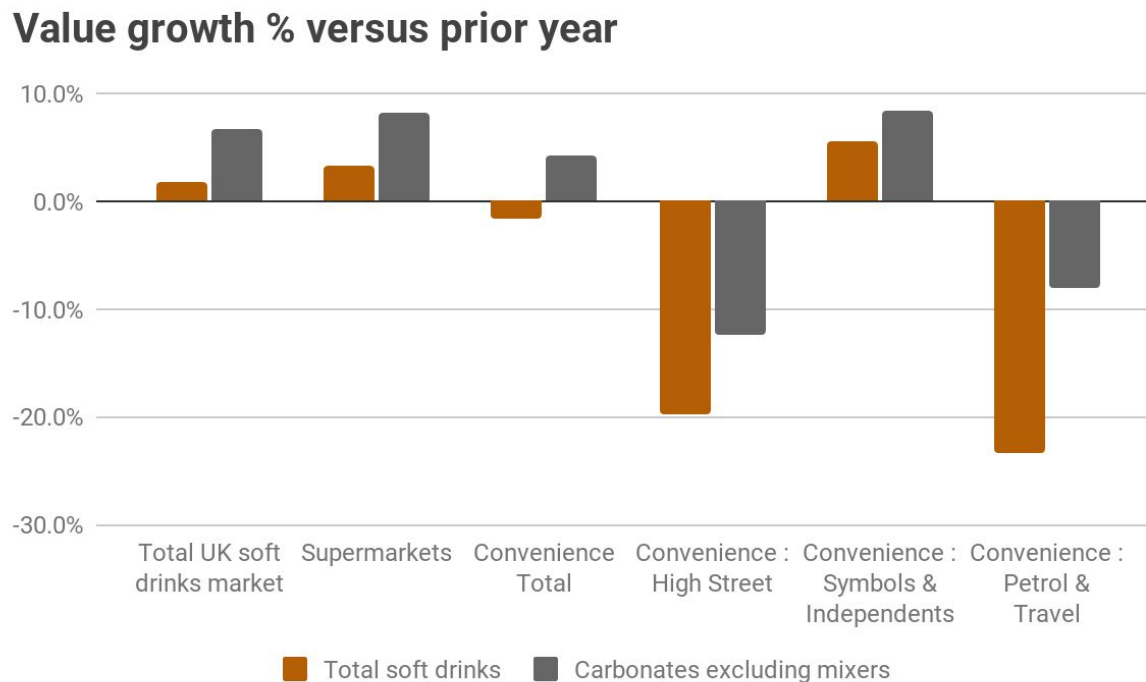
Total UK soft drinks market - sub categories

Value, Volume and Units %ages



Source: IRI Marketplace 52 weeks to 24/01/21

UK soft drinks - market dynamics



- “On the go” outlets significantly impacted
- High street footfall dramatically down
- “Take Home” sales benefit - particularly evident in carbonates

Barr Soft Drinks - market overview



AG Barr £ share UK soft drinks

Down 0.6%



IRN-BRU £ share of OFCs

Down 3.9%



Rubicon £ share of fruit drinks

Up 3.1%



Barr Flavours £ share of OFCs

Up 14.2%

AG Barr £ share UK soft drinks - Eng & Wales

Up 2.9%

IRN-BRU XTRA £ share of OFCs

Up 8.9%

Rubicon £ share of flavoured water

Up 17.8%

Barr Flavours £ growth in Eng & Wales

Up 45%

Cocktail market dynamics

On trade : Q1 2020 pre lockdown

Value of cocktails in GB

£624m

Up 6.4%

UK outlets stocking cocktails

43.5k

Up 3.7%

GB consumers drinking
cocktails out of home

10.3m

Up 13%

Take home :

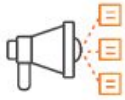
People who consume mixed drinks in pubs and bars doing so at home

10.3m

50% - up from 37% pre-Covid

Steadfast 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

**NO TIME
TO WASTE**



Ambition to be net zero by 2040

- 100% renewable electricity already across all sites
- Increased quantum and pace of rPET ambition
 - 100% rPET IRN-BRU and Rubicon by early 2022
 - 100% rPET across full portfolio by the end of 2023
- 100% recycled packaging film - on all consumer multipacks by the end of 2021
- Supporting drive towards an efficient and effective DRS scheme in Scotland
 - Founding member of Circularity Scotland Ltd - not for profit business set up to be Scotland DRS scheme administrator

Reset & Ready

Reset

- Simplified SKUs
- Re-focused brand hierarchies
- Optimised organisation
- Rebalanced capacity vs. cost base
- Upgraded assets

Recovery Ready

- Strong brand equity
- Balanced and broad customer channel coverage
- Realigned pricing
- Take-home growth momentum
- Engaged and talented people



Barr Soft Drinks : Core brand building

Invest, innovate, execute - **IRN-BRU**

- Marketing investment designed to deliver the greatest ever consumer reach in England & Wales planned
- **IRN-BRU Energy** - format development and further investment
- Unique (for Scotland) opportunity associated to **Euros football**
- **IRN-BRU 1901 returns** - a premium differentiated positioning
- **IRN-BRU XTRA** - continued momentum in distribution growth



IRN-BRU brand enters the year in good health, with momentum and significant plans to drive long-term growth

Barr Soft Drinks : Core brand building

Invest, innovate, execute - Rubicon

- Development of a **Masterbrand approach** to increase marketing effectiveness - across our portfolio of Sparkling, Spring, Still and Innovation
- **Flavour development** to drive growth across the portfolio
 - NEW for 2021 - **Rubicon Sparkling** Raspberry & Pineapple
 - NEW for 2021 - **Rubicon Spring** Pineapple & Passion
- **Rubicon Stills**
 - Improved recipes gained share in 2020
 - Further sales execution activity planned for 2021
- Rubicon enters Energy category with **Rubicon RAW**



Barr Soft Drinks : Core brand innovation

INTRODUCING RUBICON RAW ENERGY



ENERGY FROM ONE OF THE UK'S FASTEST GROWING DRINK BRANDS

AVAILABLE FROM 22ND FEB 2021

THREE AMAZING FLAVOURS MADE WITH 20% FRUIT JUICE
ORANGE & MANGO | RASPBERRY & BLUEBERRY | CHERRY & POMEGRANATE

UK energy drink market worth £1.4bn

10% of UK population buys big can energy drinks - 5.9m people

26% of energy drink consumers drink more than 2 cans per week

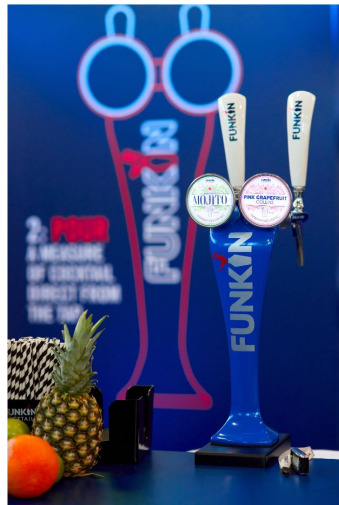
Funkin : Multi-beverage evolution

Funkin multi-beverage platform enters 2021 with exciting momentum

- Positive consumer cocktail consumption dynamics
- Funkin on-trade rebound expected to be strong
- Development of take-home business continues in 2021
 - Distribution, Innovation and Rate of Sale
- Growth of low alcohol and alcohol substitutions providing new growth opportunities



2017



2018



2019



2021

Funkin : Multi-beverage innovation



Extension of
RTD range

New SPRITZ style
sparkling cocktails

New take home
cocktail syrups

Group : Digital development

Leveraging consumer digital dynamics

- B2B2C
- D2C
- Subscription
- Gifting



IRN-BRU 24x330ml Cans -
Official Seller

£13.99
(£0.58/Unit)
Free postage



Hiya Cocktail lovers, get your favourite drinks delivered to your front door in 5 working days!

Best in the City
Party Pack

SERVES
42
COCKTAILS



BEST IN THE CITY PARTY PACK
£22.30 ~~Regular Price: £26.21~~

ADD >



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BUILDING GREAT BRANDS

Exiting the pandemic with a leaner, more agile and stronger business

- Roadmap out of lockdown now clearer, but not certain
- Strong balance sheet
 - £50m cash
 - Significant financial leverage potential
- Clear ambition to create value through strategic growth - organic and non-organic
- Ready to capitalise on growth potential of portfolio
- Our commitments to environmental sustainability are well advanced
- Technological developments gathering pace across our Group
- Our investments and priorities for the year ahead are clear

Our focus is now on the future and its opportunities

Questions
