



AG Barr plc Investment Case

November 2020

ESTD . 1999
FUNKiN
COCKTAILS

AG Barr
BUILDING GREAT BRANDS

Business overview

Our investment case

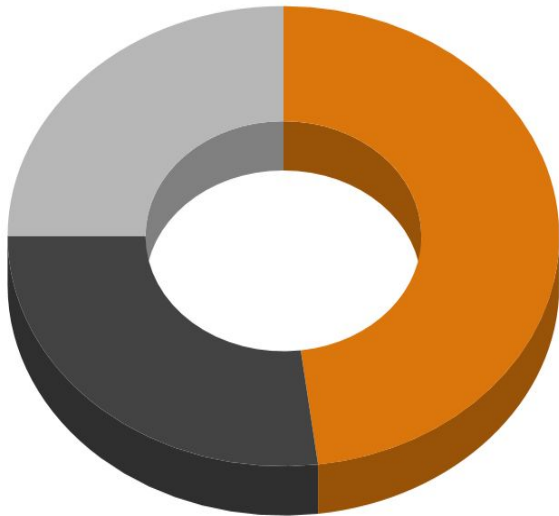
- Ambitious with clear and consistent value-driven strategy
- Brand owner and builder with differentiated portfolio
- Strong customer and consumer focus
- Simple and effective business model
- Disciplined capital allocation
- Long-term strong financial performance

Our governance

We are a UK based branded multi beverage business focused on growth and creating long-term shareholder value

- Long established business (140+ years)
- Conventionally governed, listed in 1965
- Ambitious and value driven with strong consumer focus
- UK-wide with significant growth potential

Shareholder analysis



Group geographical revenue

Scotland	36.5%
ROUK	60.0%
International	3.5%

Business overview

Business units

ALTOGETHER
REFRESHING



Building a differentiated portfolio of great tasting soft drinks brands that people love

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Democratising cocktails with an unrelenting desire to make great tasting cocktails available to all

Operational footprint



900+ employees

Offices

Cumbernauld – Head Office
Bolton
Camden (Funkin)

Factories

Cumbernauld
Milton Keynes
Forfar

Distribution centres

Cumbernauld
Milton Keynes

Distribution depots

Dagenham
Moston
Newcastle
Wednesbury

Investment case

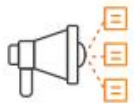
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Ambitious with clear and consistent value-driven strategy

Our strategy

Our overarching business strategy is to deliver long-term sustainable value in all that we do

Our strategic priorities



Connecting with consumers

Consumer insight drives our business. Consumers' needs and preferences are changing and we ensure that we take the time to listen, to understand and to offer a choice of great tasting, high quality products. We bring this insight to life using a range of communication and engagement programmes designed to build long-lasting consumer loyalty.



Building trust

Building and maintaining long-lasting trust and successful relationships is central to our business and always has been. Our responsible behaviour over the last 140 years has created a firm foundation, but one we want to build upon further. Being a trusted business that acts with integrity is fundamental to our stakeholder relationships – from our consumers and customers to our suppliers and communities. As the world around us changes our strategic choices are always supported by our desire to do the right thing.



Building brands

We are brand owners and builders, offering a diverse and differentiated portfolio of products that people love. With our own powerful brands, complementary franchise partner brands and a strong track record of bringing successful innovation to market, we seek to build brand awareness, equity and distribution such that we outperform the market

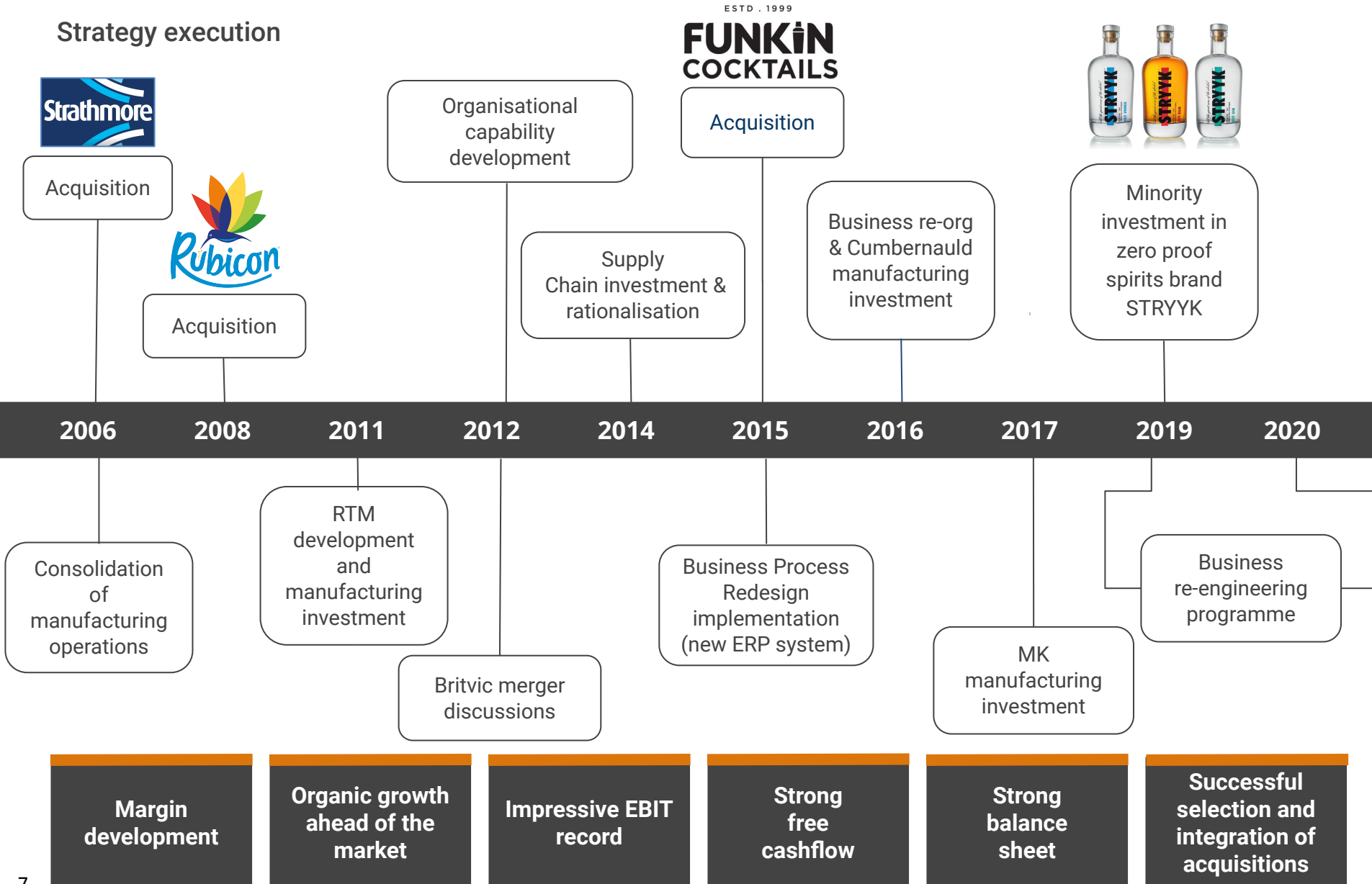


Driving efficiency

We continually strive for greater efficiency across our business, investing for growth and stronger financial returns. As our business develops, we are committed to driving continuous improvement and strong financial controls across all our assets, processes and technology.

Ambitious with clear and consistent value-driven strategy

Strategy execution



Investment case

- Ambitious with clear and consistent value-driven strategy
- **Brand owner and builder with differentiated portfolio**
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Brand owner and builder with strong differentiated portfolio

- National core brands complemented by regional brands with well established consumer strongholds across the UK
- Portfolio developing through brand extension, flavour development and innovation
- c.99% of portfolio now lower or no sugar - exempt from UK Soft Drinks Industry Levy
- Opportunities to grow further through increased geographical and channel distribution points



Brand owner and builder with strong differentiated portfolio

Well established strong core brands



IRN-BRU

#1 soft drinks brand in Scotland and increasingly popular across the rest of the UK with £23m retail sales growth in England in 5 years



RUBICON

From nothing to **£109m+** of sales at retail in c.30 years – Rubicon has been the catalyst for the creation of a new “exotic” drinks category



FUNKIN

UK's #1 cocktail brand - with growing portfolio of consumer targeted finished products



BARR

A brand that has grown **by a factor of 7** in the past 10 years to over **£60m** at retail value – loved both North and South of the border



STRATHMORE

The no. 1 water in the On-Trade – the choice of hotels and restaurants across the UK

Brand owner and builder with strong differentiated portfolio

Complementary long-term partnership brands



SAN BENEDETTO

Authentic premium product
from Italy's leading soft drinks
and water producer

Partner since Jan 2018



BUNDABERG

Range of brewed beverages
tapping into "craft" trend

Partner since April 2018

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Strong customer and consumer focus

Understanding consumers' attitudes and behaviours to drive category strategy and consumer and trade engagement programmes



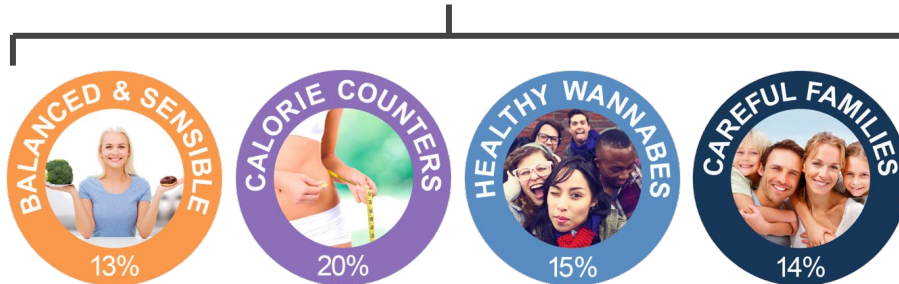
16%

"Don't tell me what to do"



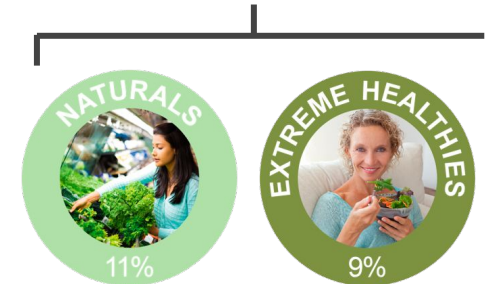
66%

"I want to make my own choices"



18%

"Traditional soft drinks aren't for me"



Strong customer and consumer focus

Broad-based consumer and trade engagement programmes

Traditional and social media campaigns



Long-term franchise partnerships



Brand development



Breakthrough innovation



Sponsorships



Consumer and trade engagement campaigns

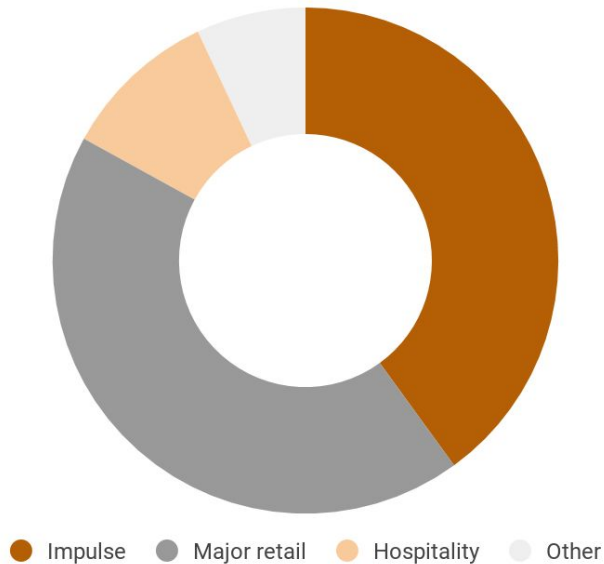


Strong customer and consumer focus

Well balanced route to market coverage meeting consumers' needs across a range of drinking occasions

AG Barr group revenue split

Group revenue % split for FY 19/20

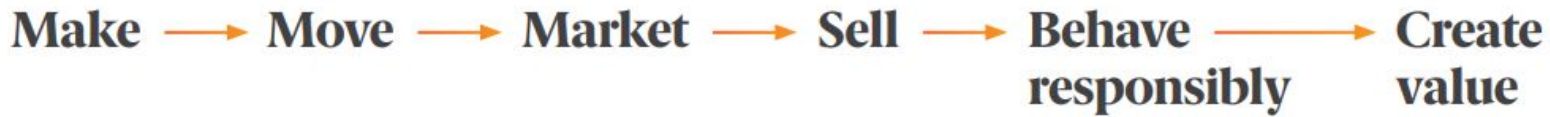


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Simple and effective business model

OUR BUSINESS MODEL:



- Consumer and customer focused
- Brand owner and builder – >95%* company owned brands and zero private label
- c. 95% in-house soft drinks production
- Value not volume focused
- Asset backed – flexible and efficient
- Outsourcing used strategically where appropriate - Innovation & Funkin
- Diverse routes to market
- Effective channel mix – strong impulse position
- Strong execution culture

An approach that delivers sustainable growth, in an expandable category and maximises available margins

Behaving responsibly for over 140 years



We act with integrity

Health & safety
Employee engagement
Responsible policies and practices

Long-term goals

2022 : **80% employee engagement**
2022 : **0 accident incident rate**



We respect the environment

Energy efficiency
Waste & water reduction
Sustainable sourcing and packaging

Long-term goals

2021 : **100% waste diverted from landfill**
2022 : **30% recycled PET content**
2025 : **15% Improvement in water usage efficiency** (baseline 2015)
40% Reduction in greenhouse gas emissions (baseline 2015)



We support healthy living

Calorie reduction
Responsible advertising & marketing
Labelling
Inspiring active lifestyles

Long-term goals

To continue to advertise responsibly, offer a wide range of pack sizes to assist with portion control and, by providing clear nutritional information on all of our products, enable our consumers to make informed choices



We give back

Community engagement
Charity partnership
Employee volunteering

Long-term goals

To support our corporate charity partnership with Mental Health UK improving the lives of those with mental health challenges by donating £150,000 over 3 years and raising awareness across our own teams.

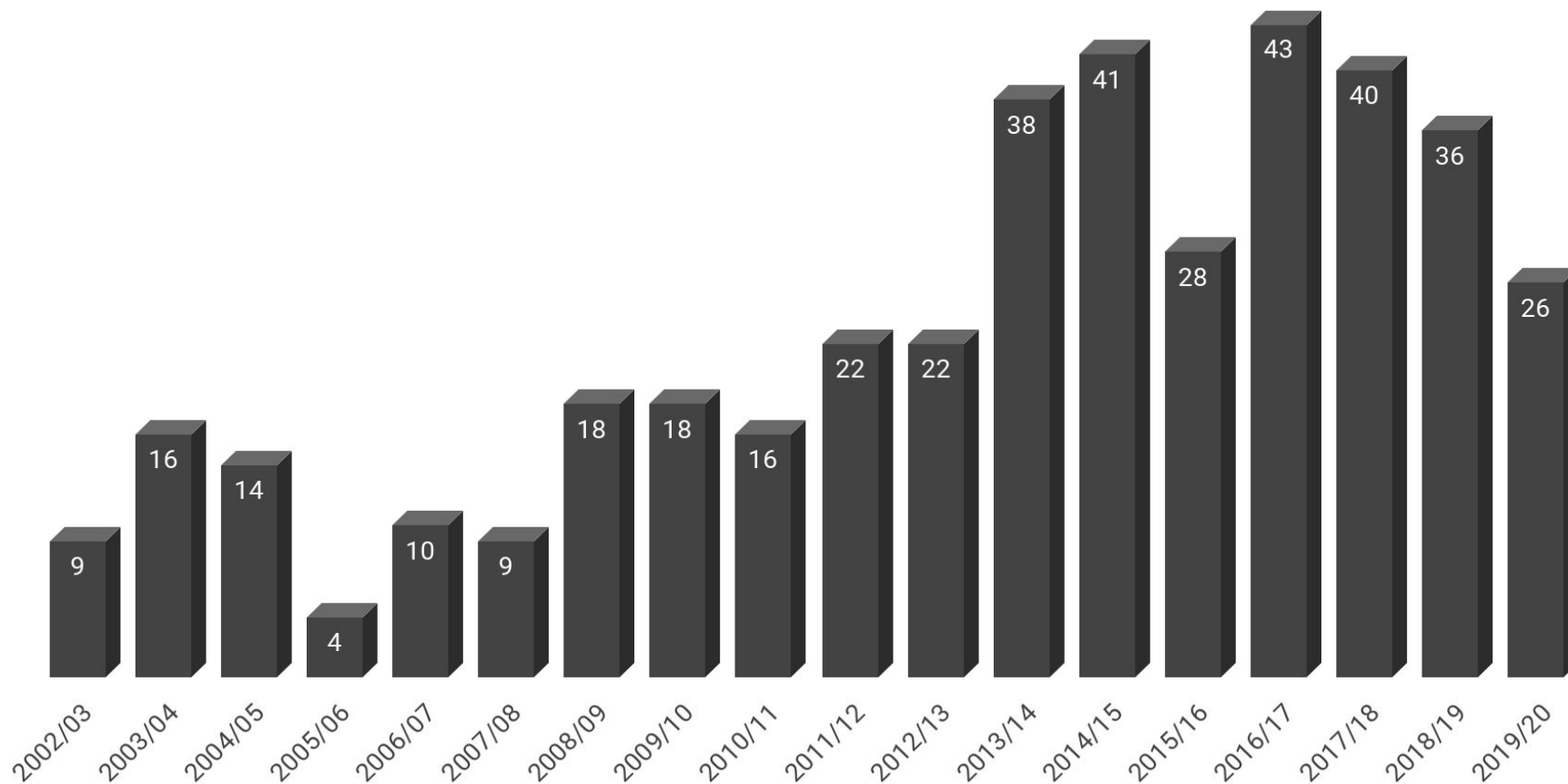
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Disciplined capital allocation

Strong free cash flow generation

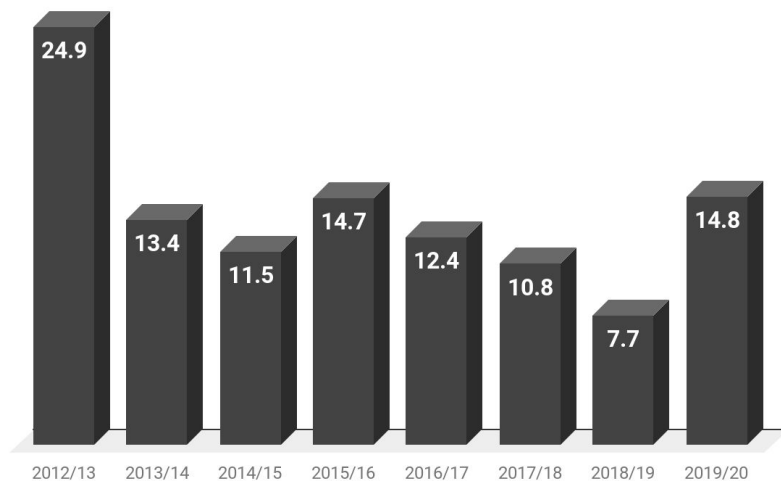
(£m)



Disciplined capital allocation

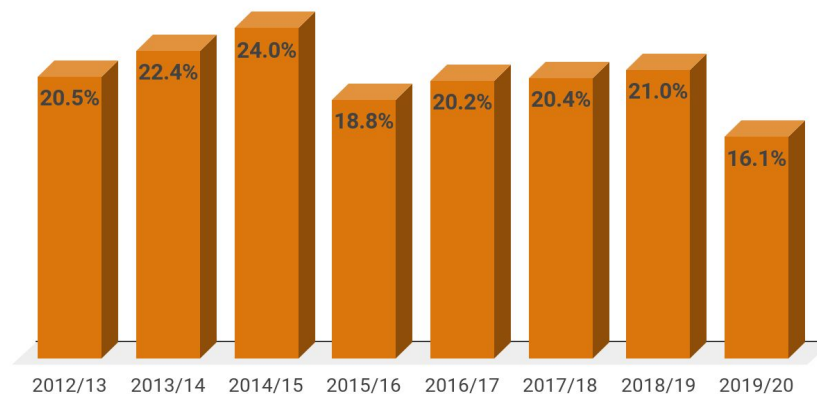
Sustained investment for growth and efficiency

Capex investment (£m)



Strong and consistent returns on capital employed

ROCE



Key expansionary investments :

Milton Keynes

- Land and buildings
- Can, carton and PET production lines
- Warehousing
- Offices
- Land for expansion
- Water treatment upgrade

Cumbernauld

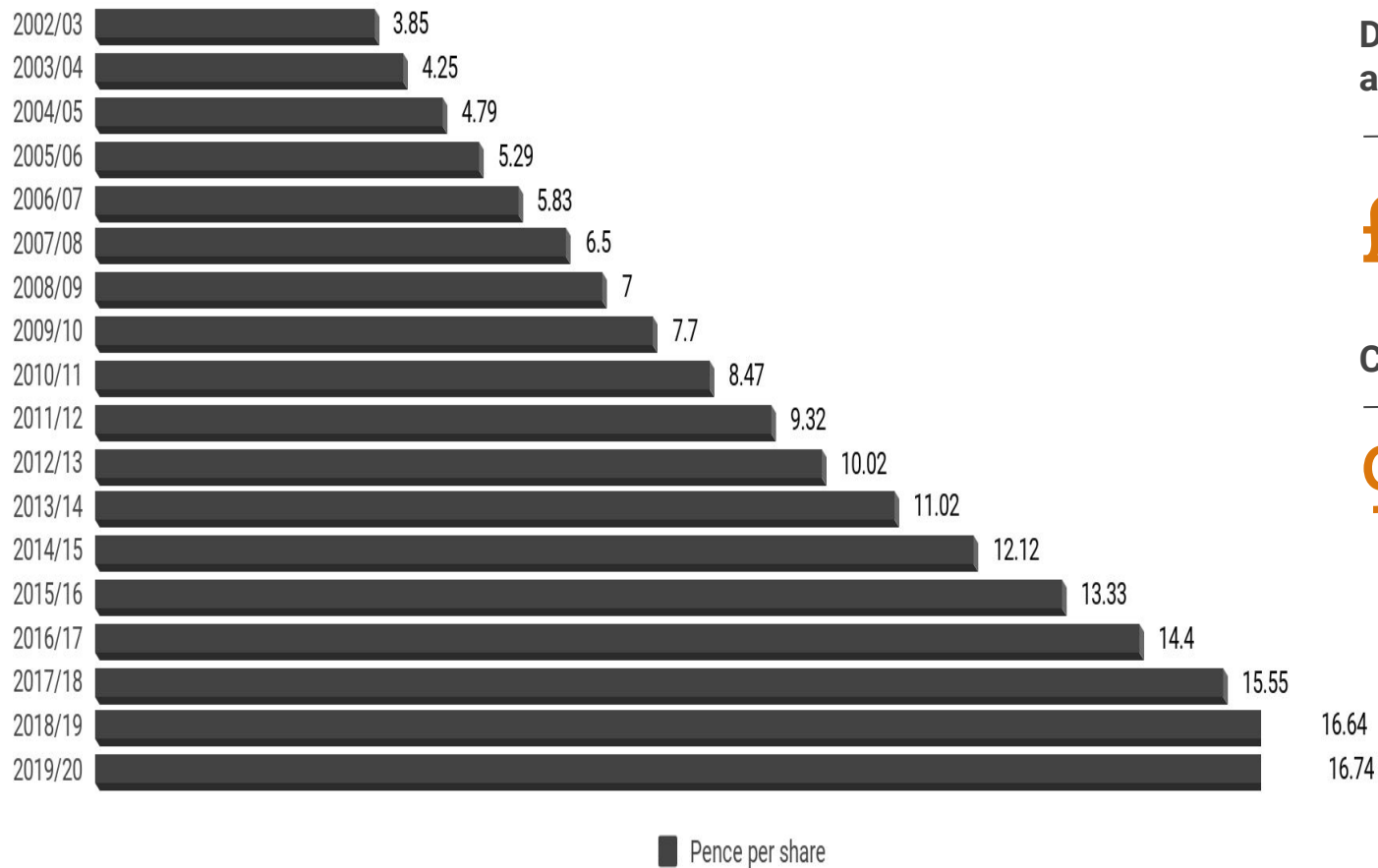
- Glass filling line
- Additional office building :
- Centralised finance service centre
- Centralised telesales hub
- New syrup processing
- Can line upgrade

Central

- Business Process Redesign project
- ERP system
- Delivery fleet

Disciplined capital allocation

Progressive dividend policy



Dividend payments
across last 18 years

£187m

CAGR

9%

Disciplined capital allocation

Partnerships and acquisition

- Value driven, growth orientated and ambitious M&A track record and approach
- Strong balance sheet provides optionality
- Well funded business with supportive bank syndicate

Funkin Case Study

- Acquired in 2015 for £16.5m (plus £4.5m earn-out)
- Funded by extension of existing bank facilities
- X10.6 EBITDA
- Successful strategy execution
 - Growing brand in on-trade
 - Developing consumer at home proposition
 - c.60+% growth since acquisition
 - Profit growth over 150%

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COCKTAILS



Investment case

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- **Growth potential within key markets**
- Long-term strong financial performance

Growth potential within key markets

£16.1bn UK soft drinks market in 2019

Grocery

£6.2bn soft drinks market at retail value
Up 0.6%

Convenience

£2.6bn soft drinks market at retail value
Up 0.9%

Leisure

£7.3bn soft drinks market at retail value
Up 0.1%

Notes :

- Grocery & Convenience data measured by IRI (data to end Dec 2019), a data company which aggregates Electronic Point of Sale (EPOS) data, reflecting 80-90% of shop sold soft drinks
- Leisure a more difficult market to measure. Data compiled from various industry sources to December 2019
- UK government charges VAT (Value Added Tax) at 20% on soft drink sales – this is included in the retail value.
- The outlet profit margins will be significantly higher in Leisure than Grocery and Convenience.

Growth potential within key markets

Barr Soft Drinks value share of total soft drinks

Total UK

3.1%

Scotland

12.4%

England & Wales

2.0%

Take-home market example : Scale of Barr Soft Drinks' opportunity

	Penetration (% of households buying 52 weeks ending 29/12/19)		
	Total GB	Eng & Wales	Scotland
IRN-BRU	11.2	7.4	48.4
Rubicon	10.0	10.1	9.9
Barr Flavours	9.0	6.9	30.0
Coke	62.2	61.9	64.8
Pepsi	31.9	32.0	30.7
Dr Pepper	13.7	14.1	9.7

Growth potential within key markets

Cocktails continue to provide an area of growth and opportunity for the GB on trade market



£624m

+6.4%

Value of cocktails
in GB

43.5k

+3.7%

UK outlets stocking
cocktails

5.2m

vs 3.8m pre lockdown

GB consumers
drinking cocktails
at home

Growth potential within key markets

Minority investment in Elegantly Spirited Limited (ESL)

- Seeking to capitalise on growing demand for non-alcoholic adult drinks
- New portfolio of zero proof spirits under the STRYYK brand - Not Vodka, Not Rum, Not Gin
- Initial £1m investment for a 20% minority stake
- Long-term agreement for Funkin to act as ESL's exclusive UK distributor
- ESL created by entrepreneurs Alex Carlton and Andrew King, original founders of Funkin
- Andrew King will remain Funkin Executive Chairman

Consumer perspective

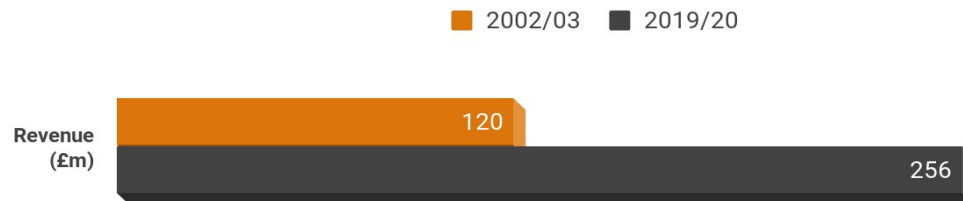
- Non-alcoholic drinks in significant growth
 - Non-alcoholic beer category growing 31% year on year
- More and more consumers seeking a drink that adds positively to their social experience but without the side effects of alcohol



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- **Long-term strong financial performance**

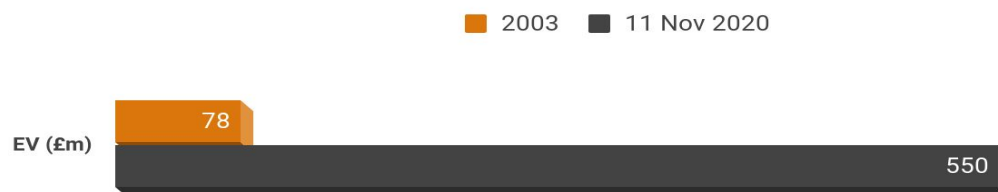
Long-term strong financial performance



Revenue more than doubled



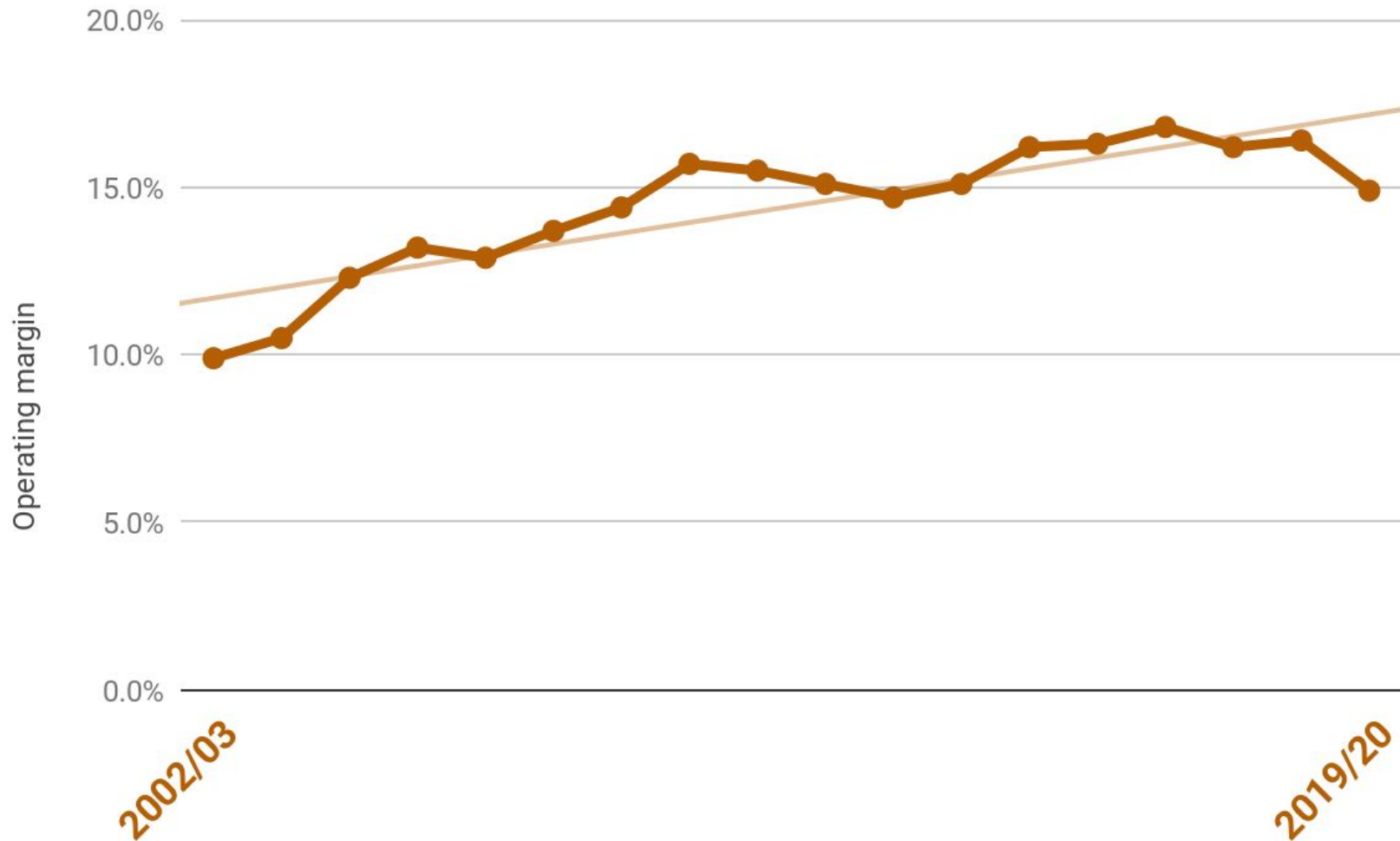
PBT more than trebled



Enterprise value increased by 7X

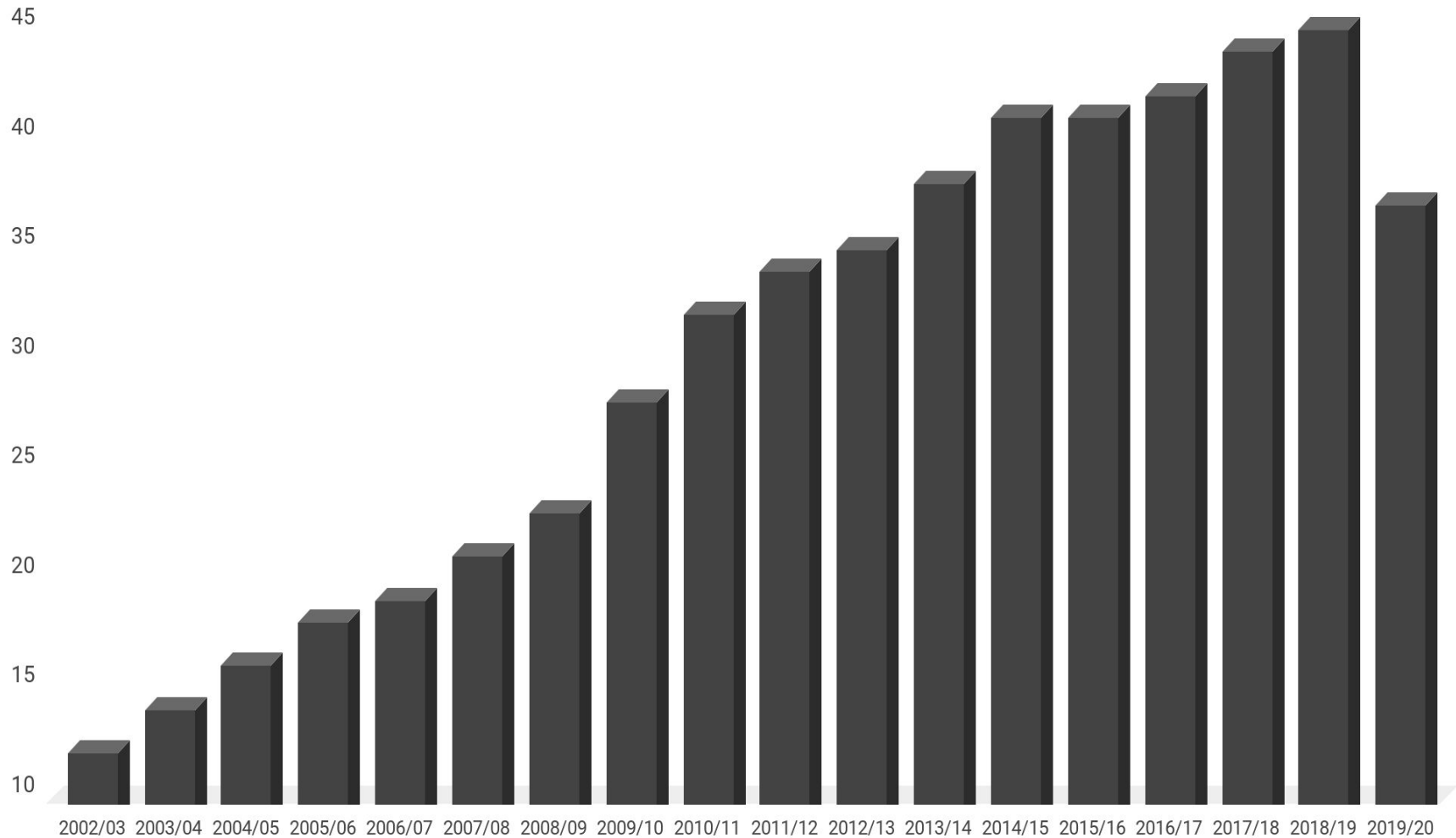
Long-term strong financial performance

Long-term operating margin improvement



Long-term strong financial performance

PBT (£m) (pre-exceptional)



Our governance

Company listed for 50+ years

Established and experienced plc board

Strong management team throughout the business

Summary

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- Disciplined capital allocation
- Growth potential within key markets
- Long-term strong financial performance

Appendices

Board biographies



John R. Nicolson : Chairman

B.A. (Hons)

John's career was spent with ICI, Unilever, Fosters Brewing Group, Scottish and Newcastle PLC and Chairman of Baltika SA (Russia). Latterly as President Americas for Heineken NV and Deputy Chairman of CCU SA (Chile). He held various positions in Marketing and Sales before moving into Corporate Development and then General Management. John brings extensive knowledge of the role of a Director on Boards both UK Plc's and listed international companies since 2000, and as a Chairman since 2005. He has an Executive background in Commercial activities, and Corporate Development acquired while being responsible for a large number of international businesses.



Roger White : Chief Executive

M.A. (Hons)

Roger is a member of the Board of Management and Executive Council and is a past President of the British Soft Drinks Association. Previously held numerous senior positions in food group Rank Hovis McDougall. Scottish PLC Chief Executive of the year in 2010. Honorary Doctorate University of Edinburgh 2014. Roger brings a wealth of consumer goods experience and corporate leadership.



Stuart Lorimer : Finance Director

BAcc. (Hons), C.A. M.C.T.

Stuart was with Diageo for 22 years in a range of roles and countries, ultimately as the FD for Diageo's Global Supply Operation. Stuart brings significant experience in FMCG in both alcoholic and soft drinks sectors and a strong background in governance and performance management as a qualified CA and FD.



Jonathan Kemp : Commercial Director

B.A. (Hons)

Jonathan has had a successful career in various commercial roles within Procter and Gamble. Jonathan brings FMCG specialism in Customer Business Development, Consumer Brand Building and Commercial Proposition Optimisation.

Board biographies



W. Robin G. Barr : Non-Executive Director
C.A.

Robin is a past President of the British Soft Drinks Association. Robin brings financial skills and an extensive understanding of UK markets to the Board. As Executive Chairman from 1978 to 2009 Robin brings a historical background to discussions to the Board and as a qualified accountant he is a Trustee of the Company's two pension schemes.



Susan V. Barratt : Senior Independent Non-Executive Director
B.A. (Hons), A.C.A.

Susan is a Chartered Accountant and spent the earlier part of her career in senior finance roles at Geest plc, Whitbread plc and Laurel pub company. Formerly CEO of Natures Way Foods Ltd and Eldridge Pope plc. Susan brings considerable operational experience and knowledge of the FMCG industry.



Nick B. E. Wharton : Non-Executive Director
A.C.A.

Nick was formerly CFO of both Superdry plc and Halfords Group Plc and CEO of Dunelm plc. He has held a number of senior executive roles across retail and FMCG businesses, including Boots and Cadbury Schweppes, and until December 2019 was a non executive director and Chair of the Audit Committee at Mothercare Plc. Nick brings extensive retail experience both in the UK and internationally, substantial Plc and governance experience from executive and non-executive roles on listed company boards and significant financial experience as a qualified chartered accountant and CFO.



Pamela Powell : Non-Executive Director
B.A., M.B.A.

Pam was formerly Group Director of Strategy and Innovation at SABMiller plc, SVP Global Personal Care at Coty Beauty Inc, and VP Skincare and Global Brand Director Dove at Unilever plc. Pam brings food and beverage sector experience, consumer marketing capability, international expertise and knowledge of plc governance.



David J. Ritchie : Non-Executive Director
B.A. (Hons), A.C.A.

David is a qualified Chartered Accountant and former Chief Executive of Bovis Homes Group PLC (Bovis). He joined Bovis in 1998 from KPMG as Group Financial Controller, becoming Group Finance Director in 2002 and Chief Executive in 2008. David brings significant operational experience and governance knowledge from his 15 years leading a listed FTSE250 company plus strong financial oversight through his 30 years as a financial professional.

Investor contacts



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