BUILDING GREAT BRANDS

AG Barr plc

Final Results

53 weeks ended 30 January 2022

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Contents and Introductions

- Welcome and introduction
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Roger White
Chief
Executive

Stuart Lorimer
Finance
Director

Roger White

Welcome and introduction

Highlights

- Excellent financial performance, generated by strong sales growth, resulting in a profit performance ahead of 2019/20 pre-Covid levels
- Strong trading reflecting the successful execution of our growth strategy - investing in our brands, innovation, operations and people - combined with a general market recovery
- All brands in growth with core brands now ahead of pre-Covid levels
    - **Barr Soft Drinks :** strong momentum across the soft drinks portfolio supported by continued brand investment and innovation, with a particular focus on the energy category
    - **Funkin :** significant progress made in further establishing Funkin as leading consumer cocktail brand in both take home and the hospitality sector
- "**No Time To Waste"** environmental sustainability programme continued at pace
    - Completion of full carbon footprint assessment has enabled setting of science-based targets that will guide the Group on its net zero journey
- Strong cash generation and robust balance sheet continues to support capital and dividend programme
- Dividend payments recommenced - interim (2p), proposed final (10p) and one-off special dividend (10p paid in October 2021)
- Equity investment in MOMA Foods Limited in December 2021, demonstrating the Group's continued ambition and drive to find opportunities to participate in exciting high growth categories
- We were pleased to welcome Mark Allen OBE and Zoe Howorth to the Board in July 2021 as independent Non-Executive Directors

Year in context

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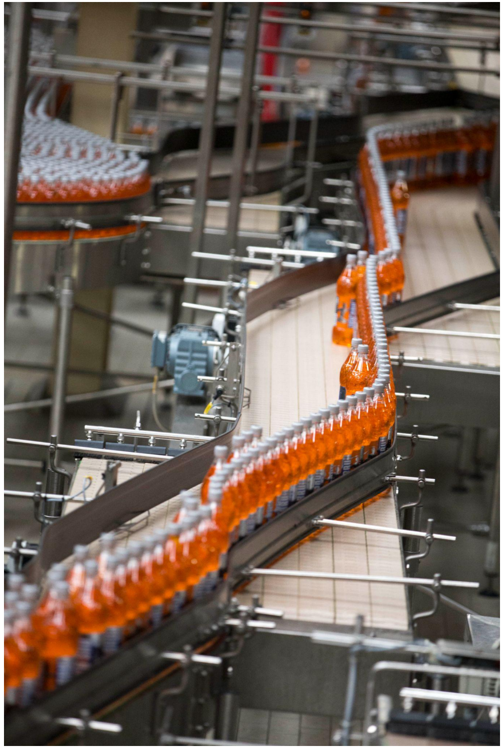
Operational resilience

- asset-backed soft drinks supply chain provided flexibility and agility
- successful navigation through supply chain challenges - particularly can and CO_2 shortages
- committed and flexible workforce
- collaborative customer partnerships focused on maintaining consumer availability
- development of long-term capital investment programme designed to support resilience, sustainability and flexibility

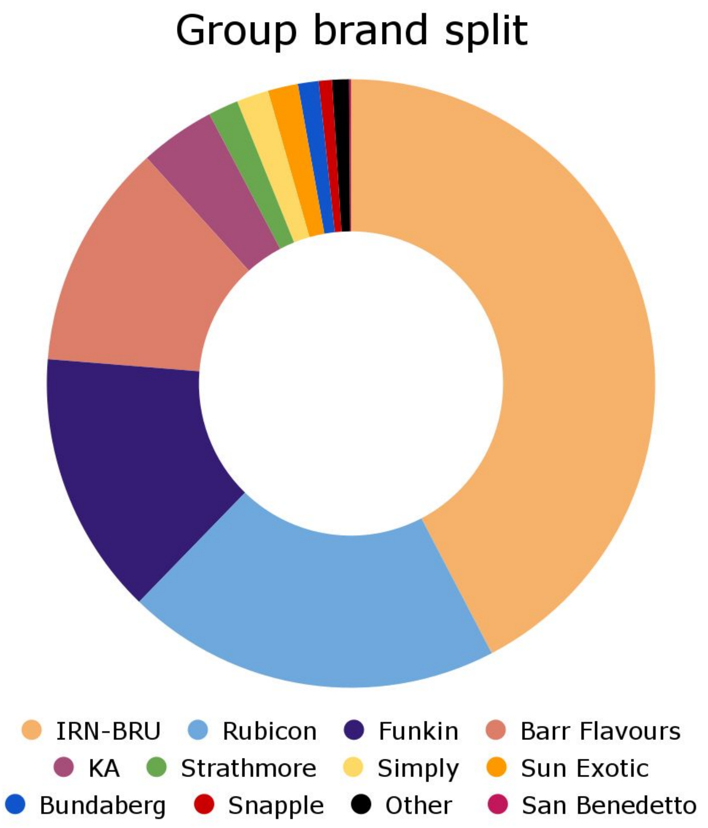


Group brand performance

All brands in growth with core brands also ahead of pre-Covid levels :

Revenue growth

	versus 20/21	versus 19/20
IRN-BRU	▲ 16.8%	▲ 5.5%
Rubicon	▲ 39.8%	▲ 26.1%
FUNKIN COCKTAILS	▲ 117.6%	▲ 92.1%



Source: AG Barr net revenue 53 weeks ended 30 January 2022

Stuart Lorimer
Financial Review

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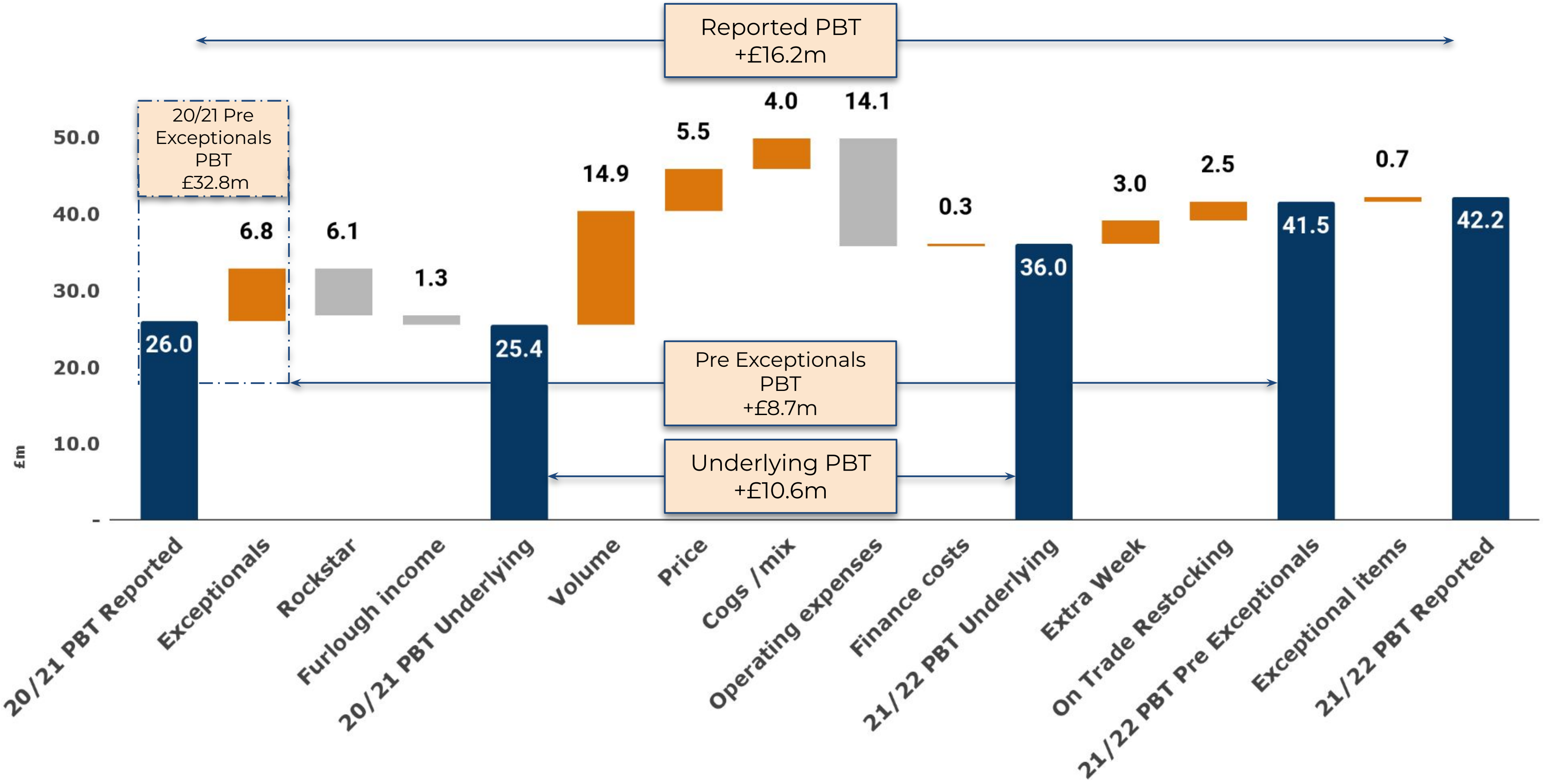
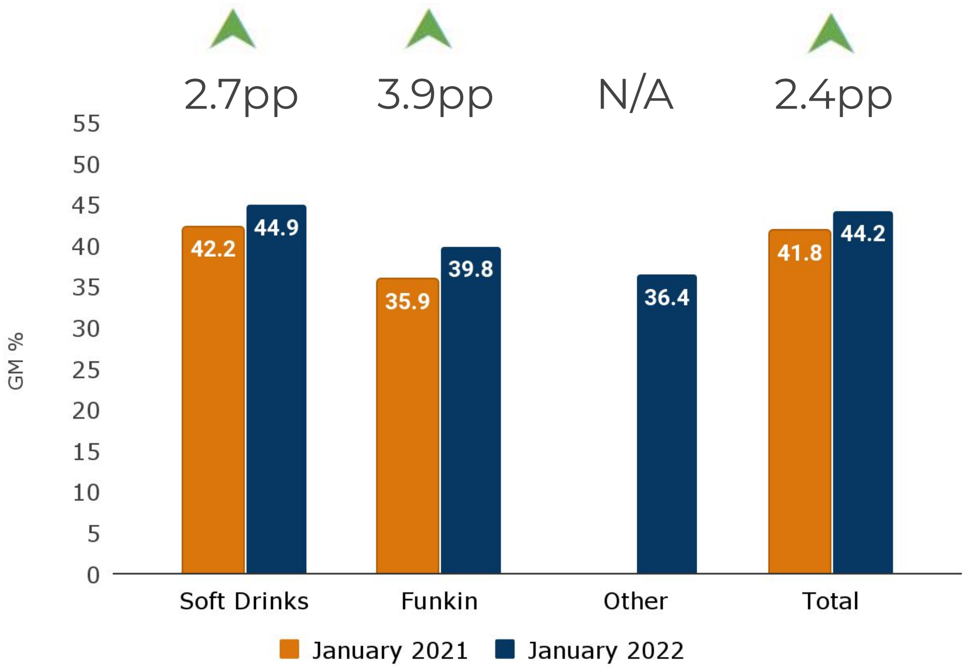
Profit bridge : Jan 2021 to Jan 2022



Financial scorecard

	January 2022	v to Jan 2021	% v Jan 2021	
Case volumes (million cases)	**52.0**	4.0	8.4%	
Net revenue (£m)	**268.6**	41.6	18.3%	
Profit before tax and exceptionals (£m)	**41.5**	8.7	26.5%	
Statutory profit before tax (£m)	**42.2**	16.2	62.3%	
Gross margin before exceptional items	**44.2%**	2.4 pp	-	
Operating margin before exceptional items	**15.6%**	0.8 pp	-	
Net cash from operating activities (£m)	**43.4**	(7.3)	(14.4%)	
Net assets (£m)	**248.2**	19.4	8.5%	
Net cash at bank (£m)	**68.4**	18.4	36.8%	
ROCE	**19.6%**	3.6 pp	-	
Dividend - Interim (paid) & Full year (proposed) (p)	**12.00**	12.00	-	
Dividend - Special (paid) (p)	**10.00**	10.00	-	
EPS - Basic (p)	**25.09**	7.9	46.1%	
EPS - Basic before exceptional items (p)	**24.46**	2.2	9.7%	

Gross margin



Soft Drinks : 87% of gross profit

Strong performance with all brands in revenue growth - more than offsetting loss of Rockstar

Margin benefits from operational leverage, mix (return of 'out of home' formats) and successful innovation

Funkin : 12% of gross profit

Double digit revenue growth in both on and off premise channels with recovery in on trade (c.50% of business) driving margin growth

Other : <1% of gross profit

2 months' contribution from investment in MOMA Foods

Operating costs and margin

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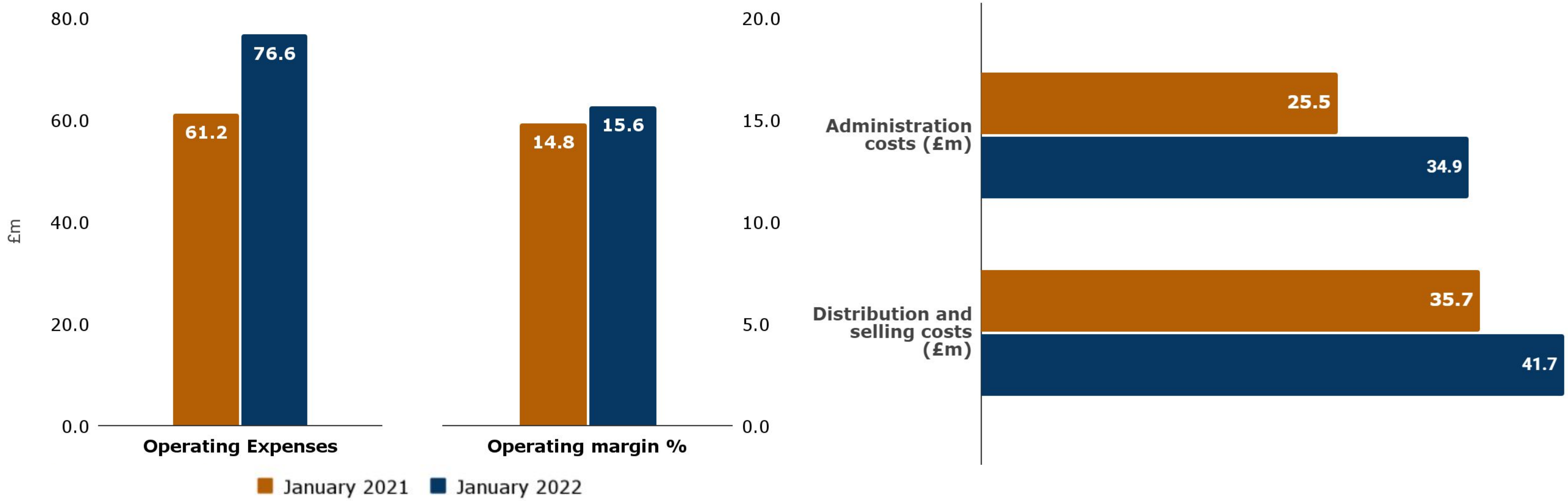
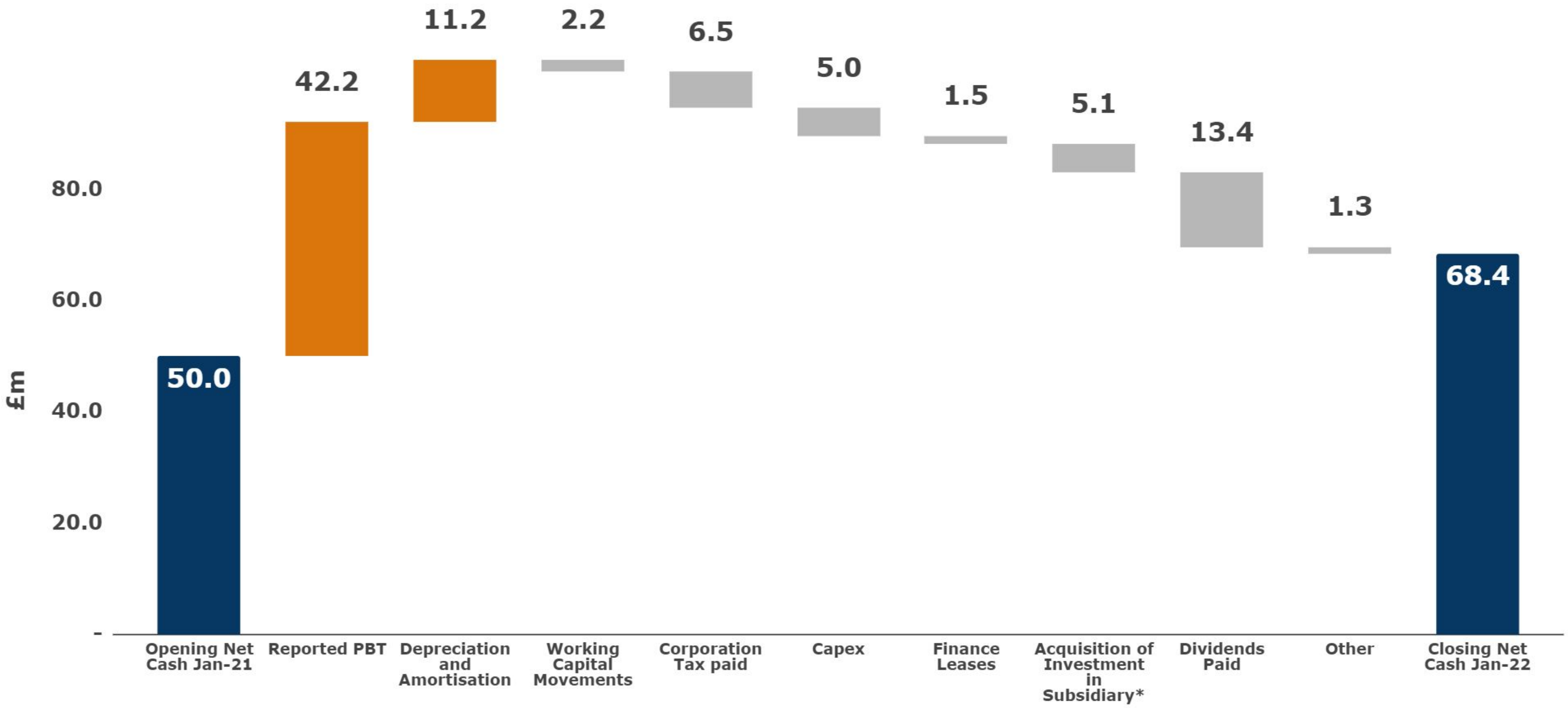


Margin growth supporting the decision to increase marketing investment - despite increasing cost headwinds

- Enhanced marketing support behind core brands - new campaigns and upweighted digital investment
- Logistics and labour cost pressures increased in H2 partially mitigated by contracts and strong cost control
- Rebuilding selective discretionary spend

Cash flow



*Net of cash acquired + £0.7m paid subsequent to year end.

Capital Allocation

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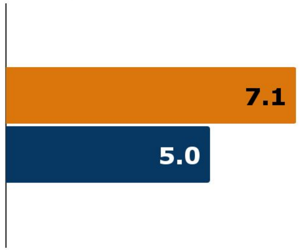
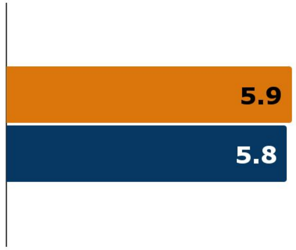
Capital expenditure

Cash capex (£m)

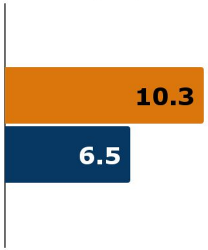


Capital Additions (£m)

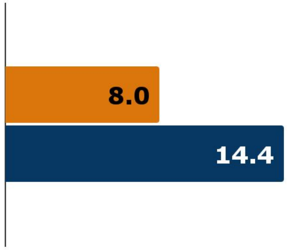


Taxation

Cash Tax Paid (£m)



P&L Tax Charge Pre Exceptionals (£m)



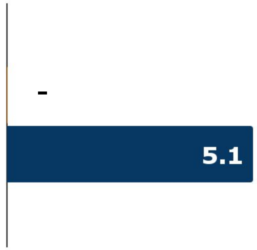
Effective Tax Rate Pre Exceptionals

24.4%

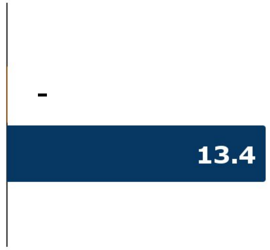
34.7%

M&A and Dividends

M&A (£m)



Dividends (£m)



DPS

No Dividend

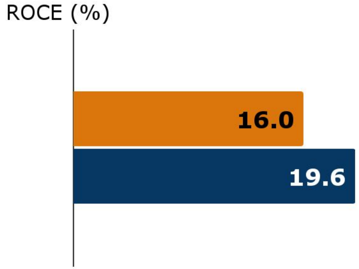
12.0p

January 2021 January 2022

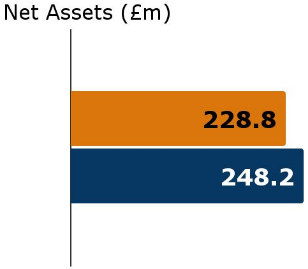
A clear prioritisation of core business optimisation, organic growth security, M&A capacity and the importance of sustainable progressive dividends

Balance sheet : Key ratios

Strong investment returns

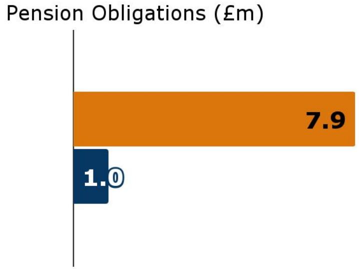


Substantial asset base

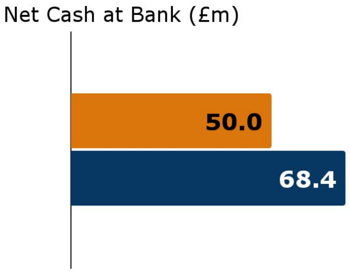


January 2021 January 2022

Minimal pension obligations



Significant funding platform



Commodities and Forex

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Commodities

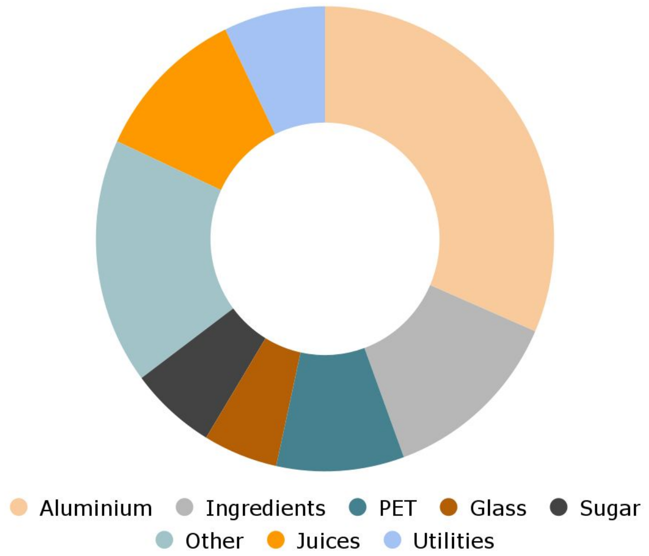
- Inflationary pressures accelerated in H2 driven by core commodity and energy prices
- Contained in 2021/22 by hedging activities and long-term supply contracts

Forex

Rolling hedging programme in place

- 2021/22 was covered with minimal P&L impact versus prior year
- Good cover in place for 2022/23 requirements

Commodity Spend analysis



Cost inflation and mitigation

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Cost inflation across key commodities, labour, and energy

Mitigating actions

- **Commodity hedging programme** - good cover on core commodities for much of 2022
- **Disciplined cost management** - an ongoing pipeline of productivity, efficiency and product re-engineering initiatives.
- **Proactive revenue management** - updated pricing delivered with future options including depth and frequency of promotional activities, and potential further changes to price
- **Discretionary spend flexibility**

2022/23 gross and operating full year margins -
expected to be only marginally below 2021/22

2022/23 Guidance

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Revenue	Group revenue growth c.4-5% · recognising one-off factors in 2021/22 (53rd week, on trade replenishment) · revenue management actions deployed to mitigate inflationary headwinds · assuming Covid restriction-free year cycling lockdown impacted Q1 2021/22
Margins	Continued investment in the business - aiming to protect margins where possible · exceptional cost inflation anticipated to continue through the year · offset by price and revenue/mix management as well as operational leverage and efficiency improvements
Capex	£18m-£20m Accelerated capital programme
Cash	Strong cash generation continues to support capital and dividend programme. Anticipating cash in excess of £70m by end of 2022/23
Dividend	Progressive dividend policy maintained Sustainable payout in line with profit growth

Roger White
2021/22 execution

Connecting with consumers

Building brands

Building trust

Driving efficiency

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Building brands and connecting with consumers

Strategic delivery - continued brand investment through a materially higher level of brand development activity and an enhanced sales execution programme

IRN-BRU

Extensive marketing campaigns including national *'Let's Just Agree it Tastes Magic'*

Rubicon

Innovation launches, national on-demand TV and social media campaigns, all supported by sampling

Funkin

***'Best Served Everywhere'* campaign cemented Funkin's UK #1 RTD cocktail position**

Driving efficiency

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Our drive for long-term efficiency and effectiveness continued at pace

- **Value optimisation programme**
  Pipeline of product optimisation and cost reduction initiatives, now helping to mitigate higher inflation

- **Multi-year manufacturing excellence programme - Brilliance in the Making**
  Investing significantly in our people and processes to drive long-term operational efficiency across our manufacturing base

Building trust

Acting with integrity

- ✓ Hybrid working
- ✓ Mental health support
- ✓ Gender balance and women in leadership

Respecting the environment

- ✓ Science-based targets
- ✓ Net zero commitments
- ✓ 100% rPET first production April 2022

Supporting healthy living

- ✓ 98% of portfolio remains exempt from SDIL
- ✓ 98% of portfolio now HFSS exempt six months before Oct regulations

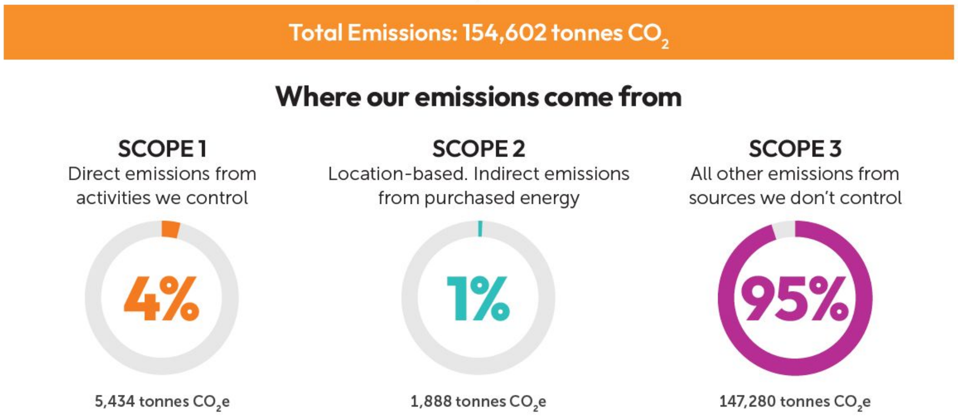
Giving back

- ✓ Continued financial and practical support to a wide range of charities, good causes and community groups across the UK

Building trust

Significant progress made across No Time To Waste environmental sustainability programme

- Completed assessment of our carbon footprint across our full product life cycle and value chain
- Data has now allowed us to set science-based targets that will guide us on our journey to becoming a net zero business
- Using the Science Based Target Initiative's new Net Zero Standard to ensure the most credible basis of measurement, we are committing to be :
    - Net zero across our own operations by 2035 supported by a deliverable and realistic decarbonisation roadmap
    - Net zero across our full supply chain by 2050, if not sooner - working closely with our suppliers and partners



Building trust

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OUR 2020 GREENHOUSE GAS EMISSIONS

12%	57%	6%	4%	17.5%	2%	1%	0.5%
INGREDIENTS	PACKAGING	EQUIPMENT AND SERVICES	MANUFACTURING	TRANSPORT	IN-SHOP REFRIGERATION	WASTE MANAGEMENT	STAFF COMMUTING & TRAVEL

TOTAL EMISSIONS OF 154,602 TONNES CO2 e

Longer-term Deposit Return Scheme Update

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DRS in Scotland

- Go-live now extended to August 2023
- Not-for-profit scheme administrator in place and progressing with implementation

Assumed commercial impact

Potential producer complexity costs to implement	Producer fees - per container - to fund scheme running costs	Higher consumer prices and deposit cost	Potential changing consumer buying patterns	Volume impact

Potential AG Barr gross profit impact

before mitigating actions

2022/23	2023/24	2024/25
<£500K	<£2m	c.£5-6m

DRS in England

Implementation timing at earliest expected to be late 2024 or 2025

Future growth drivers

Building a multi-beverage portfolio of brands, with a specific focus on developing within higher growth sectors

Future growth drivers

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1 Core brand growth through distribution and rate of sale

2 Innovation

3 Developing new channels and categories

4 Funkin international expansion

5 M&A

Core brand growth through distribution and rate of sale

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Building on strong momentum...

Barr Soft Drinks

Focused on IRN-BRU and Rubicon masterbrands

- 6% growth in IRN-BRU distribution points with XTRA up 10.8% in England & Wales
- 11% growth in Rubicon distribution points

Funkin

- 30%+ increase in RTD nitro can distribution points (10,500+) across top 4 grocers
- 2,000+ new RTD nitro can distribution points with the UK's biggest forecourt operator
- 4,000 new cocktail mixer distribution points with two of UK's largest hospitality operators

Source : IRI Marketplace 12 weeks to 23rd Jan 2022 vs prior year equivalent period ; AG Barr sales data

Innovation

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Fewer, bigger, better

Premium & naturally sweetened

Leveraging our capability in the energy category

Format and flavour development targeting mainstream consumer base

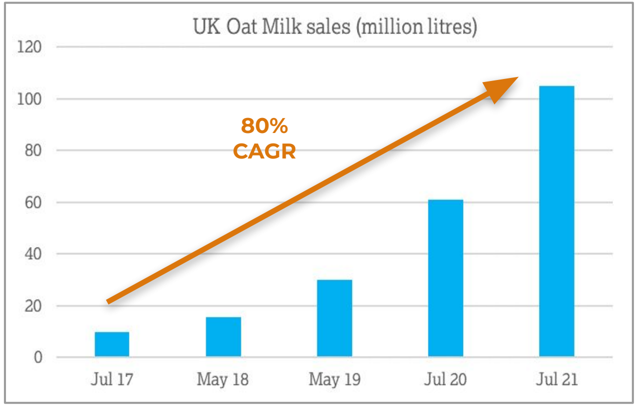
RTD can and glass range extension - top 10 cocktail focus

Developing new channels and categories

MOMA Foods Limited

Entry into high growth plant-based sector

- 61.8% initial equity stake with agreed path to full ownership over next three years
- Investing for growth within fastest growing plant based milk category - oat milk market projected to be worth £450m by 2024 (2021 : £147m)
- Future potential within adjacent plant based healthy snacking category
- Existing convenience/on-the-go porridge business rebounding post pandemic



 Source : Nielsen & Kantar data

Developing new channels and categories

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E-commerce and digital development

Expanded and dedicated E-commerce team

✓ **Pureplay 2021/22 sales**

- **Double** 2020/21
- **Four times** 2019/20

✓ **Grocery.com**

- Growing market share with retail BSD sales value up **14%** year on year

Digital marketing

✓ Deploying advanced marketing automation technology across our social channels to amplify online consumer engagement

Technology development

✓ Continued year on year doubling of sales through our Barr Direct app driving both frequency and weight of purchase

Source : AG Barr sales ; *IRI Value Sales; JS, Asda, Morrisons and Ocado* ; Dunn Humby Value Sales Tesco*

Funkin international expansion

Ireland - growing existing export market

- Population c.5m
- Local distribution partnership
- RTD off trade market c.2.7m litres
- Funkin now listed across all 3 key multiple grocers
- Growing in recovering on trade - treble digit growth in 21/22

Australia - year 1

- Population c.25m
- New exclusive brand supplier agreement in place
- RTD off trade market c.215m litres with estimated 24% growth rate 2020-2025
- Growing distribution points across major retail groups (up 16%)
- Strong initial acceptance of consumer range

US - in planning stage

- 2nd largest and fastest growing RTD market in the world
- premix cocktails now worth $1.6 billion (+43% from prior year)
- currently no equivalent to the Funkin range of cocktails in the market
- Market entry planned during 2022

Source : IWSR (US) ; Euromonitor (Australia and Ireland)

M&A

£68m cash in bank and significant debt-raising capacity available

Continued ambition to grow through M&A, alongside organic growth

M&A target characteristics

- FMCG Branded
- Beverage-focused
- Bolt-on
- UK bias

M&A drivers

- Significant growth potential
- Synergies
- Operational leverage

Shareholder value-focused M&A screening and execution process

Summary and outlook

- Resilient business and growing brands
- Excellent financial performance
- Accelerated environmental sustainability agenda
- Good momentum with exciting brand and sales plans for 22/23
- Actions ongoing to mitigate significant inflationary pressure
- Strong balance sheet and significant growth potential
- Confident in our ability to deliver continued growth in both revenue and profit in the coming year

Appendix 1 : Market update

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Total UK soft drinks market

Total UK soft drinks value

▲ 8.9%

Total UK soft drinks volume

▲ 1.7%

Carbonates value

▲ 7.3%

Carbonates volume

▲ 7.8%

Stills value

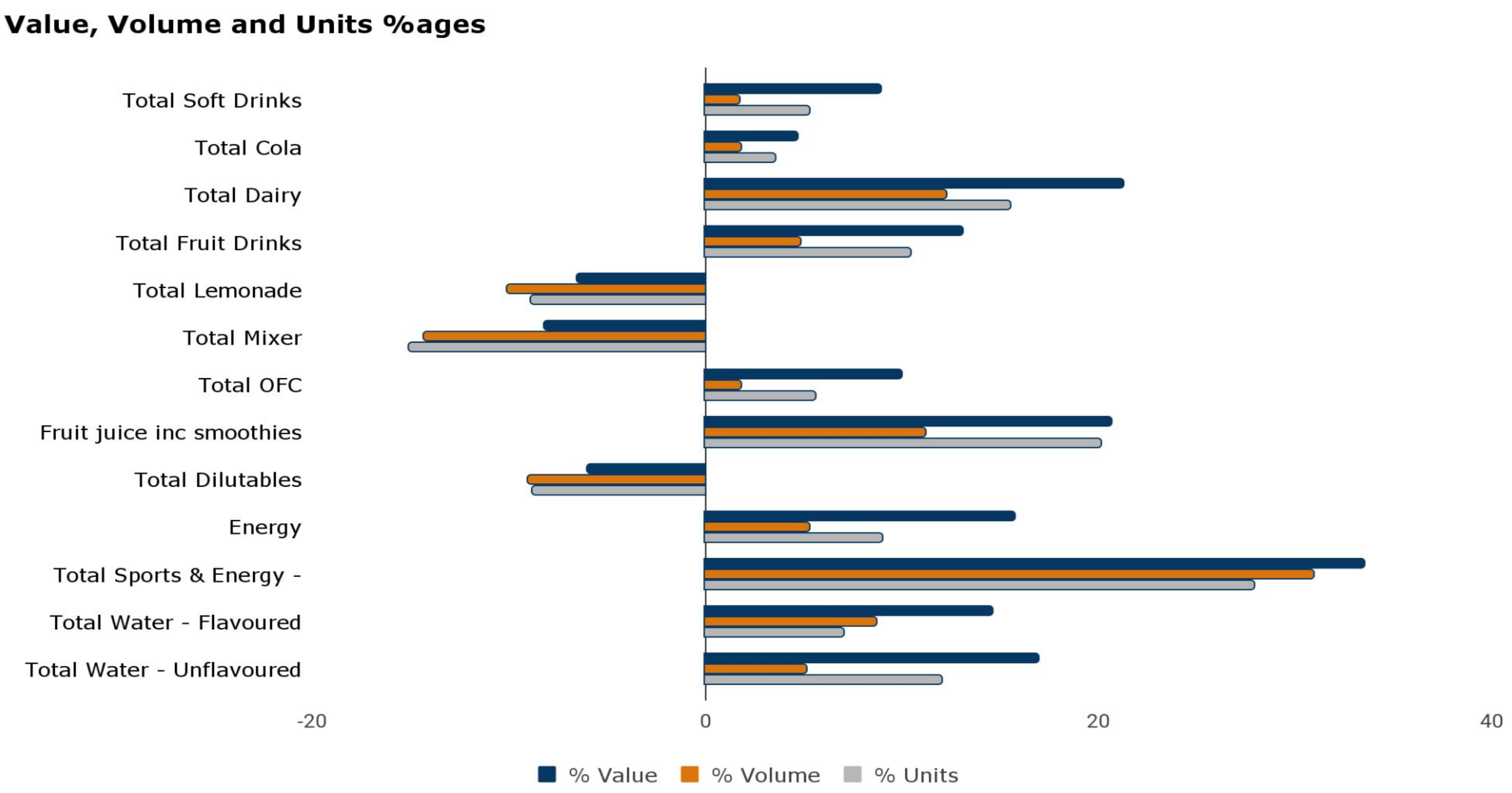
▲ 11.1%

Stills volume

▲ 3.5%

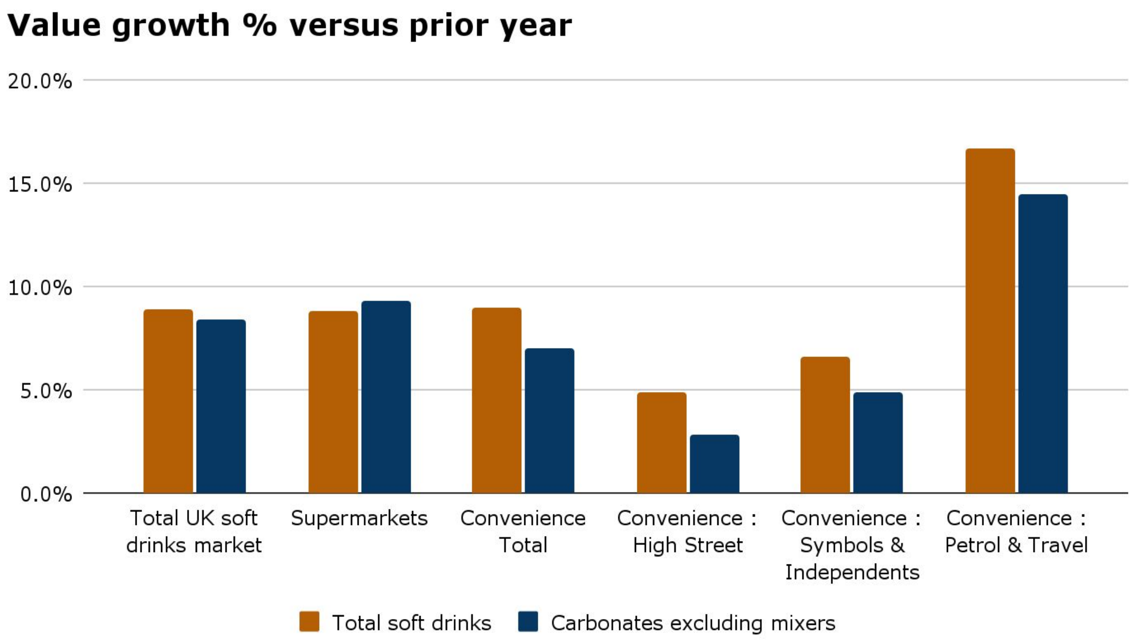
Source : IRI Marketplace 52 weeks to 29/01/22

Total UK soft drinks market - sub categories



Source : IRI Marketplace 52 weeks to 29/01/22

UK soft drinks - market dynamics



- On-the-go consumption has recovered as Covid-19 restrictions have eased and consumers return to more ‘normal’ shopping behaviours
- Take home purchasing has remained strong

Source : IRI Marketplace 52 weeks to 29/01/22

Total UK soft drinks market

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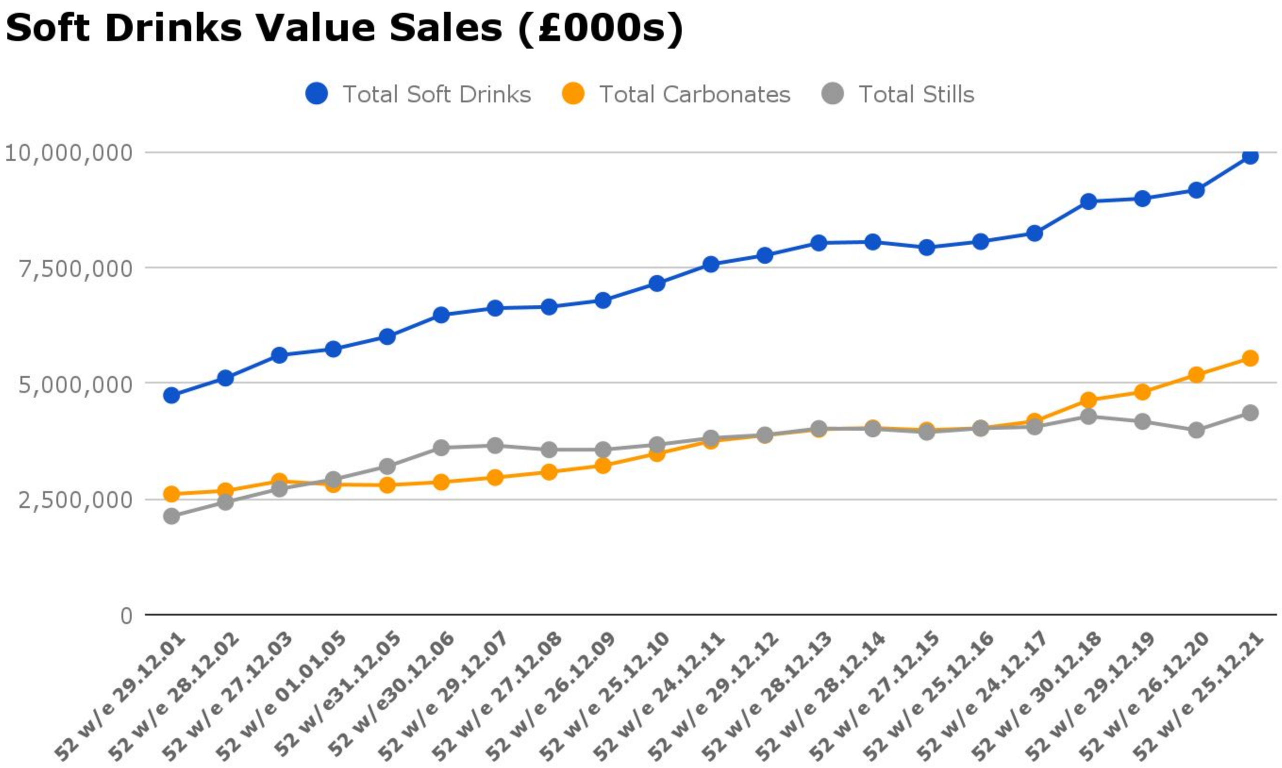

- Total soft drinks market has doubled over last 20 years proving its resilience
- Carbonates market remains a relevant and resilient sub category

Source : 2001 to 2019 rebased from IRI and Neilson dataset, 2020 & 2021 IRI Market Advantage

Cocktail market dynamics

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Value of cocktails in GB

£296m

-25%

Cocktails % of total venue drink sales from Apr 2021 reopening to Oct 2021

9.9%

vs 6.0% same period 2019

No. of outlets stocking cocktails

35.1K

-1.0%

GB consumers drinking cocktails out of home

7.4m

15% of adult population

#1 Pornstar Martini

#2 Mojito

#3 Sex on the Beach

#4 Long Island Iced Tea

#5 Daiquiri

Source : CGA Mixed Drinks Report Q3 2021 - volumetric sales data

Appendix 2 : MOMA acquisition accounting

MOMA - Acquisition accounting

	January 2022
Assets	
Brand	**8.4**
Goodwill	**1.0**
Net assets	**0.6**
Cash	**(6.2) ***
Liabilities	
Put liability	**(5.0)**
Equity	
Reserves	**5.0**
NCI	**(3.8)**

	Acquisition date to January 2022	Full year view
P&L		
Revenue	**1.1**	**5.8**
Gross Margin	**0.4**	**2.0**
PBT	**(0.2)**	**0.0**

- 61.8% acquisition in MOMA Foods Limited = £6.2m
- Value on acquisition = £10.0m
- Non controlling interest fair value = £3.8m
- Put liability = £5.0m being the present value of the estimated redemption value (£8.6m), using an internal evaluation of forecast revenue of MOMA over the exercise period, discounted at a rate of 18%
- The liability is sensitive to change as the business plan is delivered

*Of which £0.7m was paid subsequent to year end.