March 22, 2023

Fevertree Drinks plc

FY22 Preliminary Results to 31 December 2022

Financial Highlights

- Strong top line performance with revenue growth of 11% year-on-year, driven by 18% growth across the US, Europe and Rest of the World.
- Industry-wide inflationary pressures impacted the Group's gross margin, most notably in glass costs and trans-Atlantic freight costs, these were partially mitigated by positive pricing actions and improvements in sales mix.
- Adjusted EBITDA of £39.7m was marginally ahead of expectations.
- With continued strong cash generation, the Group maintained its strong balance sheet; paid a special dividend of £50m in May 2022 and finished the year with £95.3m net cash.
- Proposed full year ordinary dividend of 16.31 pence per share, an increase of 2% year-on-year.
- Reiterating guidance from January; FY23 revenue £390m - £405m and EBITDA of £36m - £42m.

£m	FY22	FY21	*Change*
Revenue			
UK	116.2	118.3	*(2)%*
US	95.6	77.9	*23%*
Europe (Fever-Tree brand revenue)	89.2	78.6	*13%*
Europe total revenue*	101.0	88.2	*14%*
ROW	31.5	26.7	*18%*
Total	**344.3**	**311.1**	***11%***
Gross profit	**118.8**	**130.9**	***(9)%***
Gross margin	*34.5%*	*42.1%*	*(760)bps*
Adjusted EBITDA[1]	**39.7**	**63.0**	***(37)%***
Adjusted EBITDA margin	*11.6%*	*20.2%*	*(870)bps*
Diluted EPS (pence per share)	21.32	38.19	*(44)%*
Ordinary Dividend (pence per share)	16.31	15.99	2%
Net cash	95.3	166.2	*(43)%*

**includes revenue from GDP's portfolio brands*

Strategic highlights

- The Group further extended its clear position as the number one premium mixer globally whilst making significant progress on its strategic priorities in 2022:
  - We remain the clear market leader in the UK, and successfully launched into the Adult Soft Drink category, a potentially significant adjacent opportunity, with our Ginger Beer and Sicilian Lemonade already among the top performers in the category.
  - We continue to build for long term success in the US, increasing distribution and driving category growth. The acquisition of a non-carbonated cocktail mixer business will accelerate the launch of the Fever-Tree cocktail mixer range in 2023.
  - We continued to invest in the brand across Europe, driving a significant acceleration in Southern European markets where the brand continues to gain market share.
  - We completed significant route to market changes in Canada and Japan as we position the brand for long term growth in key markets in the RoW.

[1] Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, share based payment charges and finance costs

  - We made progress on a large number of initiatives, such as localising US production and investing in our technology infrastructure which will improve our operational capabilities, reduce costs and drive margin recovery in 2024 and beyond.

FY23 outlook and guidance

The Group remains confident of delivering strong growth in the year ahead and we are reiterating our guidance range of £390m - £405m. This represents growth of 13%-18% year-on-year, with momentum continuing across our growth regions, especially the US, and a return to growth in our most established market in the UK.

As highlighted in January, whilst the business is facing significant inflationary headwinds, most notably in relation to glass bottle costs, we are focused on mitigating actions through a combination of pricing across regions, cost saving initiatives, and increased local US production. As a result the Group expects to deliver EBITDA in line with previous guidance of between £36m - £42m.

Tim Warrillow, Co-Founder and CEO of Fever-Tree, commented:

"The Group has delivered a strong sales performance with double digit revenue growth underpinned by a very encouraging 18% average growth across the US, Europe and Rest of the World. These regions now account for nearly 70% of our business and their continued strong growth underlines our position as the world's no.1 premium mixer brand.

We have seen an encouraging start to 2023 in our key growth markets and are confident of maintaining the Group's momentum in the months ahead. The Fever-Tree brand, as shown by our highest ever combined market share in the UK, and leadership position across many markets, is stronger than it has ever been and we remain committed to investing for the long-term both within our core mixer category but also through our expansion into adjacent categories such as adult soft drinks and cocktail mixers.

Whilst the Group continues to operate in a challenging cost environment, we are resolutely focused on delivering a wide range of initiatives across the business that will optimise operational capabilities and underpin our confidence in driving margin improvement in 2024 and beyond."

There will be live audio webcast on Wednesday 22nd March 2023 at 10:00am GMT which can be accessed below:
Fever-Tree Full Year 2022 Results

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FY22 Group Performance

Fever-Tree has delivered a robust set of results during another remarkably challenging year. As well as extending our position as the number one premium mixer brand globally, the Group has started to develop several key adjacent opportunities for the brand, as well as strengthening our relationships across our supply chain, and evolving our route-to-market in several key markets.

I am also delighted to report on the continuing global popularity of the brand as we were voted "Number One Top Selling Mixer" and "Number One Top Trending Mixer" for the ninth year running by Drinks International. Another demonstration of the brand leading the global premium mixer category.

The Group delivered revenue of £344.3 million, representing an increase of 11% year-on-year. This was a very positive performance in the context of continued On-Trade disruption across our markets in the first quarter of 2022, followed by subdued consumer confidence as the cost of living rose during the year. Despite the well-publicised headwinds, the On-Trade recovered well, especially across Europe and in the US, where we saw particularly good growth.

Whilst the Group delivered good top line growth, industry-wide logistics challenges and inflationary cost pressures impacted our margins for the full year, with gross margins reducing to 34.5%. We delivered EBITDA of £39.7 million, a decrease of 36.8% year-on-year, as we continued to invest behind the brand and our team, with operating expenses increasing to 23% of revenue (2021: 21.9%). Profit before tax was £31.0 million, a 44.1% decrease compared to 2021, and we ended the year with a strong balance sheet and net cash of £95.3m, a decrease of 42.7% year-on-year, following the award of a £50 million special dividend to all shareholders in May 2022.

The management team is incredibly focused on improving the gross margin of the Group in the coming years. Whilst we recognise that many of the headwinds faced by the business are transitory, we are also working hard on a range of profit optimisation initiatives to ensure the business operates efficiently as it continues to grow at pace.

Our team have continued to work very closely with our partners throughout our supply chain to help mitigate against an increased level of supply chain disruption and inflationary pressures that have impacted the industry this year. Logistics challenges were widespread, particularly with regards the shipping of product to the US, with port congestion and continued rates of inflation impacting shipping availability, lead times, pricing and other disruption charges, such as demurrage. These headwinds impacted the business significantly throughout the year and were compounded by delays in ramping up production at our new US East Coast bottling plant, making us more reliant on trans-Atlantic freight than we had predicted at the start of the year. However, as the year progressed, US sea freight disruption started to subside as we continued to scale up production with our US bottler. This sets the business up well going into 2023, adding further capacity and flexibility to our network, positioning us to realise our substantial ambition in the US market.

We are now a truly global company, available in over 85 countries and produced across ten sites globally; seven bottling sites and three canning sites. Our increasingly local production network will underpin our growth ambitions in both Europe and the US, continue to mitigate our exposure to elevated logistics costs, and will help to reduce the carbon emissions associated with our supply chain operations.

Strategic update I Good top line growth driven by international markets

Revenue, £m	**FY22**	**FY21**	***Change***
UK	116.2	118.3	*(2)%*
US	95.6	77.9	*23%*
Europe (Fever-Tree brand revenue)	89.2	78.6	*13%*
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**includes GDP portfolio brand revenue*

UK I Fever-Tree maintains market-leading position

Fever-Tree delivered £116.2m revenue in the UK, a slight decrease of 1.8% year-on-year. The brand continues to lead the UK mixer category, with 45% value share, more than twenty times larger than the next premium mixer brand and c.50% larger than Schweppes[2]. We remain the mixer brand of choice for UK consumers, with the highest household penetration of any mixer brand during 2022[3].

Fever-Tree's sales in the On-Trade increased by 28% year-on-year despite the impact of strikes and disruption on the key December trading period. We continue to build our market share in the On-Trade, which increased to c.50%[3] and our distribution and relationships with key customers are stronger than ever. It was pleasing to see the On-Trade recover during the first half of the year, to become an integral part of consumer social occasions once again, although the over-45 age demographic has been slower to return. Gin is recalibrating from its pre-COVID levels, however, the wider Spirits category continues to grow in popularity, increasing in sales value by 13.4% compared to 2019[4], and providing more opportunities for Fever-Tree to be present on menus as part of the ever-popular long mixed drinking occasion. As we enter 2023, I am confident that Fever-Tree's brand strength, unrivalled range of products, exciting new innovation pipeline, and our excellent relationships with the trade position us well to continue to build on our market-leading position.

The On-Trade has always been a vital part of Fever-Tree's brand visibility and as a vehicle for promoting trial, and so we were proactive in this channel as it rebuilt. We took full advantage of the return of events in the UK, with Fever-Tree branded bars at some of the country's most iconic sporting events, such as Royal Ascot, The Oval, and Polo in the Park. Another On-Trade highlight was our Summer of Spritz activation with Bill's, which included branded Bill's terraces and bespoke menus, leading to a significant uplift in Fever-Tree sales across their estate and perfectly showcased our Premium flavoured Soda range.

In the Off-Trade the mixer category was lapping tough comparators after a strong period of sales during the lockdowns of 2020 and 2021 and declined by 11% in 2022[5]. The brand has held its volume share within the category and remains by far the largest premium mixer brand at UK retail with a rate-of-sale on shelf seven times higher than the average rate-of-sale of other premium mixers[6]. In addition, the spirits category continues to perform well at retail, with rum the stand-out performer[7]. These trends supported the growing popularity of our Gingers. Our Ginger Ale volume has grown c.80% at retail since 2019 after strong distribution gains and underscores the wider opportunity for our broad portfolio of products.

The business also started to explore two exciting adjacent opportunities during 2022, with the potential to drive long-term growth in the UK. Firstly, we started to position some of our products for the adult soft drink occasion, with initial trials reaffirming our longstanding belief that our products' natural ingredients, adult flavour profiles and low-calorie options, combined with the sophistication of the brand, make us ideally positioned to extend into this category. In the third quarter of the year, we introduced a new 4x250ml can format which has driven a strong performance in this category, with our Soft Drink sales growing by 37% in Q4 2022 compared to the same quarter in 2021. Next year we will launch new flavours specifically crafted for the adult soft drink category as we build out the opportunity over the coming years.

The second exciting opportunity has been the launch of our first airport bar. After identifying a gap in the market for premium long-mixed drinks in a sophisticated setting at airports we created a one-of-a-kind Fever-Tree bar at Edinburgh airport, which opened in May. This has provided a great way to showcase the brand in a new setting and has performed very strongly since opening, significantly exceeding our sales expectations and demonstrating a clear consumer demand for this type of offering at airports.

Overall, I'm pleased with the progress the brand has made in the UK during the year. Unlike in many of our other markets, where significant whitespace exists for the category and the brand, the fantastic job that we have done in

[2] CGA & IRI 13 weeks to 16/06/2022
[3] Kantar
[4] CGA
[5] IRI 2022
[6] IRI YTD 10/07/22 (Other premium brands: Schweppes 1783; Fentimans; London Essence; Merchant's Heart; Double Dutch)
[7] Nielsen YTD 12/09/2022

the UK in achieving such a high market share, high household penetration, and widespread distribution across both channels means that we will be more exposed to any continued consumer softening. Notwithstanding this, the resilience of the spirits category, our position as an affordable luxury, and the new adjacent opportunities we have identified give us confidence to manage the brand with a long-term horizon and make the right choices around pricing and investment that will continue to position us for sustained success in this market.

US I Positive performance despite logistics disruption

Fever-Tree grew revenues by 22.7% during 2022 to deliver £95.6m sales (13% at constant currency); another good performance in the US despite the operational challenges we faced which meant we weren't able to fully satisfy the strong underlying demand for the brand at certain points during the year.

Fever-Tree's On-Trade sales have been strong as the channel rebounded quickly and the brand benefitted from the significant new distribution won over the period since the pandemic began, including in 2022 more than 1,000 new points of distribution in Marriott Hotels, along with new accounts at Disney and Hilton Luxury Hotels, to name but a few. During the year, we increased our number of On-Trade distribution points by 30% as we strengthened our position as the premium mixer of choice in this channel. Our focus on high quality On-Trade accounts, successful introduction of new products, and relationships with our On-Trade customers, as well as our strong partnership with Southern Glazer's Wines and Spirits ("SGWS"), gives us confidence that we will continue to drive growth in this important channel, with a lot of whitespace still ahead of us.

Fever-Tree also had a strong performance in the Off-Trade, with value growth of 10% compared to 2021, and 117% compared to 2019[8]. Within the portfolio we have seen particularly strong growth in Premium Club Soda as consumers search for premium low calorie, low sugar options more frequently, as well as maintaining our number one value share in Ginger Beer[7]. Fever-Tree is the largest premium mixer brand in the US, over two times larger than the next premium competitor[7]. Demand for the brand remains strong and despite having to navigate significant logistics headwinds, we maintained our good relationships with our customers. We have entered 2023 with healthy inventory which, along with increased local production, means we are confident of delivering strong growth in 2023.

We continue to invest in marketing and our multi-channel approach to brand building encompassed a number of platforms and activations this year, including digital, such as YouTube and social media, where we have delivered messaging on the quality of our ingredients and "how to" tutorials, and a TVC on Hulu and Disney+. In addition, we have introduced online grocery sampling where we have included samples of Ginger Beer and Ginger Ale in online grocery orders with some of our key retailers, such as Albertsons-Safeway.

We continue to support the On-Trade with "Fever-Tree perfect serve menus", custom menu boards, outdoor parasols and other merchandise, as well as creating our own pop-up bars across the country, including in the Four Seasons LA and Chicago, and a Winter Chateau at the Pendry Hotel rooftop in Chicago. Our merchandise and pop-up bars give the brand great visibility and enable us to provide consumers with a fantastic experience as they enjoy perfectly crafted cocktails using a range of Fever-Tree mixers.

The team remain focused on US consumer drinking trends so that we can innovate in the most impactful way, creating mixers to pair with popular, fast-growing and premiumising spirits. Following the successful introduction of Sparkling Pink Grapefruit (targeting the Tequila occasion) and Lime and Yuzu (targeting the Tequila and Vodka occasions) over recent years, our latest exciting addition to the portfolio during 2022 was Blood Orange Ginger Beer, broadening our Ginger Beer flavours offering, in the same way we have with our Tonic range as a way to stimulate growth by recruiting new consumers and prompting existing consumers to try something new. Partnering with Maker's Mark has helped to propel our Blood Orange Ginger Beer launch, which has gained good initial distribution across Publix, Kroger and Total Wine, and quickly became our most successful ever new product launch in the US.

We made a significant strategic step during 2022, with the acquisition of Powell & Mahoney to accelerate our growth into the non-carbonated mixer category. This category is larger than the Tonic Water and Ginger Beer markets, and

[8] Nielsen

is growing and premiumising at pace[8]. Fever-Tree's established credentials as the US's largest premium mixer, our proven track-record in innovation to compliment popular spirits, our strong customer relationships, and route to market make us very well-placed to enter this category. We believe the acquisition will provide Fever-Tree with the ideal platform to accelerate the Fever-Tree brand's entry into non-carbonated mixers and look forward to launching our own Margarita Mix, Light Margarita Mix, and Bloody Mary Mix into retail in the first half of 2023, using Powell & Mahoney's existing national retail listings and established production partner as our launchpad for growth.

After another exciting and productive year, where we continued to recruit new customers, increased our distribution, introduced new products, and worked with multiple spirit partners on successful co-promotion campaigns, we created more demand than ever for the brand and extended our market leading position. This performance, along with the supportive trends of long mixed drinking and premiumisation makes us confident of driving further growth next year and beyond.

Europe I Strong revenue growth driven by Southern Europe

Our European business delivered revenue of £101m, an increase of 14.4% year-on-year (16% at constant currency). This performance was driven by Fever-Tree's strong growth in our Next Wave markets, such as Italy and Spain, where the On-Trade recovered well and we continue to increase our retail distribution, leading to market share gains in our key markets across the region.

The On-Trade channel accelerated in the second quarter following the removal of Covid restrictions and continued to show good sales growth as the year progressed with the return of tourism and local pent-up demand contributing to a revival of out-of-home social occasions. Fever-Tree saw particularly strong On-Trade growth in Benelux, Spain and Italy as we increased the range of our portfolio and gained significant new distribution, contributing to higher On-Trade sales during 2022 than pre-covid in 2019 across the region.

The Off-Trade channel was more subdued compared to the last two lock-down impacted years, but Fever-Tree continues to perform well especially in some of our key growth markets, including Spain, France and Italy, gaining momentum throughout the year. Fever-Tree continues to drive growth and premiumisation of the mixer category at retail in Europe, contributing to about a third of the total category's growth since 2019, well ahead of any other premium brand, and second only to Schweppes. We now hold c.15% of the retail branded mixer value share, a 3% increase since 2019[9]. One exception to our strong progress across the region was in Germany where we were impacted by softening consumer sentiment, but we remain confident in our strong brand position within this market and expect to continue to drive premium mixer growth once macro conditions improve.

Long mixed drinks continue to grow in popularity across Europe, and as part of this, the Gin & Tonic serve is performing strongly, with premium Gin sales increasing by 15% between 2019 and 2021, with especially strong growth in Italy, France and The Nordics[10]. Fever-Tree is both benefitting and helping to drive the trend towards premium Gin & Tonics, as well as ensuring we have a range of mixers to cater to the wider growing premium spirits category.

We have intensified our focus on category management with the aim of creating a distinct mixer category at retail in key European markets, enabling retailers to place more emphasis on how visible it is, how it's marketed to consumers and the resources that are allocated to the space. As the driving force behind this evolution, Fever-Tree is gaining more brand visibility through shelf space and activations, encouraging more consumers to trade up to premium mixers.

The brand's growing shelf space is enhanced by our expanding portfolio. Following the launch of our Rhubarb & Raspberry Tonic across key European markets last year, it has become one of our top three selling Tonic flavours across the region, leveraging the trends towards bright, pink and sweeter mixers. We continue to grow our Mediterranean Tonic, which is now our most popular Tonic across a number of European markets, as well as introducing our premium flavoured soda range, with the launch of Mexican Lime Soda, Blood Orange Soda, and

[9] Nielsen & IRI
[10] IWSR

Sparkling Pink Grapefruit this year to capitalise on the growing popularity of the Spritz serve, especially in the Summer months.

The focus of our marketing activities this year has been a number of above the line campaigns, including our first national television campaign in Italy, contributing to a substantial increase in brand awareness, as well as continuing our television presence in Catalunya, Spain. Both campaigns delivered our "3/4" message and the importance of the quality of our ingredients. We have also strengthened our digital presence across Europe, with local tailored communications to build awareness and increase consumer engagement.

Co-promotions remain a focus of our marketing strategy with increasingly regional execution to deliver consistent initiatives across multiple markets, whilst continuing to adapt to local preferences, such as various campaigns across more than ten markets with Lillet, giving us the opportunity to provide for occasions beyond the G&T.

We continue to be confident in the opportunity across Europe. The premium spirit and mixer categories are growing well, and Fever-Tree has continued to extend its market-leading position across the region, building significant scale in many of the key markets. We continue to invest behind the opportunity, increasing our in-country expertise, strengthening our relationships with our distributors, customers, and spirit partners, and we have identified a number of markets that offer real potential over the medium- and long-term.

RoW I Supportive trends and strategic progress driving growth

Fever-Tree delivered revenues of £31.5m in our Rest of the World Region, an increase of 18.0% year-on-year, with particularly strong growth in Australia, where Fever-Tree grew retail sales by 23%, gaining 3.6ppts of market share as we drive growth of total mixers from the premium end[11]. Our Tonic continues to grow ahead of the market, achieving 40% value share at grocery in the last 13 weeks of the year, up 2.4ppts year-on-year[10]. We have also seen very strong growth in categories outside of Tonic, with a third of our retail value growth from our Gingers and Sodas after strong distribution gains last year[10].

The brand is gaining distribution and optimising the portfolio to suit Australian drinking occasions. To support our ambition to premiumise dark spirit mixing, we launched Distillers Cola in Australia's largest liquor retailer, Dan Murphy's, and top-tier On Premise venues. The launch of our can format has had a positive impact on our sales, leading to incremental shelf space and helping us to recruit new consumers to the brand. In the On-Trade, we continue to activate at scale, the highlight of which was our own Gin & Tonic weekend Festival, hosted in Brisbane.

In Canada, the On-Trade still had restrictions until March, but recovered well once these were lifted, with sales across the channel surpassing 2019 levels towards the end of the first quarter[12]. Fever-Tree continues to drive the growth of the premium mixer category and remained the largest premium mixer brand by value at Canadian retail. Ginger Beer performed incredibly well, growing over 8ppts faster than the market through new distribution with key retailers and expansion into our can format[7].

Consumers enjoy long mixed drinks across a range of serves in Canada. The versatility of Fever-Tree's portfolio, providing a diverse range of premium mixers, including Tonics, Gingers and Sparkling categories is therefore a strong competitive advantage in this market. Following the launch of our Sparkling Pink Grapefruit last year, our most successful new flavour launch in the Canadian market, we have continued to focus on our Soda and Sparkling liquids to capitalise on the popularity of the Paloma and Spritz Occasions, as well as continuing to command a strong position in Tonics and Ginger Beer, where we hold around 30% share in both categories[7].

In recognition of the long-term opportunity we see in the Canada, we made a significant step change in our route-to-market this year by transitioning to a new larger, more powerful distributor, Tree of Life. With over 70 years of experience in the Canadian market, Tree of Life's strong multi-channel coverage and broad reach has already secured new business for the brand, along with more activations in both retail and in the On-Trade, improving our visibility and accessibility to the Trade and the consumer.

[11] Woolworths & Coles retail scanner data
[12] CGA

We have also upgraded our route-to-market in Asia this year after the brand agreed to take on Asahi Breweries as our new distribution partner in Japan, with a three-year exclusive deal starting in January 2023. This move is reflective of Asahi's belief in the significant future opportunity of the premium mixer and adult soft drink category, and we are excited about working with a company of their size and influence to go after the opportunity in this potentially valuable market.

Asia remains a region with long-term potential for Fever-Tree, and we continue to set the brand up for future success by ensuring it has a good presence in high-end bars and hotels in cosmopolitan cities, and we continue to develop our relationships with international and local spirits companies, including Bacardi, Campari and Diageo. In addition, we are focused on making sure we are working with the right distribution partners for the next stage of our development, who match our ambitions, have good reach, and are willing to invest alongside the brand. A good example of the relationship we have built over the last couple of years is with our distribution partner in Cambodia, who along with various spirit partners, supported us to host our first Gin & Tonic Festival in the country. The festival attracted 2,000 people over two days who got to participate in tastings, cocktail making competitions, and enjoy other live entertainment whilst enjoying a Gin & Fever-Tree.

Fever-Tree Team

The Group continues to grow at pace across multiple regions, and we have made a significant investment in new hires over the last few years to ensure we have the appropriate structure and resource to satisfy our global growth ambitions.

A focus for our recruitment during 2022 has been on senior hires within our supply chain team as the business grows and becomes more complex, as well as within our IT infrastructure team to support the implementation of a new end-to-end operational processes programme which will embed technology across our global operations to facilitate best in class ways of working, data and insights.

Whilst the business grows in depth, breadth and complexity, we continue to maintain and champion our entrepreneurial ethos. Ensuring that we maintain an informal and open structure and culture that enables all of our team members to feel that they can make a real difference to the business, whatever their role or seniority.

Sustainability

Our sustainability framework has been developed to ensure the business focuses on the right areas to deliver meaningful change. Fever-Tree's Roots & Branches approach caters to both the environmental and social aspects of sustainability and is validated by an alignment with the United Nations Sustainable Development Goals. As part of the business' ongoing commitment to sustainability, our ESG Committee meets quarterly to assess progress and navigate sustainability challenges.

Fever-Tree's five sustainability branches help deliver against our environmental and social aims. A focus on climate, conservation and the circular economy drive the environmental side of our sustainability approach whilst our work with communities and our colleagues ensures we're championing social betterment.

We continue to conduct an annual cradle-to-grave lifecycle assessment on our UK products and plan to extend this to our other key markets going forward. This will help us understand the potential environmental benefits of operational change such as the onshoring of sourcing and production capabilities in the USA and Australia, reducing sea freight requirements between continents. Similarly, our strict requirements we set ourselves for offsetting ensure we're contributing to conservation by investing in nature-based solutions within our supply chain.

We've also supported initiatives closer to home by extending our partnership with Earthwatch to manage their UK portfolio of urban forests. We continue to avoid using PET in our product packaging, instead opting for infinitely recyclable glass and aluminium, and are committed to pursuing further initiatives to support the circular economy going forward.

The social side of our sustainability approach is equally important to us which is why we continue to develop our approach to supplier due diligence to ensure we're operating in a responsible way, whilst supporting charitable initiatives both across our markets and where we live and work. The year ahead will mark our tenth year partnering with Malaria No More to help the organisation achieve its goal of eliminating malaria and we have been very encouraged by recent developments regarding a possible malaria vaccine and the transformative impact this could have. Our Diversity, Equality and Inclusion Committee meets regularly to discuss how best to support our own employees alongside the communities we serve, and we continue to work with charities such as Future Frontiers to support local communities and engage our employees in meaningful causes.

Summary

As detailed above, I am encouraged by all that we have achieved at Fever-Tree during 2022. Despite the significant unforeseen external challenges, we have not only delivered strong top line growth but increased our global reach and category opportunities, as well as making strategic supply chain progress, all of which will help ensure the medium and long-term success of the business.

Furthermore, Fever-Tree's growth remains underpinned by strong global trends to premium mixed and cocktail drinks. With the popularity of consuming spirits growing ahead of wine and beer occasions, and the continued premiumisation of the spirit and mixer categories our confidence in the future growth potential for the brand is stronger than ever[13].

The value of the global spirits market has been growing and premium spirits have been driving this growth. From 2016 to 2021 the value of the premium and super premium spirits categories across Fever-Tree's top 15 markets grew by 64%, to comprise over 40% of the category value, significantly outperforming the standard and value segments. And this trend is forecast to continue so that by 2025 the premium and super premium segments comprise almost 50% of the category value[14].

Fever-Tree, as the largest global premium mixer brand, is the primary driver of premium mixer category growth, which compliments the expansion of the premium spirit category. The combination of our first mover advantage, track record against competition, increasing international footprint, product range, global brand recognition, and relationships puts us in an unrivalled position to capture the significant global opportunity.

Over the last few years, the strong and secure financial position of the Group has enabled us to remain focused on the long-term opportunity, maintain a good level of investment and make strategic progress. We continue to expand our portfolio to cater to a greater number of spirit occasions and consumer tastes, with several significant launches in 2022, including our Limited-Edition range in the UK and our Blood Orange Ginger Beer in the US. In addition, we started to explore two exciting adjacent opportunities for the brand, firstly in UK adult soft drinks where we have extended the brand into a new and significant category, as well as non-carbonated mixers in the US to capitalise on popular serves such as the Margarita and Bloody Mary.

Macro headwinds remain into 2023, however, we are confident of maintaining the Group's growth momentum into the new financial year. We will continue to work to mitigate the impacts of input cost inflation and continued global logistic disruption, with a particular focus on increasing the production output from our US bottlers to decrease our reliance on trans-Atlantic freight.

The Group remains well-placed financially with a cash position at year end of £95.3m and our asset light, outsourced business model continues to ensure we have a low fixed cost base and the flexibility to manage any future challenges.

[13] IWSR
[14] IWSR Fever-Tree Top 15 Markets: Australia, Austria, Benelux, Canada, Denmark, France, Germany, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland, UK, USA

Finance review

The Group continued to make good progress in 2022 with revenue of £344.3m (2021: £311.1m), delivering growth of 11% against a challenging backdrop of logistics disruption and macro-economic volatility.

Whilst performance in our most established market in the UK was impacted by reduced consumer spend alongside disruption and strikes during the key December trading period in the On-Trade, we continue to drive strong momentum in our International regions, with combined growth of 18% year-on-year outside the UK.

We made good strategic progress during 2022, with successful new product launches in key markets, an initial entry into the adjacent adult soft opportunity in the UK, the acquisition of Powell & Mahoney, and we have moved to new distributors in Canada and Japan.

Alongside this, we continue to invest in our marketing, sustainability agenda and our people and look forward to continuing to drive the strong momentum we have in a number of exciting growth markets in 2023, including the US, Canada, Australia as well as across our European markets.

The Group was impacted by on-going disruption to global logistics networks, most notably through US port congestion and the pricing of Trans-Atlantic shipping routes. Our exposure to these costs was exacerbated by a slower than expected ramp up of local bottling on the East Coast of the US.

Alongside these cost pressures, following the Ukraine invasion, the subsequent volatility and substantial inflation in energy costs resulted in material glass cost surcharges in the second half of the year against a backdrop of restricted glass bottle availability across our European suppliers.

As a result of these specific challenges, and broader inflationary cost pressures across categories, gross margin was negatively impacted in the year. Despite these impacts, we continued to invest behind the brand and our people whilst making the operational investments required to deliver the future opportunity. Underlying operating expenditure increased to 23.0% of Group revenue (2021: 21.9%) which alongside the impacts on gross margin resulted in a reduction in adjusted EBITDA margin to 11.6% (2021: 20.2%).

As we progress into 2023, conditions remain challenging, with elevated macroeconomic uncertainty and intensifying inflationary pressures, especially with regards the impact of energy costs into glass bottles and manufacturing. As we navigate these challenging conditions we will continue to prioritise the long-term health of the brand, passing through some of these impacts through price across our regions, whilst focusing on our own margin improvement initiatives. We remain confident that many of these headwinds will be transitory and we will emerge from this period as a stronger organisation with continued momentum in our key growth markets alongside a more diversified mixer and soft drink opportunity in the UK.

The Group generated an adjusted EBITDA of £39.7m (2021: £63.0m), a reduction of 36.8% on 2021. Working capital increased as a proportion of revenue to 23.6% (2021: 18.3%), which alongside the lower level of adjusted EBITDA achieved, resulted in a reduction of operating cash flow conversion to 36.2% (2021: 91.7%). Reduced operating cash flow, coupled with the payment of the £50m special dividend in May 2022, lead to a reduction in cash held to £95.3m (2021: £166.2m). As a reflection of our confidence in the on-going financial strength of the Group, the Board is recommending a final dividend of 10.68 pence per share, an increase of 2% year-on-year.

Gross Margin

Gross margin of 34.5% represents a reduction from the 42.1% gross margin reported in 2021. The main factors impacting gross margin were:

- Inflationary cost increases impacting underlying product costs and logistics costs across regions.
- Further increases in the underlying cost of sea freight in the first half of the year, alongside US port congestion and increased demurrage charges resulting from the disruption. A slower than anticipated ramp up of local US

production resulted in an elevated level of exposure to these costs in the second half of the year as additional UK production was required to supplement US inventory levels.

- European energy cost inflation and volatility following the invasion of Ukraine resulted in glass suppliers passing through significant surcharges in the second half of the year to cover their unhedged exposures, against a backdrop of restricted glass bottle availability as we progressed through the year.
- Whilst pricing actions in our established regions, a strengthening US dollar and changes in channel and regional mix drove margin improvement, this was not sufficient to off-set the impact of these significant cost headwinds.

Macro-economic volatility and the risk of further disruption remains elevated in 2023. Inflationary pressures continue to intensify and we expect double digit percentage increases across most product cost categories. We will seek to offset these headwinds through a combination of pricing actions across regions, increased on-boarding of US production and other cost saving initiatives. However, over and above these movements, the impact of elevated energy costs into glass bottle pricing is expected to be material in 2023. As a glass-led business, we are particularly exposed to this significant headwind and we are working with our glass suppliers to mitigate this cost wherever possible as we progress through the year.

Against this backdrop we are focused on the actions we can take and continue to work on a substantial program of activities to mitigate further inflation, and crucially, to also set the business up for longer term profitable growth.

These actions can be broadly grouped into four key areas:

1. Expanding our production footprint: establishing capacity closer to our key growth markets to minimise transport costs, optimise our inventory holdings and facilitate quicker reactions to market dynamics. Our focus for 2023 is further increasing US bottling capacity and identifying US canning and Australian bottling partners.
2. Optimising our existing footprint: working closely with our current partners to drive efficiency and effectiveness as we manage our increasing complexity.
3. Procurement: leveraging our global scale, with a focus in 2023 on re-tendering our key glass partnerships, widening and on-shoring our supplier base and ensuring our contracts are calibrated for both the current disruptive environment and our longer-term growth as we scale through our regionalised production footprint.
4. Technology: underpinning all of the above is a wide-ranging programme to embed technology across our global operations that will give us best in class ways of working, data and insights to manage near term disruption, as well as underpinning our future growth. 2023 is the year in which we will be implementing the majority of this programme of work and we expect to start to drive benefits from this as we progress through the year.

   We are confident that the implementation of our profit-driving initiatives this year, reduced exposure to sea freight through on-boarding of local production alongside any recalibration of the currently elevated energy pricing will drive improvements in profitability in FY24 and beyond.

Operating expenditure

Underlying operating expenses increased by 16.3% in 2022 to £79.1m (2021: £67.9m), increasing to 23.0% as a proportion of Group revenue (2021: 21.9%).

Our marketing spend was 9.8% of Fever-Tree brand revenue (2021: 9.3%) as we continue to invest behind the brand, including a radio advertising campaign in the UK, continued investment in digital in the US and a first national television advertising in Italy, where we are seeing strong growth. Staff costs and other overheads increased to 13.5% of Group revenue (2021: 12.5%), with head count increases necessary to drive the wide range of strategic projects we are working on across the business, whilst also strengthening our supply chain and operations team.

The Group generated an adjusted EBITDA of £39.7m, a 36.8% decrease from 2021 (2021: £63.0m). The dilution in gross margin, due mainly to inflationary cost pressures and continued exposure to elevated Trans-Atlantic freight charges, coupled with marginally increased levels of underlying operating expenditure as a proportion of revenue, has resulted in a retraction in adjusted EBITDA margin to 11.6% (2021: 20.2%).

Depreciation charges increased marginally to £4.3m (2021: £3.2m) whilst amortisation charges remained flat at £1.5m (2021: £1.5m). Share based payments increased to £3.3m (2021: £2.7m), reflecting increasing levels of long-term incentives issued to key staff members. As a result of these movements, the 36.8% decrease in adjusted EBITDA translates to a 44.9% decrease in operating profit to £30.6m (2021: £55.6m).

Tax

The effective tax rate in 2022 was 19.7% (2021: 19.7%) and was in line with expectations.

Earnings Per Share

The basic earnings per share for the year are 21.36 pence (2021: 38.29 pence) and the diluted earnings per share for the year are 21.32 pence (2021: 38.19 pence).

In order to compare earnings per share year on year, earnings have been adjusted to exclude amortisation and the UK statutory tax rates have been applied (disregarding other tax adjusting items). On this basis, normalised earnings per share for 2022 are 22.59 pence per share and for 2021 were 39.70 pence per share, a decrease of 43.1%

Balance sheet and working capital

Trade and other receivables increased behind revenue growth to £72.4m (2021: £70.3m). Whilst we recognise that the current macroeconomic environment continues to contribute to an elevated level of credit risk, our strong relationships and proactive engagement with customers position us well to continue to manage the on-going credit risk. The movement in trade and other receivables was partially offset by a marginal increase in trade and other payables to £51.3m (2021: £49.4m).

Inventory levels have increased significantly to £60.1m (2021: £36.2m), with the majority of this increase relating to elevated US inventory levels at year end. This was the result of the steps we took in the second half of the year to ensure we begin 2023 in a healthy position with which to service the strong underlying demand in that market following the impact of the inventory challenges we experienced in the US on reported growth in 2022.

As a result of the above movements, most notably the increase in inventory holdings, working capital increased by £24.1m to £81.2m (2021: £57.1m), and 23.6% of revenue (2021: 18.3%). The increase in working capital, alongside the 36.8% reduction in adjusted EBITDA resulted in cash generated from operations decreasing to 36.2% (2021: 91.7%).

Capital Expenditure

Due to the structure of the Group's business model, capital expenditure requirements remain low, with additions of owned assets of £7.1m in the year (2021: £5.8m). The additions in the year included continued investment in reusable packaging in Germany, an asset under development relating to the Group's technology programme alongside shelf racking for our new third-party warehouse in the US.

During the year, new leases were entered into with respect to US warehousing, and the UK office lease was renewed for a further 5 years, resulting in additions of £15.1m in right-of-use assets (2021: £2.1m), offset by their corresponding liabilities.

Cash Position

The Group continues to retain a strong cash position, with cash at year end of £95.3m (2021: £166.2m). This platform provides a significant competitive advantage over many of our premium mixer competitors globally and has allowed the Group to remain focused on driving strategic progress whilst navigating the challenges and disruption in the external environment which have been on-going since early 2020.

The Group's Capital Allocation framework remains unchanged. We intend to retain sufficient cash to allow for investment against the opportunity ahead and primarily foresee this investment taking the form of operational expenditure, including upweighted marketing spend across our growth regions at the appropriate stage, whilst we also intend to retain sufficient cash reserves to allow us to take advantage of opportunities to upweight and accelerate investment as they arise.

Whilst not a priority or essential component of the Group's plans, we also remain vigilant with regards to M&A opportunities that would further assist with the delivery of our strategy, as demonstrated by the acquisition of Powell & Mahoney in 2022. Where the Board considers there to be surplus cash held on the Balance Sheet it will consider additional distribution to shareholders, as demonstrated by the payment of a £50m special dividend in 2022.

Dividend

The Group remains committed to a progressive dividend policy and as such, the Board is recommending a final dividend of 10.68 pence per share in respect of 2022 (2021: 10.47 pence per share) bringing the total ordinary dividend for the year to 16.31 pence per share (2021: 15.99 pence per share). If approved by shareholders at the AGM on 25 May 2023 the final dividend will be paid on 2 June 2023 to shareholders on the register on 21 April 2023.

Performance Indicators

The Group monitors its performance through a number of key indicators. These are formulated at Board meetings and reviewed at both an operational and Board level.

Progress against these key indicators was closely monitored during the year. Due to the on-going challenges posed by macroeconomic volatility, targeted performance was adjusted accordingly as the year progressed. Group revenue growth was strong but marginally behind expectations, whilst the gross margin and adjusted EBITDA margin were both down year on year and behind the Board's expectations.

Revenue growth %

Group revenue growth was +10.7% in 2022 (2021: +23.4%).

Gross margin %

The Group achieved a gross margin of 34.5% in 2022 (2021: 42.1%).

Adjusted EBITDA margin %

The Group achieved an adjusted EBITDA margin of 11.6% in 2022 (2021: 20.2%).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £m	2021 £m
Revenue	**344.3**	**311.1**
Cost of sales	(225.5)	(180.2)
Gross profit	**118.8**	**130.9**
Administrative expenses	**(88.2)**	(75.3)
Adjusted EBITDA	**39.7**	**63.0**
Depreciation	(4.3)	(3.2)
Amortisation	(1.5)	(1.5)
Share based payment charges	(3.3)	(2.7)
Operating profit	**30.6**	**55.6**
Finance income	0.8	0.3
Finance expense	(0.4)	(0.3)
Profit before tax	**31.0**	**55.6**
Tax expense	(6.1)	(11.0)
Profit for the year	**24.9**	**44.6**
Items that may be reclassified to profit or loss		
Foreign currency translation difference of foreign operations	(0.1)	–
Effective portion of cash flow hedges	(0.3)	(1.3)
Related tax	-	0.3
Total other comprehensive income	**(0.4)**	**(1.0)**
Total comprehensive income for the year	**24.5**	**43.6**
Earnings per share		
Basic (pence)	21.36	38.29
Diluted (pence)	21.32	38.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

At 31 December 2022	2022 £m	2021 £m
Non-current assets		
Property, plant and equipment	25.6	9.6
Intangible assets	53.2	47.7
Deferred tax asset	1.9	2.8
Other non-current assets	1.8	-
Total non-current assets	**82.5**	**60.1**
Current assets		
Inventories	60.1	36.2
Trade and other receivables	72.4	70.3
Derivative financial instruments	–	0.9
Corporation tax asset	1.3	2.4
Cash and cash equivalents	95.3	166.2
Total current assets	**229.1**	**276.0**
Total assets	**311.6**	**336.1**
Current liabilities		
Trade and other payables	(51.3)	(49.4)
Derivative financial instruments	(1.8)	-
Loans and borrowings	–	(0.1)
Lease liabilities	(3.4)	(0.7)
Corporation tax liability	(0.8)	(0.6)
Total current liabilities	**(57.3)**	**(50.8)**
Non-current liabilities		
Lease liabilities	(13.5)	(2.1)
Deferred tax liability	(1.6)	(1.6)
Total non-current liabilities	**(15.1)**	**(3.7)**
Total liabilities	**(72.2)**	**(54.5)**
Net assets	**239.2**	**281.6**
Equity attributable to equity holders of the company		
Share capital	0.3	0.3
Share premium	54.8	54.8
Capital redemption reserve	0.1	0.1
Cash flow hedge reserve	(0.5)	(0.2)
Translation reserve	(0.3)	(0.2)
Retained earnings	184.8	226.8
Total equity	**239.2**	**281.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £m	2021 £m
Operating activities		
Profit before tax	31.0	55.6
Finance expense	0.4	0.3
Finance income	(0.8)	(0.3)
Depreciation of property, plant & equipment	4.3	3.2
Amortisation of intangible assets	1.5	1.5
Share based payments	3.3	2.7
Increase/(decrease) in impairment losses on receivables and inventories	(3.1)	3.8
Gain on disposal of fixed asset	-	0.1
	36.6	**66.9**
(Increase)/Decrease in trade and other receivables	(1.6)	(14.6)
(Increase)/Decrease in inventories	(23.5)	0.5
Increase/(Decrease) in trade and other payables	0.5	7.7
Increase/(Decrease) in derivative liability / (Increase)/Decrease in derivative asset	2.4	(2.8)
	(22.2)	**(9.2)**
Cash generated from operations	**14.4**	**57.7**
Income taxes paid	(5.9)	(10.9)
Net cash flows from operating activities	**8.5**	**46.8**
Investing activities		
Purchase of property, plant and equipment	(4.6)	(3.6)
Interest received	0.8	0.3
Investment in intangible assets	(2.5)	(1.0)
Acquisition of subsidiary, net of cash acquired	(3.7)	–
Net cash used in investing activities	**(10.0)**	**(4.3)**
Financing activities		
Interest paid	(0.1)	(0.2)
Dividends paid	(68.8)	(18.4)
Repayment of loan	–	(0.1)
Payment of lease liabilities	(1.8)	(0.6)
Net cash used in financing activities	**(70.7)**	**(19.3)**
Net (decrease)/increase in cash and cash equivalents	(72.2)	23.2
Cash and cash equivalents at beginning of period	166.2	143.1
Effect of movements in exchange rates on cash held	1.3	(0.1)
Cash and cash equivalents at end of period	**95.3**	**166.2**

Note to the Consolidated Financial Statements

1. Basis of Preparation

The financial information contained in this results announcement has been prepared on the basis of the accounting policies set out in the statutory financial statements for the year ended 31 December 2022. Whilst the financial information included in this announcement has been computed in accordance with the recognition and measurement requirements of UK adopted international accounting standards, this announcement does not itself contain sufficient disclosures to comply with UK adopted international accounting standards.

The financial information set out above does not constitute the company's statutory accounts for 2022 or 2021. Statutory accounts for the years ended 31 December 2022 and 31 December 2021 have been reported on by the Independent Auditor. The Independent Auditor's Report on the Annual Report and Financial Statements for 2022 and 2021 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2022 will be delivered to the Registrar in due course.

2. Revenue

An analysis of turnover by geographical market is given below:

	2022 £m	2021 £m
United Kingdom	116.2	118.3
United States of America	95.6	77.9
Europe	101.0	88.2
Rest of the World	31.5	26.7
	344.3	**311.1**

3. Earnings per share

	2022 £m	2021 £m
Profit		
Profit used in calculating basic and diluted EPS	24.9	44.6
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	116,556,818	116,536,876
Weighted average number of dilutive employee share options outstanding	222,486	302,357
Weighted average number of shares for the purpose of diluted earnings per share	116,779,304	116,839,233
Basic earnings per share (pence)	**21.36**	**38.29**
Diluted earnings per share (pence)	**21.32**	**38.19**

4. Dividends

Dividends paid:

	2022	2021
In respect of the prior financial year		
Pence per share	53.57	10.27
Total	£62,202,735	£11,966,441
In respect of the period ended 30 June		
Pence per share	5.63	5.52
Total	£6,562,527	£6,433,462
	£68,765,262	**£18,399,903**

The Directors are proposing a final dividend of 10.68 pence per share, totaling £12,449,001 for 2022. This dividend has not been accrued in the consolidated statement of financial position.

5. Adjusted EBITDA

Analysis within this results announcement refers to adjusted EBITDA. The Group believes adjusted EBITDA to be a key indicator of underlying operational performance, adjusting operating profit for several non-cash items. As a consequence of these adjustments, the Group believes that adjusted EBITDA represents normalised corporate profits. Adjusted EBITDA for the year ended 31 December 2022 is operating profit of £30.6m before depreciation of £4.3m, amortisation of £1.5m and share based payment charges of £3.3m. Adjusted EBITDA is an appropriate measure since it represents to users a normalised, comparable operating profit, excluding the effects of the accounting estimates and non-cash items mentioned above. The definition for adjusted EBITDA as defined above is consistent with the definition applied in previous years. This measure is not defined in the UK adopted international accounting standards, which forms the basis of the financial information included in this results announcement, and is not intended as a substitute for other GAAP measures. Since this is an indicator specific to the Group's operational structure, it may not be comparable to adjusted metrics used by other companies.