March 26, 2024

Fevertree Drinks plc

FY23 Preliminary Results to 31 December 2023

Good sales and operational progress resulted in a doubling of EBITDA in the second half of 2023.

Financial Highlights

- Good underlying sales momentum resulted in revenue growth of 6% despite macroeconomic headwinds.
- The US has grown to become our largest revenue-generating region, with strong growth of 22%.
- Gross margin of 32%, in-line with expectations, with a 280bps improvement delivered in the second half of the year compared to the first half, and further improvements to come in 2024.
- The Group has started 2024 in-line with expectations and remain on track to double EBITDA in FY24.

£m	FY23	FY22	*Change*
Revenue			
UK	114.8	116.2	*(1)%*
US	117.0	95.6	*22%*
Europe (Fever-Tree brand revenue)	94.6	89.2	*6%*
Europe total revenue*	105.4	101.0	*4%*
ROW	27.2	31.5	*(14)%*
Total	**364.4**	**344.3**	**6%**
Gross profit	**117.0**	**118.8**	**(2)%**
Gross margin	*32.1%*	*34.5%*	*(240)bps*
Adjusted EBITDA[1]	**30.5**	**39.7**	**(23)%**
Adjusted EBITDA margin	*8.4%*	*11.6%*	*(320)bps*
Diluted EPS (pence per share)	13.18	21.32	*(38)%*
Ordinary Dividend (pence per share)	16.64	16.31	*2%*
Net cash	59.9	95.3	*(37)%*

**includes revenue from GDP's portfolio brands*

Strategic highlights

- The brand continued to strengthen its position globally, with market share gains in all our key markets.
  - We remain the clear market leader in the UK, with c.45% value share of the total mixer market[2].
  - In the US, Fever-Tree has extended its leadership position in the Ginger Beer and Tonic Water categories.
  - In Europe, the brand is the clear leader of the premium mixer category, growing its value share during 2023.
  - In the RoW, Fever-Tree remains the number one premium mixer brand in Australia and has just become the number one Ginger Beer in Canada by value[3].
- Innovation remains an important part of our growth.
  - Non-Tonic products comprised c.40% of our global sales during 2023, up from c.25% in 2019.
  - Our Gingers and Flavoured Soda products are growing at pace in the UK, US and Europe.
  - Outside our core mixers, our new Adult Soft Drinks grew by over 30% in the UK Off-Trade and our Cocktail Mixers have started well in the UK and the US, with more launches planned in 2024.

[1] Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, share based payment charges and finance costs
[2] CGA MAT 10 30/12/2023 and IRI 52 weeks to 24/12/2023
[3] Aus grocery scan data & Canadian Nieslen 12 weeks to 30/12/2023

FY24 outlook and guidance

The Group remains comfortable with consensus expectations of c.10% growth for the Fever-Tree brand in the year ahead, with a continuation of strong double-digit growth in the US and a return to growth in the UK and Rest of the World, where we expect to realise the benefit of our new subsidiary set-up in Australia.

As highlighted in January, we are reiterating guidance of a c.600bps gross margin improvement during 2024. This is underpinned by improved glass pricing, with fully hedged energy costs, materially lower trans-Atlantic freight costs, and the continuation of our programme of optimisation and procurement initiatives to deliver further operational efficiencies.

We expect operating expenses to be c.23% of revenue and, as a result, the Group expects to deliver Adjusted EBITDA margin in line with previous guidance of c.15%.

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

"2023 was a year when the Fever-Tree brand once again grew in breadth and depth, with market share gains across the globe. Perhaps the most significant milestone was establishing the US as our largest region, and with it, extending our market leadership position in both the US Tonic Water and Ginger Beer categories.

The G&T of course remains an integral growth driver for the Group but 2023 was a year where we saw a step change in our non-Tonic portfolio. Not only have our Gingers and Sodas continued to see strong growth but the last 12 months have seen the launch of our range of Cocktail Mixers alongside the roll out of our Adult Soft Drink range in the UK.

Taken alongside softening inflationary pressures, the operational efficiencies we are delivering means I am confident that we are entering 2024 in a very strong position from an operational perspective and have an excellent platform for strong profitable growth going forward."

There will be a live audio webcast on Tuesday 26th March 2024 at 10:00am GMT which can be accessed below:
Fever-Tree FY23 Results webcast

For more information please contact:

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FY23 Group Performance

Fever-Tree delivered revenue of £364.4 million, representing an increase of 6% year-on-year. As we reflect on our financial and operational performance over the last 12 months, it's in the context of the inflationary cost pressures the business has faced, the adverse weather, and the subdued consumer sentiment, especially across Europe. Despite this, the brand is stronger than ever, and we continue to extend our position as the number one premium mixer brand globally, outperforming our competitors in all our key markets.

We were voted "Number One Top Selling Mixer" and "Number One Top Trending Mixer" for the tenth year running by Drinks International. Another demonstration of the brand leading the global premium mixer category.

The Group delivered gross margin in-line with expectations, at 32.1%, which was a 240bps decline compared to the previous year, reflecting the extremely challenging inflationary environment. Fever-Tree has of course not been the only business facing an extremely challenging inflationary environment but our global footprint, growth profile and determination to continue to take advantage of the opportunity ahead of us meant we were perhaps more exposed than many, especially in relation to trans-Atlantic freight rates and elevated energy costs linked to glass production. Whilst our ability to influence the wider macro-economic environment is limited, we recognised the need to drive operational change and efficiencies and with it an improvement in margins as the year progressed. However, we were also conscious of remaining resolutely focused on delivering top line growth and strengthening our market share across the globe.

There is undeniably a fine balance to strike between the two and our team has responded and delivered on both fronts as the year progressed. We saw a marked improvement during the second half of the year as pressures started to subside and we began to see the benefits of our proactive steps to drive operational efficiencies, such as signing a long-term agreement with a new primary glass supplier in the UK and Europe as well as taking a measured and consistent approach to our pricing across our markets. Consequently, the Group doubled EBITDA in H2 versus H1 and is well-set to continue its margin and profit improvement into 2024 and beyond.

The business has remained focused on the substantial long-term global opportunity for the brand. Fever-Tree has increased its distribution and brand awareness in many of our largest markets, including the US, Italy, France, and Australia, setting the brand up for further growth. But perhaps the most significant milestone has been the US becoming our largest market by revenue. This is testament to the strength of the brand in the US where we have extended our number one position in both the Ginger Beer and Tonic categories, as well as broadening our range into new flavours, formats, and Cocktail Mixers.

The Gin & Tonic serve remains an integral growth driver for the Group with plenty of white space and growth opportunities for our Tonic range across our markets but 2023 saw a step change in our non-Tonic portfolio especially in our more mature markets such as the UK. Not only have our Gingers and Sodas continued to see strong growth but the last 12 months has seen the launch of our range of Cocktail Mixers alongside the roll out of our Adult Soft Drink range. The team has always been passionate about our innovation whether it be going out to find new ingredients or talking to our bartenders or spirits partners to help develop new ideas and our new Cocktail Mixer range is no different. Not only do they taste fantastic, but they are providing consumers with an easy way into a category that is becoming more popular, ensuring the brand is catering to an increasingly broad range of consumer preferences and drinking occasions.

Strategic update I Brand strength and market share gains drive growth

Revenue, £m	FY23	FY22	*Change*	*Constant currency*
UK	114.8	116.2	*(1)%*	
US	117.0	95.6	*22%*	*24%*
Europe (Fever-Tree brand revenue)	94.6	89.2	*6%*	*4%*
Europe total revenue*	105.4	101.0	*4%*	*2%*
ROW	27.2	31.5	*(14)%*	*(10)%*
Total	**364.4**	**344.3**	***6%***	***6%***

**includes GDP portfolio brand revenue*

US I Strong growth ahead of the market

Fever-Tree grew revenues by 22% during 2023 to deliver £117m sales (+24% at constant currency) as the brand continues to drive premium mixing trends. This strong growth has meant that the US is now our largest revenue-generating region.

Fever-Tree performed strongly in the Off-Trade, especially in the Ginger Beer and Tonic categories, where we now have a notable lead against the competition, with 26% and 25% value share in these categories respectively. We are also contributing more than any other brand to the growth of the Grapefruit and Club Soda categories across the US. Consequently, Fever-Tree continues to gain share of the total mixer category and drive premiumisation, with growth of 24% during 2023, over three times the rate of the total mixer category as we extend our position as the largest premium mixer brand in the US, with a greater retail sales value than all the other premium brands combined[4]. The introduction of our can format has resonated particularly well with the US consumer and we saw this format grow by c.100% during the year[4], contributing to over 20% of our sales.

The brand is also increasing its presence in the On-Trade and is now served in over 35,000 accounts following significant distribution gains in hotel chains such as Marriott and Hilton, alongside restaurant groups including TGI Fridays. We are focused on building long-lasting relationships with high quality On-Trade accounts and maximising our number of SKUs per account, as well as the significant number of untapped accounts, all of which will ensure we continue to drive growth in this important channel.

The Group is committed to investing behind the brand across marketing, new product development and people to capture the growth opportunity in the substantial US market. Our marketing activities included the use of pop-up bars across the country as well as collaborating with On-Trade accounts to drive presence on cocktail menus, while in the Off-Trade interactive displays are focused on sampling and co-promotional opportunities with spirit partners.

We continue to support the On-Trade with "Fever-Tree perfect serve menus" and various merchandise. This year we also introduced our Summer of Sparkling "Garnish Garden" to over 100 accounts between May and September, which encouraged accounts to use premium garnishes to elevate simple long mixed drinks and feature more Fever-Tree based drinks on cocktail menus, increasing our breadth of distribution and giving the brand more visibility, as well as providing consumers with a fantastic experience.

Our growing awareness and popularity is being driven by our new product development specifically targeted at the US consumer. Innovation is based on our understanding of the US consumer and our expertise in identifying local drinks trends, with a growing number of successful launches over the last few years, including our range of Sparkling mixers, such as Grapefruit which was specifically targeted at the fast-growing interest in a Tequila based Paloma. In addition, we continue to broaden our existing core flavour range, as with the introduction of our Blood Orange Ginger Beer to sit alongside our existing Ginger Beer offering. In just the same way as with our Tonic range, it has proved a highly effective way to increase shelf space and with it stimulate growth by recruiting new consumers and prompting existing consumers to try something new.

Beyond our core carbonated mixers, we have extended our range to include Margarita and Bloody Mary cocktail mixers. The non-carbonated mixer category is larger than the Tonic and Ginger Beer categories, without a clear

[4] US Nielsen 52 weeks to 30/12/2023

leading national brand, which given Fever-Tree's premium mixing credentials and proven track record, makes us well-placed to succeed in this category. We have already seen positive uptake of our new products and have already secured around 10,000 points of distribution at retail, with notable distribution in Publix.

Overall, we have had an extremely positive year in the US market. The brand has gained further distribution whilst retaining its strong rate-of-sale, as well as introducing new products which are quickly becoming a significant part of our total sales. This success clearly demonstrates our ability to not only localise and benefit from US drinks trends, but our ability to execute innovation at speed. To this end we continue to extend our market-leading position, making us more attractive to customers and spirit partners, which in turn will help to drive further growth for the brand.

UK I Brand strength drives continued share gains

Fever-Tree delivered £114.8m revenue in the UK, a slight decrease of 1% year-on-year, following a summer trading period impacted by adverse weather, which was partially offset by improved trading in the final quarter of the year. The brand continues to lead the UK mixer category, with 45% value share, more than 50% larger than Schweppes[5].

The G&T remains the most popular spirit and mixer serve in the UK, despite the recalibration of the Gin category in recent years. And importantly, the wider spirits category continues to grow in popularity and diversity, providing more opportunities for Fever-Tree to be present on menus as part of a greater range of serves in the On-Trade, or gain more shelf space in the Off-Trade. Overall, the UK spirits category continues to perform well, with Rum and Vodka the stand-out performers[6], supporting the growing popularity of our Gingers and Flavoured Sodas, which grew in sales value by 11% and 31% respectively during the year.

In the Off-Trade, the total value of the mixer category declined by 5%, driven by the weaker performance of mainstream brands, whilst premium brands and own label did relatively better[7]. Fever-Tree remains the brand of choice for both our customers, the retailers, and consumers. The brand not only maintained its number one value share position in the total category, strengthening our position towards the end of the year, but we remain by far the largest premium brand, with c.90% of total premium mixer sales in the Off-Trade[7].

Fever-Tree continues to gain value share of the mixer category in the On-Trade, which remained impacted by softening consumer sentiment during 2023. We now have our highest ever share in this channel with over 50% value share, driven by our strong customer relationships and the co-promotional programmes we develop with various spirit partners to target a number of different drinking occasions. Our unrivalled product range and continued innovation puts us in a strong position to continue to build on our market-leading position going into 2024.

Innovation remains pivotal to the strength of the brand. Our ability to excite consumers and capture the latest trends is central to our ongoing leadership of the premium mixer category and our ability to extend into adjacencies. To this end, 2023 has been a strategically important year as we have launched our new Cocktail Mixers and accelerated the growth of our Adult Soft Drink range; both of which have significant growth potential.

We launched our Cocktail Mixer range during the first half of 2023 and have seen an extremely positive response from consumers and our customers across the On- and Off-Trade, winning over 4,000 points of distribution in the UK's leading retailers, as well as in a number of the largest UK On-Trade chains, including national brands such as Young's and Fullers. We are very encouraged by the initial performance of the range and how it is opening the Fever-Tree brand to an even greater number of drinking occasions and tapping into the growing consumer interest in cocktails and other long mixed drinks.

The response to our Adult Soft Drink range has also been very positive, reaffirming our belief that our products' natural ingredients, adult flavour profiles and the sophistication of the brand means we are ideally positioned to extend into this category. Our products have already gained over 9,000 points of distribution at UK retail and are outperforming most of the established brands in the category and we believe there is a significant opportunity to

[5] CGA MAT to 30/12/2023 & IRI 52 weeks to 24/12/2023
[6] CGA MAT 30/12/2023 & Nielsen 52 weeks to 31/12/2023
[7] IRI 52 weeks to 12 Dec 2023

leverage the strength of the Fever-Tree brand to gain further distribution and market share within the Adult Soft Drinks category.

The Group continued to invest in marketing through various channels and platforms, with a focus on a wide range of products to reflect our increasing portfolio diversity. For example, we extended our national radio advertising campaign to include our Ginger Beer and Flavoured Sodas, with a focus on our Cocktail Mixers during the festive season helping to drive significant uplift in sales during that important sales period. We also built on our use of influencers, especially through digital platforms such as Instagram and podcasts, where we worked with a number of celebrities to promote the brand through their own words.

Overall, the strength of the brand and our unrivalled focus on innovation to create a portfolio that meets consumer demands and trends ensures that we continue to make significant strategic progress in the UK. The early success we've seen in our Cocktail Mixers and Adult Soft Drinks is particularly encouraging, alongside the fact that we've maintained our leadership position within our core mixer category. And although we are not immune to a softer consumer environment, our position as a premium but affordable product and our innovation expertise which allows us to capture new consumer trends, positions the brand for sustained success in our home market.

Europe I Driving premiumisation and increasing brand awareness

Fever-Tree brand revenue (excluding the revenue we get from GDP's distributed brands) was £94.6m, an increase of 6% year-on-year (4% at constant currency). Many of our markets were impacted by a tough consumer environment in the second half of the year, particularly in Germany.

Across the European Off-Trade channel, Fever-Tree maintained c.15% value share of the total mixer category and the brand continues to drive premiumisation, gaining 2ppts of value share of premium mixers to remain the only premium mixer with strong distribution and broad consumer appeal across the region[8]. Fever-Tree is performing particularly well in our core Tonic and Ginger Beer categories. Our Tonics have grown at c.9% a year over the last four years, outpacing the rest of the category by c.50%, and our share of the Ginger Beer category has grown by 3.6 percentage points over the last two years, with Fever-Tree growing at 2.5 times the rate of the total category[8].

The On-Trade channel experienced lower consumer spending this year, but Fever-Tree performed well within the channel, growing distribution and setting the brand up for accelerated growth for when the macro environment becomes more positive. We have seen particularly encouraging results from diversifying our portfolio and making sure that accounts carry mixers beyond our Tonics, such as Ginger Beer and Sparkling Pink Grapefruit.

To this end, the Group has remained focused on product innovation and launches across Europe that have focused on versatile liquids, such as Mexican Lime & Yuzu and Sparkling Pink Grapefruit. Both of these liquids pair with a range of spirits, but principally Vodka and Tequila, with Spritz serves and cocktails like the Paloma becoming more popular in recent years, especially in the summer months.

Our marketing campaigns throughout the year have been used to promote our increasingly diverse range of mixers, with a particular focus on Tonics, Ginger Beer and Sparkling Pink Grapefruit, which cater to the most popular drinking occasions across the region. For Tonics and Ginger Beer, where we have strong market shares and good consumer awareness in growing categories, we have increased our investment in above the line campaigns, such as billboards in Paris, to drive further awareness and remain front of mind. We have also continued to invest in TV advertisements in several markets, all of which showcase our ingredient quality and versatility beyond the G&T.

The brand has seen encouraging increases in awareness in markets where our marketing campaigns have been targeted. In Italy, the Netherlands and France, following our TV and billboard campaigns, brand awareness among Tonic drinkers increased by 5% in each market, and in Switzerland our brand awareness increased by 13% as consumers get to know, experience, and enjoy the brand across more platforms and occasions[9].

[8] European Nielsen 2023 - top 12 markets
[9] Attest brand awareness of Tonic consumers 2023

The brand has made good progress in Europe this year, extending its market-leading premium position and launching new products aimed at the latest consumer trends in each market, supported by our investment in multi-channel marketing campaigns and co-promotions.

We have also upweighted our distribution partner in two key markets, France and Greece, where we have transitioned to larger beverage operators with strong national account coverage to support our growth ambitions. These are just two of a number of European markets that are showing significant potential in the medium- and long-term, which alongside the positive trends towards spirit growth and premiumisation gives us further confidence in the opportunity across Europe.

RoW I Setting key markets up for future growth

Fever-Tree delivered revenues of £27.2m in our Rest of the World Region, a decrease of 14% year-on-year (-10% at constant currency). Revenue performance in the year was temporarily impacted by a one-off inventory buy-back as part of the transition to our new subsidiary set-up in Australia. However, now this transition has been completed we expect to see ongoing good growth from 2024.

Following the set-up of our subsidiary in Australia, we now have a much greater control over sales, marketing, and distribution to accelerate the brand's progress in this attractive market. As part of this change, we have started to work alongside a new distribution partner, are securing a local warehouse, and aim to start production with a local bottler over the next year.

The brand continued to perform well in the Australian market, maintaining our market-leading premium share and growing ahead of the total mixer category in the Off-Trade. We saw particularly strong growth in our Soda and Ginger Ale mixers, growing at 64% and 24% year-on-year respectively as we start to diversify our portfolio[10], and we look forward to 2024 with optimism having set ourselves up to take full advantage of this market going forward.

In Canada, we have started to see the benefits of moving to a larger distributor to support our significant growth ambitions for this market. Their strong coverage has already enabled Fever-Tree to win over 2,500 new distribution points at grocery during 2023, with further new listings committed for 2024 at Canada's leading retailers; Loblaws and Metro. This is helping to drive significant sales growth in the market and during 2023 Fever-Tree became the largest Ginger Beer brand by value in Canada[11], a significant achievement that the brand can build on to drive further growth across a range of categories.

We are driving awareness of the brand through sampling at trade and consumer shows to improve visibility and teach the distributors, customers, and consumers about the Fever-Tree story. This directly resulted in a number of new On-Trade listings, as well as extending our visibility more broadly across the region. The brand also started a new onboard promotion with Canada's flagship airline, Air Canada, which included a 30 second video shown on back-of-seat screens to entice consumers to purchase Fever-Tree as part of their Holiday celebrations.

Last year, we took the decision to upgrade our route-to-market in Japan and started to work with Asahi Breweries as our new distribution partner in January, reflecting our joint belief in the significant future opportunity of the premium mixer and adult soft drink category. We made good progress this year, performing ahead of our initial expectations, and remain excited about the sizeable opportunity ahead.

Across our Rest of the World region more broadly, we continue to ensure we have first mover advantage ahead of the competition. The brand has a good presence in high-end bars and hotels in cosmopolitan cities across Asia, and we are developing our relationships with international and local spirits companies, as well as investing in our own activations and marketing campaigns. A good example of this is our Fever-Tree & Friends "bar takeovers" across a number of bars and hotels across Asia, including Bangkok and Manila to build brand awareness and loyalty amongst the top tier bar tender community.

[10] Australian Grocery scanner data
[11] Canadian Nielsen L12 30/12/2023

Overall, the Group has made good progress across this broad region, with a number of markets showing exciting potential for future long-term growth.

Fever-Tree Team

As the Group grows across multiple geographies, we remain focused on ensuring we have both the appropriate resource and the correct systems to facilitate this growth. Reflecting our growth trajectory in Australia, we established a subsidiary operation in this market during 2023, building a local team who are based in Sydney and Melbourne.

We have also made good progress implementing a programme focused on updating our end-to-end operational processes, investing in new technology to underpin this, as well as training and up-skilling our team to ensure we are equipped to continue to deliver the growth opportunity.

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

Sustainability

Since we launched Fever-Tree's Five Branches of Sustainability three years ago, we're proud to have driven action across the ESG spectrum, both directly within our business and through our global supply chain. In 2023, we made further progress, across all five branches – Climate, Circular Economy, Conservation, Communities and Colleagues.

Increased collaboration across our supply chain, focus on innovative manufacturing practices, as well as a further transition to renewable energy sources enabled the Group to deliver a 5% reduction in greenhouse gas emissions related to our products sold in the UK. As we look ahead to 2024 and beyond, we will be enhancing our decarbonisation strategy to not only drive further reductions in our emissions but also define a transparent net zero roadmap.

We are also proud to have extended our ten-year partnership with Malaria No More UK to fight one of the world's oldest and deadliest diseases, whilst continuing to work with charities closer to home such as Future Frontiers, offering mentoring to young people in the communities where we work. Finally, for our Colleagues, Fever-Tree's Diversity, Equity and Inclusion (DE&I) Committee meets regularly to discuss how best to foster an inclusive environment. This year we appointed a DE&I Lead who has established a three-year strategy to drive progress in this important area.

Summary

It was particularly pleasing to see the brand deliver market share gains across our regions, ending the year with our highest ever market share by value in the UK, increasing our leadership position in the Tonic and Ginger Beer categories in the US, and becoming the number one Ginger Beer brand by value in Canada.

The Group also made some important step changes to our route to market in a number of exciting regions, including Australia, France and Greece. In addition, innovation continues to successfully broaden and deepen our addressable market size, introducing the brand into more drinking occasions for our consumers.

Our strategic blueprint is well aligned with the wider category trends, most notably the rising popularity of spirits ahead of beer and wine, with spirit growth driven by the premium segment[12], as well as consumers' growing preference for quality ingredients and easy-to-make cocktails. Fever-Tree's unrivalled position as the largest premium mixer brand globally puts us in prime position to capitalise on these long-term trends and is why we also see opportunities across many of our markets beyond our core carbonated mixers and will continue to develop products

[12] IWSR

to cater to trending categories such as Cocktail Mixers and sophisticated Adult Soft Drinks, leveraging the power of the brand.

Along with a focus on top line growth, the proactive steps we have taken during the course of 2023 combined with the softening inflationary environment provide us with confidence that we have turned the corner on the impact of the unprecedented challenges in operating environment we have faced, and we look ahead to a period of strong, sustainable, profitable growth in 2024 and beyond.

The Group remains well-placed financially with a cash position at year end of £59.9m 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.

Finance review

The Group made good progress in 2023 with revenue of £364.4m (2022: £344.3m), delivering growth of 6%. Whilst performance in the UK was impacted by unseasonably poor summer weather, underlying sales momentum across our key growth markets remained positive, most notably in the US. Importantly, brand strength has increased in our key markets, with market share gains across our regions and we end the year with our highest ever market share by value in the UK whilst increasing our leadership position in the Tonic and Ginger Beer categories in the US.

At the start of 2023, the inflationary cost pressures the Group faced in 2022 were further compounded by the impact of elevated European energy costs on glass costs and other categories. As a result of this, gross margin was further impacted in the first half of 2023. Proactive actions taken by the Group, including a wide-ranging efficiency programme and pricing actions across regions, which alongside the recalibration in Trans-Atlantic shipping rates increasingly mitigated gross margin headwinds as the year progressed. As a result, whilst full year gross margin reduced year-on-year, within this result we delivered a strong improvement in gross margin in the second half of the year, which underpins confidence in further gross margin recovery in 2024 and beyond.

At the end of the first half, a one-off production issue in the US resulted in the recognition of a £3.3m provision against inventory. This issue was ring-fenced to specific production batches, did not impact customer relationships or our ability to supply the market and at year end we have recognised a receivable in-line with expected compensation in relation to this matter. In the second half of the year the Group took the decision to not renew the contract with our West Coast bottling partner and instead have contracted with an additional East Coast bottling partner, whilst the continued recalibration of Trans-Atlantic shipping rates now allows for UK production to service the US more profitably than in recent years. As a result of these actions, the Group remains confident that we have sufficient capabilities, capacity and contingencies to service US growth and drive margin recovery over the coming years.

Underlying operating expenditure increased to 23.7% of Group revenue (2022: 23.0%) which alongside the impacts on gross margin resulted in a reduction in EBITDA margin to 8.4% (2022: 11.6%). The Group generated an adjusted EBITDA of £30.5m, a reduction of 23% on 2022 (2022: £39.7m). Working capital increased as a proportion of revenue to 28.5% (2022: 23.6%), driven by an increase in receivables, reflecting improved year end trading compared to 2022. Increased working capital, alongside the lower level of EBITDA achieved, resulted in a reduction of operating cash flow conversion to 15.2% (2022: 36.2%). Reduced operating cash flow drove a reduction in cash held to £59.9m (2022: £95.3m), which has subsequently improved post year end to £74m as the elevated level of year end receivables has been collected. As a reflection of our confidence in the on-going financial strength of the Group, the Board is recommending a final dividend of 10.90 pence per share, bringing the total dividend for 2023 to 16.64 pence per share, an increase of 2% year-on-year.

As we look ahead to 2024, despite on-going macroeconomic and geopolitical volatility, we will continue to invest behind the brand, and focus on delivering revenue growth whilst increasing brand strength and market share. Alongside this, we expect to deliver strong gross margin recovery as we benefit from improved glass pricing following our tender process in 2023, continued focus on driving efficiencies across our network and further pricing actions across key markets. This combination of brand strength and gross margin recovery will establish a platform for strong, profitable growth in 2024 and beyond.

Gross Margin

Gross margin of 32.1% represents a reduction from the 34.5% gross margin reported in 2022. The Group was materially affected by the impact of elevated European energy costs on glass bottle costs, alongside wider inflationary pressures on underlying product costs. The Group took proactive steps to mitigate these impacts, including pricing actions across markets and margin improvement initiatives including a re-tender of our UK and European glass supply. Alongside this, Trans-Atlantic freight rates reduced as the year progressed. Whilst the combination of these factors drove an improvement in gross margin in the second half of 2023, they were not sufficient to fully off-set the impact of the significant headwinds in underlying product costs across the full year.

Against a backdrop of continued macroeconomic and geopolitical uncertainty, we continue to focus on margin improvement initiatives which will establish a resilient platform for profitable growth over the medium term. 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.
   - In 2023 we established an additional East Coast US bottling relationship, signed an agreement for local bottling in Australia to begin in late 2024 and signed an agreement with our secondary UK bottler to also provide canning capacity for the Group.

2. Optimising our existing footprint: working closely with our current partners to drive efficiency and effectiveness as we manage our increasing complexity.
   - In 2023 we have worked in partnership with our primary UK bottling partner to increase volume and run size to unlock improved pricing in 2024.

3. Procurement: leveraging our global scale, widening and onshoring 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.
   - In 2023 we successfully conducted a re-tender for our UK and European glass volumes.
   - A more strategic relationship with the new primary glass supplier to the Group will allow greater visibility and involvement in energy hedging going forward. A partial recalibration of European energy pricing has allowed for an improved hedged energy position for 2024 compared to 2023.
   - The partnership will also provide opportunities to partner on viable carbon reduction initiatives in the future whilst allowing for transparent and improved glass bottle pricing for 2024.

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.
   - This programme of work will provide the foundation for driving further efficiency, cost saving and working capital improvements in 2024 and beyond.

We are confident that the benefit of the actions taken in 2023, along with a focus on further profit-driving initiatives in 2024, including continued execution of our pricing strategy across key markets, will drive a significant improvement in gross margin in 2024 and allow for further recovery in 2025 and beyond.

Operating expenditure

Underlying operating expenses increased by 9.4% in 2023 to £86.5m (2022: £79.1m), increasing to 23.7% as a proportion of Group revenue (2022: 23.0%)

Our marketing spend was 9.2% of Fever-Tree brand revenue (2022: 9.8%) as we continue to invest behind the brand, whilst staff costs and other overheads increased to 14.8% of Group revenue (2022: 13.5%), with head count increasing as we established a subsidiary operation in Australia.

The Group generated an adjusted EBITDA of £30.5m, a 23.3% decrease from 2022 (2022: £39.7m). The dilution in gross margin, coupled with marginally increased levels of underlying operating expenditure as a proportion of revenue, has resulted in a retraction in adjusted EBITDA margin to 8.4% (2022: 11.6%). It is notable within this result that adjusted EBITDA doubled in the second half of 2023, underpinning confidence in continued margin recovery in 2024.

Depreciation charges increased to £6.3m (2022: £4.3m), reflecting a full year of depreciation of the US warehousing right-of-use assets recognised in 2022 under IFRS 16. Amortisation charges remained in line at £1.7m (2022: £1.5m) whilst share based payments reduced to £1.7m (2022: £3.3m), reflecting a revaluation of the achievability of long-term incentives currently issued to the Executive Directors. As a result of these movements, the 23.3% decrease in adjusted EBITDA translates to a 32.0% decrease in operating profit to £20.8m (2022: £30.6m).

Tax

The effective tax rate in 2023 was 30.6% (2022: 19.7%), this includes an adjustment in respect of a prior period arising from an intercompany reclassification between tax jurisdictions. Excluding this adjustment the underlying effective tax rate for 2023 was 25.1%, which was in-line with expectations.

Earnings Per Share

The basic earnings per share for the year are 13.20 pence (2022: 21.36 pence) and the diluted earnings per share for the year are 13.18 pence (2022: 21.32 pence).

In order to compare earnings per share year on year, earnings have been adjusted to exclude amortisation and the UK statutory tax rates in force at the year-end have been applied (disregarding other tax adjusting items). On this basis, normalised earnings per share for 2023 are 15.37 pence per share and for 2022 were 22.59 pence per share, a decrease of 32.0%.

Balance sheet and working capital

Inventory levels increased to £67.6m (2022: £60.1m), driven by an increased value of finished goods held, reflecting the significant inflationary impacts on product costs in 2023, rather than an increased quantity.

Trade and other receivables increased ahead of revenue growth to £91.5m (2022: £72.4m). This increase reflects an uplift in year-end trading year-on-year, driven by both strong underlying growth in some markets and phasing of orders in other markets. The ageing profile of trade receivables has remained consistent year-on-year, and 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 alongside appropriate levels of credit insurance 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 £55.3m (2022: £51.3m).

As a result of the above movements, most notably the increase in trade receivables, working capital increased by £22.6m to £103.8m (2022: £81.2m), and 28.5% of revenue (2022: 23.6%). The increase in working capital, alongside the 23.3% reduction in EBITDA resulted in cash generated from operations decreasing to 15.2% (2022: 36.2%).

Capital Expenditure

Due to the structure of the Group's business model, capital expenditure requirements remain low, with additions of £9.8m in the year (2022: £7.1m). The additions in the year included continued investment in reusable packaging in Germany. Intangible assets include additions of £7.0m in the year (2022: £2.5m), relating to the global operations technology programme alongside an innovation-related project.

Cash Position

The working capital increase at year end, which alongside the retraction in EBITDA margin in 2023 resulted in a reduced level of cash generated from operations which contributed to a reduction in cash at year end to £59.9m (2022: £95.3m). Despite this reduction, the Group continues to retain a strong cash position, and we expect a good recovery in cash position in 2024 as working capital recalibrates and EBITDA margins improve. To this end, our cash position has improved post year end to £74m as the elevated level of year end receivables has been collected.

Our strong balance sheet is a competitive advantage over many of our premium mixer competitors globally. It provides the platform to remain agile and invest behind opportunities as they arise and has allowed the Group to remain focused on driving strategic progress whilst navigating the challenges and disruption in the external environment in recent years.

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 upweight and accelerate investment in key markets.

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. Where the Board considers there to be surplus cash held on the Balance Sheet it will consider additional distribution to shareholders, as demonstrated historically 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 10.90 pence per share in respect of 2023 (2022: 10.68 pence per share) bringing the total dividend for the year to 16.64 pence per share (2022: 16.31 pence per share). If approved by shareholders at the AGM on 6 June 2024 the final dividend will be paid on 21 June 2024 to shareholders on the register on 17 May 2024.

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.

<u>Revenue growth %</u>

Group revenue growth was +5.8% in 2023 (2022: +10.7%).

<u>Gross margin %</u>

The Group achieved a gross margin of 32.1% in 2023 (2022: 34.5%).

<u>Adjusted EBITDA margin %</u>

The Group achieved an adjusted EBITDA margin of 8.4% in 2023 (2022: 11.6%).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £m	2022 £m
Revenue	**364.4**	**344.3**
Cost of sales	(247.4)	(225.5)
Gross profit	**117.0**	**118.8**
Administrative expenses	**(96.2)**	**(88.2)**
Adjusted EBITDA	**30.5**	**39.7**
Depreciation	(6.3)	(4.3)
Amortisation	(1.7)	(1.5)
Share based payment charges	(1.7)	(3.3)
Operating profit	**20.8**	**30.6**
Finance income	2.0	0.8
Finance expense	(0.6)	(0.4)
Profit before tax	**22.2**	**31.0**
Tax expense	(6.8)	(6.1)
Profit for the year	**15.4**	**24.9**
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	(0.3)
Related tax	-	-
Total other comprehensive income	**0.3**	**(0.4)**
Total comprehensive income for the year	**15.7**	**24.5**
Earnings per share		
Basic (pence)	13.20	21.36
Diluted (pence)	13.18	21.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

At 31 December 2023	2023 £m	2022 £m
Non-current assets		
Property, plant and equipment	23.7	25.6
Intangible assets	58.2	53.2
Deferred tax asset	1.7	1.9
Other non-current assets	4.3	1.8
Total non-current assets	**87.9**	**82.5**
Current assets		
Inventories	67.6	60.1
Trade and other receivables	91.5	72.4
Derivative financial instruments	0.6	–
Corporation tax asset	6.2	1.3
Cash and cash equivalents	59.9	95.3
Total current assets	**225.8**	**229.1**
Total assets	**313.7**	**311.6**
Current liabilities		
Trade and other payables	(55.3)	(51.3)
Derivative financial instruments	–	(1.8)
Lease liabilities	(3.4)	(3.4)
Corporation tax liability	(2.1)	(0.8)
Total current liabilities	**(60.8)**	**(57.3)**
Non-current liabilities		
Other payables	(0.3)	–
Lease liabilities	(11.8)	(13.5)
Deferred tax liability	(3.0)	(1.6)
Total non-current liabilities	**(15.1)**	**(15.1)**
Total liabilities	**(75.9)**	**(72.4)**
Net assets	**237.8**	**239.2**
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	(0.2)	(0.5)
Translation reserve	(0.3)	(0.3)
Retained earnings	183.1	184.8
Total equity	**237.8**	**239.2**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £m	2022 £m
Operating activities		
Profit before tax	22.2	31.0
Finance expense	0.6	0.4
Finance income	(2.0)	(0.8)
Depreciation of property, plant & equipment	6.3	4.3
Amortisation of intangible assets	1.7	1.5
Share based payments	1.7	3.3
Increase/(decrease) in impairment losses on receivables and inventories net of recoveries	0.5	(3.1)
Net exchange difference	3.2	-
	34.2	**36.6**
Increase in trade and other receivables	(22.3)	(1.6)
Increase in inventories	(10.0)	(23.5)
Decrease in trade and other payables	4.8	0.5
(Increase)/Decrease in derivative asset/liability	(2.1)	2.4
	(29.6)	**(22.2)**
Cash generated from operations	**4.6**	**14.4**
Income taxes paid	(8.4)	(5.9)
Net cash flows (used in)/generated from operating activities	**(3.8)**	**8.5**
Investing activities		
Purchase of property, plant and equipment	(2.6)	(4.6)
Interest received	2.0	0.8
Investment in intangible assets	(7.0)	(2.5)
Acquisition of subsidiary, net of cash acquired	-	(3.7)
Net cash used in investing activities	**(7.6)**	**(10.0)**
Financing activities		
Interest paid	(0.1)	(0.1)
Dividends paid	(19.1)	(68.8)
Payment of lease liabilities	(4.0)	(1.8)
Net cash used in financing activities	**(23.2)**	**(70.7)**
Net decrease in cash and cash equivalents	(34.6)	(72.2)
Cash and cash equivalents at beginning of period	95.3	166.2
Effect of movements in exchange rates on cash held	(0.8)	1.3
Cash and cash equivalents at end of period	**59.9**	**95.3**

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 2023. 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 2023 or 2022. Statutory accounts for the years ended 31 December 2023 and 31 December 2022 have been reported on by the Independent Auditor. The Independent Auditor's Report on the Annual Report and Financial Statements for 2023 and 2022 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 2022 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2023 will be delivered to the Registrar in due course.

2. Revenue

An analysis of turnover by geographical market is given below:

	2023 £m	2022 £m
United Kingdom	114.8	116.2
United States of America	117.0	95.6
Europe	105.4	101.0
Rest of the World	27.2	31.5
	364.4	**344.3**

3. Earnings per share

	2023 £m	2022 £m
Profit		
Profit used in calculating basic and diluted EPS	15.4	24.9
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	116,632,907	116,556,818
Weighted average number of dilutive employee share options outstanding	197,351	222,486
Weighted average number of shares for the purpose of diluted earnings per share	116,830,258	116,779,304
Basic earnings per share (pence)	**13.20**	**21.36**
Diluted earnings per share (pence)	**13.18**	**21.32**

4. Dividends

Dividends paid:

	2023	2022
In respect of the prior financial year		
Pence per share	10.68	53.57
Total	£12,449,001	£62,202,735
In respect of the period ended 30 June		
Pence per share	5.74	5.63
Total	£6,697,301	£6,562,527
	£19,146,302	**£68,765,262**

The Directors are proposing a final dividend of 10.90 pence per share, totaling £12,718,845 for 2023. 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 and other items deemed not to have an impact on the sustained operating performance of the business. As a consequence of these adjustments, the Group believes that adjusted EBITDA represents normalised operating profits. Adjusted EBITDA for the year ended 31 December 2023 is operating profit of £20.8m before depreciation of £6.3m, amortisation of £1.7m and share based payment charges of £1.7m. Adjusted EBITDA is an appropriate measure since it represents to users a normalised, comparable operating profit, excluding the effects of the accounting estimates, non-cash items and non-recurring items as 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 International Financial Reporting Standards, which forms the basis of the financial information included in this results announcement. Since this is an indicator specific to the Group's operational structure, it may not be comparable to adjusted metrics used by other companies. Adjusted EBITDA is not intended to be a substitute for metrics determined in accordance with International Financial Reporting Standards.