

Fevertree Drinks Plc

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Fever-Tree bubbles higher with 2017 results set to beat forecasts thanks to "exceptional" Christmas

Fevertree Drinks PLC (LON:FEVR) shares showed no signs of losing their recent fizz on Wednesday after the posh tonic maker lifted its 2017 forecasts once again following a strong Christmas.

Shares in the AIM-quoted firm had already rallied 15% over the past week on the back of takeover speculation and a **bullish research note from US investment bank Jefferies**, and they added another 5.4% on Wednesday to hit new all-time highs of £25.66.

In a full-year update, Fever-Tree said it enjoyed another year "of very strong revenue growth", with sales for the 12 months to December 31 expected to be around £169mIn - 66% higher than the £102.2mIn it generated in 2016.

UK sales double

The UK was once again the star performer, with sales in the company's home market doubling over the year, boosted by a "particularly notable" performance from all of its drinks over the festive period.

Importantly, Fever-Tree reckons growth in the premium mixer category in the UK is accelerating, dispelling any concerns that the company has run out of white space in this key territory.

The company also continues to take market share from the likes of Britvic Plc (LON:BVIC) and Coca-Cola's Schweppes and it is now the number one mixer brand by value in the UK off-trade (supermarkets, retailers etc).

European sales were not quite as strong but still rose 42% year-on-year, rest of world sales are expected to be 57% higher, while in the US revenues grew 39%.

US to be key going forward

Going forward the US will be a key market for Fever-Tree as it looks to justify its punchy market value.

Like on this side of the pond, the clear spirits market is growing but the real money is in 'dark liquor' - rums, whiskeys etc - which is why Fever-Tree has been developing various ginger beers and colas.

Only this week, Jefferies estimated the premium dark spirits market in the US to be ten times the size of gin and said that the company could add another £25 to its share price if it could crack that.

Fever opened a North American office and brought in a North America chief executive in December, so it will hope to see the benefits of that in 2018.

Reflecting the strong growth across all of its regions, Fever-Tree bosses upgraded forecasts once again, stating that they expected the full-year numbers to be "comfortably ahead of market expectations".

Price: £24.50

Market Cap: £2.85 billion

1 Year Share Price Graph



Share Information

Code: FEVR

Listing:

52 week	High	Low
	3815	1985

Sector: Retail

Website: www.fever-tree.com

Company Synopsis:

Fever-Tree is the world's leading supplier of premium carbonated mixers for alcoholic spirits by retail sales value, with distribution to approximately 50 countries internationally. Based in the UK, the brand was launched in 2005 by Charles Rolls and Tim Warrillow to provide high quality, natural mixers which could accompany the growing demand for premium spirits.

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'Excited' by US opportunity

"While we have seen strong growth across all regions, our performance in the UK over the Christmas period was once again exceptional," said co-founder and chief executive Tim Warrillow.

"Our growing range of mixers and formats are appealing not only to our loyal customers but also bringing consumers back to the category and importantly attracting a new younger audience.

"There is clear evidence that the same trends of premiumisation and mixability that we've previously highlighted are accelerating and we are increasingly excited by the global opportunity this presents particularly as we transition to our own operations in the US."

'Running out of superlatives'?

"There is no stopping the momentum behind the Fevertree brand - yet another upgrade," said ETX Capital analyst Neil Wilson.

"I'm losing count of how many times management has raised its profit expectations but my estimates this was the sixth upgrade in little over a year - exceptional performance by a brand that has simply got everything right so far. We're running out of superlatives."

"FEVR is certainly a takeover play for one of the big FMCG brands but there appears to be plenty of organic growth left in the tank, particularly outside the core UK market."

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