

FeverTree Drinks

23:45 17 May 2018

FeverTree fails to upgrade expectations in a trading update for first time since listing

For the first time since joining AIM, FeverTree Drinks PLC (LON:FEVR) has failed to upgrade its outlook for the year in a trading statement.

In an update ahead of its annual general meeting later today, the posh tonic maker said it is "trading in-line with market expectations".

READ: FeverTree trading "in-line"

With still a sizeable chunk of the year left, most companies would be content with that position, but not FeverTree, where investors are more accustomed to trading being "materially" or "comfortably" ahead.

Analysts are expecting the London-based company to report earnings per share of around 43.5p this year, giving the stock a 2018 price-to-earnings ratio of more than 60.

Given that the average company will have a PE ratio of somewhere between 15 and 25, it is obvious there is a lot of future growth baked into the share price.

That's why shares are down 7% today to £27.12; good is not good enough for FeverTree when the market is expecting great.

The share price had also been climbing into today's announcement, with investors clearly backing the drinks maker to post something better than 'just alright'.

Attention switches to US now

The UK continues to be the key sales driver, but the company will be looking to the US - where the estimated market is several times the size of that in its home country - for future growth.

So far, things have been a bit slow across the pond, but a US-based team is now in place and ready to take over the reins on June 1.

Investors will be hoping a permanent presence over in the States will help to drive sales in a potentially huge and lucrative market, for which it has been developing new products such as its Madagascan Cola and Spiced Orange Ginger Ale drinks.

"We remain of the view that there is a significant opportunity for FeverTree with the growth engine now more likely to be in the US," wrote Shore Capital analyst Phil Carroll in a note to clients.

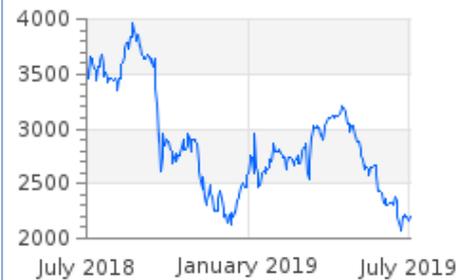
Time to invest?

He adds that today's falls could be a chance for long-term holders to snap up some more of the stock.

Price: 2190p

Market Cap: £2543.18M

1 Year Share Price Graph



Share Information

Code: FEVR

Listing:

52 week	High	Low
	4,120.00p	2,021.00p

Sector: General Retailers

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.

Author:

Proactive Investors Australia

+61 (0)2 9280 0700

action@proactiveinvestors.com.au

"The lack of upgrades to market expectations may put a dampener on the share price today, especially considering it has been rising into today's statement.

"For some investors this may present an opportunity when considering the long-term opportunity in Fevertree if it executes its broader ambitions."

Board remains confident

At the company's AGM in the City this morning, chairman Bill Ronald reassured investors that despite not upgrading forecasts, "the board remains very confident" in the company's outlook.

The 62-year-old urged investors not to "over-interpret" what was written in the update.

Unsurprisingly, several investors asked about what's going on over in the US, given that Fevertree is taking direct management of its distribution network and marketing efforts in two weeks' time.

Co-founder and chief executive Tim Warrillow said the firm - which has seen its share price soar more than 1,500% since its debut on AIM just over three years ago - had put in years of "painstaking but successful" ground work across the pond.

He added that Fevertree is yet to roll out its Madagascan Cola in the States while it builds the brand's reputation with its flagship tonic waters, but it would look to do so next year.

The delay may surprise investors, given the sheer size of the US market for dark liquors, but the demand for clear liquor is far from weak: Warrillow estimated that the nascent US gin market is still twice the size of the UK's, while vodka is even more popular.

-- Updates for share price and AGM notes --

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

No investment advice

The information on this Site is of a general nature only. It does not take your specific needs or circumstances into consideration, so you should look at your own financial position, objectives and requirements and seek financial advice before making any financial decisions. You acknowledge and understand that neither the Company, its related bodies corporate, the information providers or their affiliates will advise you personally about the nature, potential value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter. You should read our FSG and any other relevant disclosure documents and if necessary seek persona advice prior to making any investment decision.

You understand and agree that no Content (as defined below) published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person.

You understand that in certain circumstances the Company, its related bodies corporate, the information providers or their affiliates may have received, or be entitled to receive, financial or other consideration in connection with promoting, and providing information about, certain entities on the Site and in communications otherwise provided to you.

You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate. From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

Before you act on any general advice we provide, please consider whether it is appropriate for your personal circumstances.