Fever-Tree sees higher glass prices but revenue grows

S
hares in high-end tonic water brand Fever-Tree bubbled by 13% in early trading as it announced revenue boosts despite a dip in pre-tax profit and warning on margin pressures.

Reporting its financial results for the six months to the end of June, the manufacturer of mixers for the discerning spirits drinker and markets darling, said that inflationary cost pressures and continued exposure to elevated Trans-Atlantic freight costs had caused gross margins to drop to 37.4% compared to 44.1% during the first half of last year.

First-half pre-tax profit also dipped to £17.6 million, from £25.3 million a year ago.

Tim Warrillow, boss of Fever-Tree, told the Evening Standard: "There is no question that margins have had an impact this year.

"We've been suffering from some labour shortages, which have affected our ramp up of our East Coast production in America, glass availability that is an industry wide issue and, of course other industry-wide cost pressures have increased, with energy prices driving that."

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However, sales across the group fizzed again hitting £160.9 million, an increase of 14% with £53.5 million in the UK – a boost of 6% – as on-trade purchases returned in pubs across Britain, following easing of pandemic restrictions.

Warrilow said that there was increasing hope for businesses caught up in the economic headwinds with the upcoming Government support package for energy bills "very welcome".

"Mitigating actions are starting to help, but it's pretty unprecedented times, in terms of cost pressures. We're not immune," Warrilow said.

Post pandemic holidaymakers "racing back to the bars and restaurants" for that "affordable treat" had also added to the revenue boost, he said, and that in the UK customers had been "more cautious" but were returning to the brand in "greater numbers and greater frequency".

"In recession you actually see people turn to a good drink almost in greater numbers and often. People realise it's just a few pence more.

"They may give up on expensive items, but they're damned if they're going to give up on that enjoyable drink. In fact, you clearly deserve it more," Warrilow added.