Fever-Tree shares lose fizz as glass and shipping costs soar

S
hares in high flying tonic water brand Fever-Tree slumped today when the company revealed it has been hit by glass and labour shortages and soaring sea freight rates.

In early trading the shares were down almost a quarter, or 292.38p, to 906.62p, their lowest level for six years, after the admission from the former City favourite that the outlook “has materially changed” over the past eight weeks.

The trading update for the first half of the year said that glass availability “has become severely restricted” pushing up costs by “double digits”.

Labour shortages on the US east coast has slowed down plans to increase production in America forcing the company to ship more bottles that it planned across the Atlantic, increasing “exposure to sea freight with rates increasing by up to 50% since the start of the year on key routes.”

As a result of this “exceptionally challenging environment” the company said margins will be squeezed by four to six percentage points.

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Full year revenue guidance has been held at £355 million to

£365 million but earnings are now only expected to be between £37.5 million and £45 million.

Fever-Tree CEO Tim Warrillow, who today bought another 115,000 shares in the company, said: "The business is working on a large number of initiatives, and more closely than ever with suppliers throughout our supply chain, to mitigate the transitory headwinds and at the same time ensure we can satisfy the strong demand we are seeing in our growth regions."

Matt Britzman, equity analyst at brokers Hargreaves Lansdown, said: "Markets have reacted badly to news that costs are significantly higher than expected. Issues getting inventory into the US mean the group's been more exposed to soaring freight charges.

"At the same time, the cost of glass, which makes up 30% of the total cost base, has doubled. The result, a significant hit to gross margin and cash profit guidance for the full year."