

Brecon Carreg Mineral Water

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**BRECON
CARREG**

Agenda

- Introduction to Brecon Carreg & Accreditations
- Green /ethical information
- Water market overview and BMW performance
- Key market trends & BMW Strategy

Our history – from cottage industry to regional player



Spadel Group acquired BBNW.

Plant is in Trap, Carmarthenshire, Wales.



Plant was modernised and extended.



First Brecon Carreg multipacks were introduced (6x50cl & 6x1.5L).



Company renamed Brecon Mineral Water.

1978

1983

1984 -

1985-

2005

2007- 2010

2009

2012

Brecon Beacons Natural Waters (BBNW) was established as a cottage industry bottled by hand.

BBMW marketed 2 brands:

- Spa Reine & Barisart
- Brecon Carreg Welsh natural mineral water



Significant success in obtaining private label business enabled a step change in volumes.

Brecon Carreg continued to perform well despite the recession.

BBMW is now a key regional business, employing 28 people.



**BRECON
CARREG**

BRECON CARREG provides a full range to meet consumer needs for every occasion

INDIVIDUAL BOTTLES

Still – 30cl, 50cl, 75cl, 1L, 1.5L, 2L

Sparkling – 50cl, 1.5L

Sports & Flat caps.



BRECON CARREG provides a full range to meet consumer needs for every occasion

Cash and carry Flashpacks



BRECON CARREG provides a full range to meet consumer needs for every occasion

Retail Multipacks



Key competitors



- **Evian (Danone Waters)** – Imported from France. Mineral water. Still only.
 - Number 1 bottled water brand in the UK.
 - Marketed as pure, natural mineral water from the French Alps. Feminine, sophisticated, stylish, posh image. ‘Live Young’ / Detox / Inner Cleansing / Purity.
 - ‘Renew’ campaign in January & ‘Evian roller skating’ babies (TV & youtube).



- **Highland Spring (Highland Spring)** – Spring water from Scotland. Still & sparkling plus Kids’ range.



- No 2 bottled water brand & No 1 packaged sparkling water brand in the UK.
- Traditional image. All about Provenance/Source and Environment.

- **Volvic (Danone Waters)** – Imported from France. Mineral water. Only still.
 - The brand includes flavoured and functional waters.
 - Volcanicity / Water from the Volcano / Hydration.



- **Buxton (Nestle Waters UK)** - From Buxton in Derbyshire. Still & sparkling.
 - The No 1 English Mineral Water.
 - ‘Drop of pure Britain’ – purity.



- **Nestle Pure Life (Nestle Waters UK)** – Spring water from Derbyshire. Still only.
 - Launched in 2008 in the UK. Global No 1 bottled water brand.



- **Vittel (Nestle Waters UK)** – Imported from France. Mineral water.
 - ‘ReVittelise’ - The brand for ‘young, active urbanites’.

- **Drench (Britvic)** – Spring water from Yorkshire. Still only.

- Launched in 2006 but seeing big growth after its successful 2008 ad campaign featuring Thunderbird puppet Brains.
- Youthful, cool image.

Brecon Carreg : a brand capitalizing on its provenance

- USP of the brand: Welsh provenance – the iconic Welsh mineral water.
- *Great Welsh water from the Brecon Beacons.*





Our Key National Customers



- Brecon Carreg is performing well within the UK- all growth in last 3 years driven from English distribution.
- English business has 65% of all Brecon sales and expected to increase in 2013
- Brecon Carreg is a national brand!

Our Key Customers

Partnership brands & Private Label business



Boots Brecon Carreg
Natural Mineral Water



Greggs Natural Mineral Water



Best-in Brecon Carreg
Natural Mineral Water



Wilko Mountain Falls Spring Water

Supporting and investing in Welsh charities, local communities, sports and radio campaigns in Wales

- **Ty Hafan Childrens' Hospice** (Cardiff) - sporting and other events.
 - Eg Midnight Sleep Walk , 04 May
- **British Heart Foundation** - Welsh sporting and other events.
- **CSR Proactive** – supporting **local events**.
 - Trap Fun Run, May 2012
 - Events at local schools (torch relay, sports days)
- **Welsh Athletics** (Cardiff)
- **Cardiff Half Marathon** (October 2012)
 - Brecon Carreg is the official water supplier
- **Cardiff City Football Club**
- **Eisteddfod**
- **Brecon Beacons Food Festivals & Events**
- **Capital FM radio/sampling campaign** in June/July 2012



**BRECON
CARREG**

Brecon Carreg wins two medals at 2012/2013

True Taste Awards: Gold for Still & Silver for Sparkling

Brecon Carreg was awarded **Gold Medal** for its **Still Water** and **Silver Medal** for our **Sparkling** variant in the non-alcoholic drinks category on 25th October 2012 at the '**Wales the True Taste Food and Drink Awards**' – a great recognition of the excellent quality of our product.

- The '**Wales the True Taste Food and Drink Awards**' – a prestigious competition run by the Welsh Assembly Government - recognised by trade and consumers alike.
- The awards are popularly seen as the Oscars of the Welsh food and drinks industry.
- Winners were selected by an independent jury from more than 800 entrants.



Gold medal for Brecon Carreg at the 2012 BBI competition

Brecon Carreg won Gold medal at the 2012 British Bottlers' Institute (BBI) competition in the Natural Mineral Water – Still category.

- Competition judged by a panel of experts during an anonymous, independent blind tasting.
- Gold medal is awarded for the outstanding product in each class.
- BBI:
 - Is a prestigious industry organisation bringing together the UK's top companies which are concerned with bottling, canning and packaging of beverages.
 - Runs an annual competition where products are judged on quality according to category with 185 entries in 2012.

Brecon Carreg's Gold medal is an important endorsement of its excellent product quality by industry peers and an independent judging panel.



Brecon Mineral Water: an environmentally responsible company

Brecon Mineral Water is a socially responsible company which strives to minimise its environmental impact

Bringing you nature's best

- 100% natural and pure mineral water.
- An important part of a healthy life regime.
- High standards of water resource protection.

Reducing footprint through:

- Continuous light-weighting program.
- Program to reduce energy consumption.
- Reducing carbon emissions.
- Responsible sourcing.

People:

- A socially responsible company.
- Values its people.

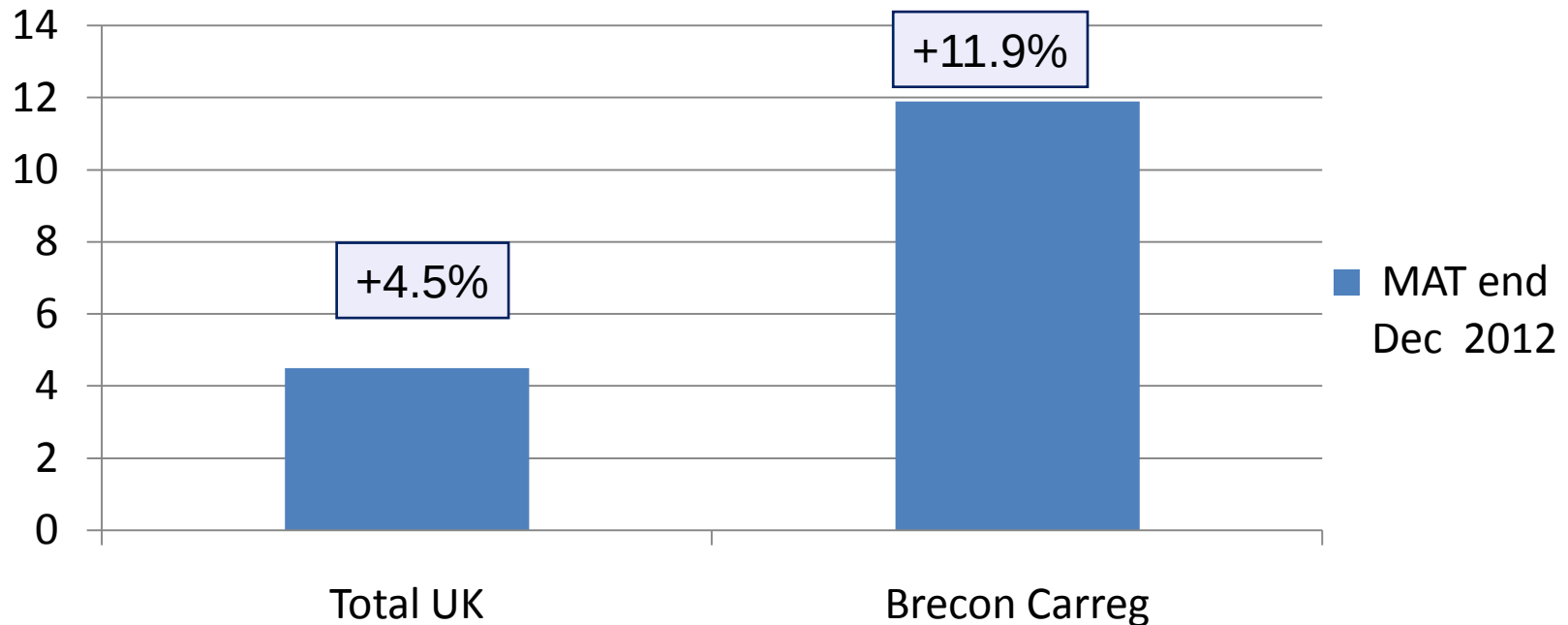


Brecon Mineral Water's vision as a sustainable company:

- Bringing you nature's best.
- Reducing our footprint.
- People first – a socially responsible company.

UK Bottled Water Market

Total UK bottled water performance vs Brecon Carreg to date Dec 2012



- Brecon Carreg is outperforming the market significantly.
- Brecon Carreg growth being driven by retail sales in England predominantly from Sainsbury's, Waitrose and Ocado
 - UK brands are driving the market growth, imported brands have been losing share since 2005 (32.3% in 2005 v 25.9% in 2011).

Consumers increasingly prefer buying local brands

- **Economic climate driving interest in local: 52% of shoppers claimed to purchase local products in order to support local producers.***
- **The trend for British and locally sourced products continues to grow.****

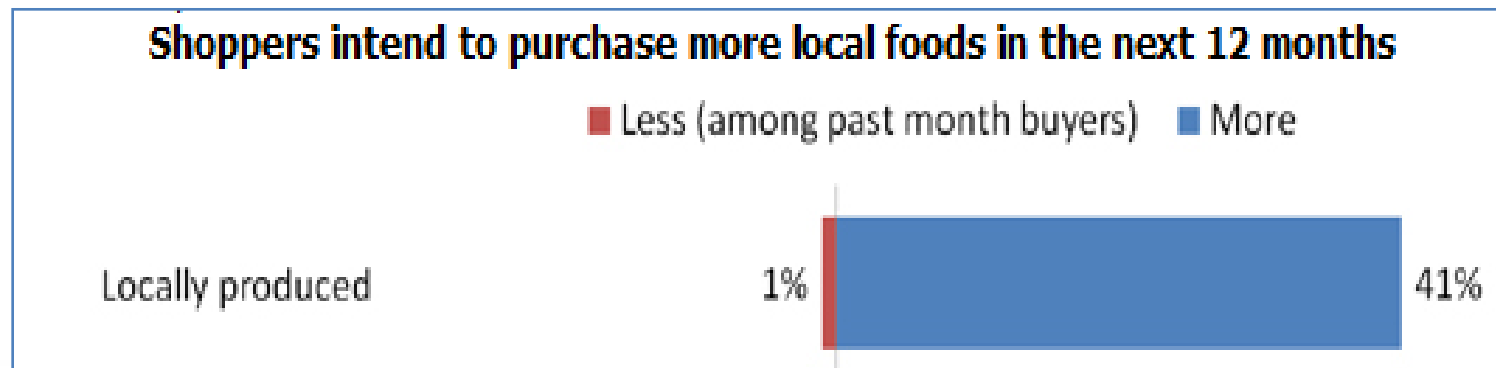
48%

of shoppers claimed that 'Supporting local/British producers' is the most important ethical criteria when it comes to choosing grocery products

42%

of shoppers claim they are prepare to pay extra for locally produced food (increase from 38% since LY)

- **43% of shoppers buying locally produced foods (39% in September last year)**



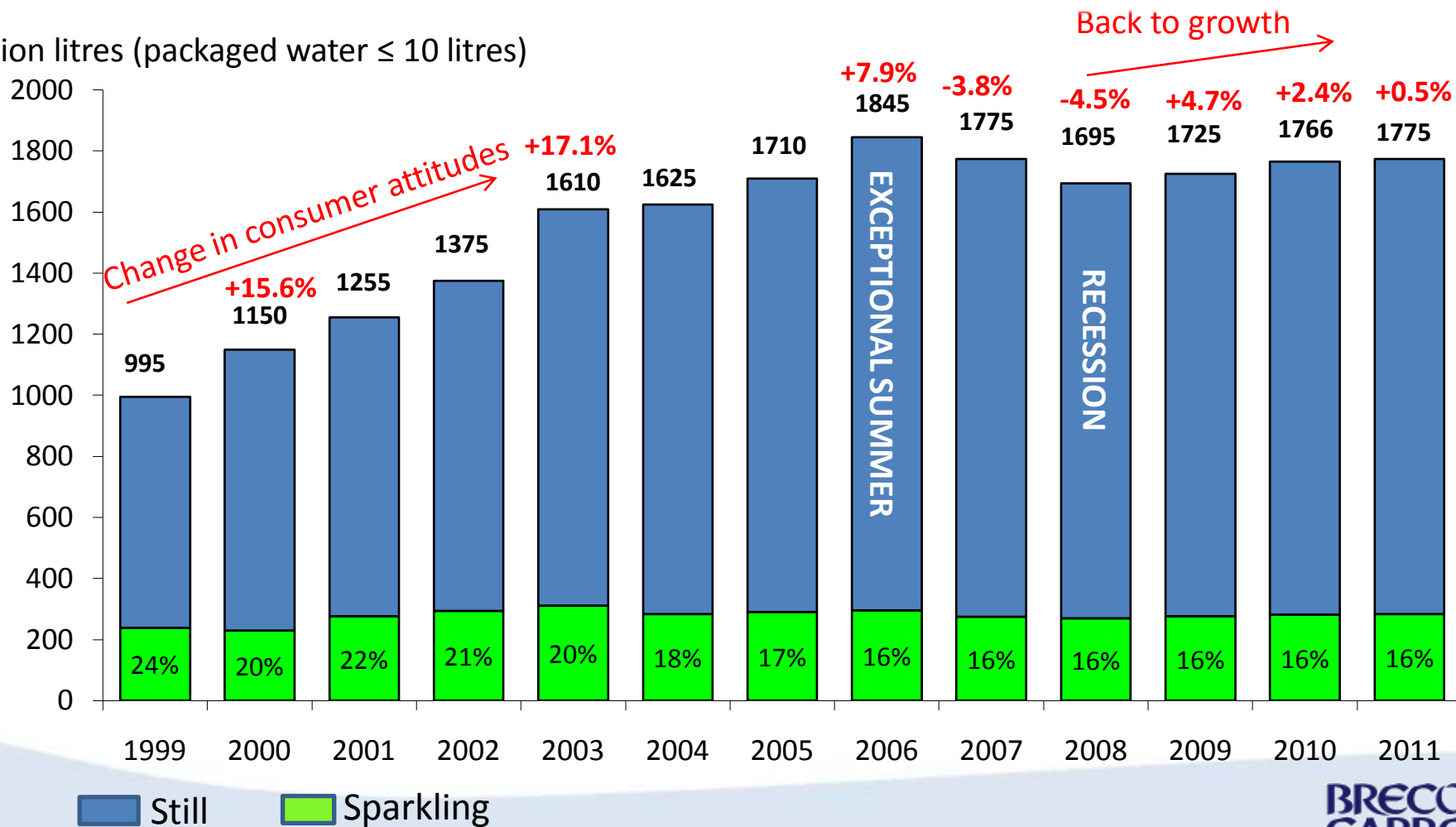
*December 2011, source: IGD Shopper Trends 2011

**Source: IGD ShopperVista, fieldwork September 2011

UK bottled water market has been growing steadily in the last decade, dominated by Still water

- UK bottled water market (on & off-trade) doubled in the last 10 years.
- The growth of the packaged water market was mainly driven by Still water (84% share).
- Sparkling share stabilised at 16%.

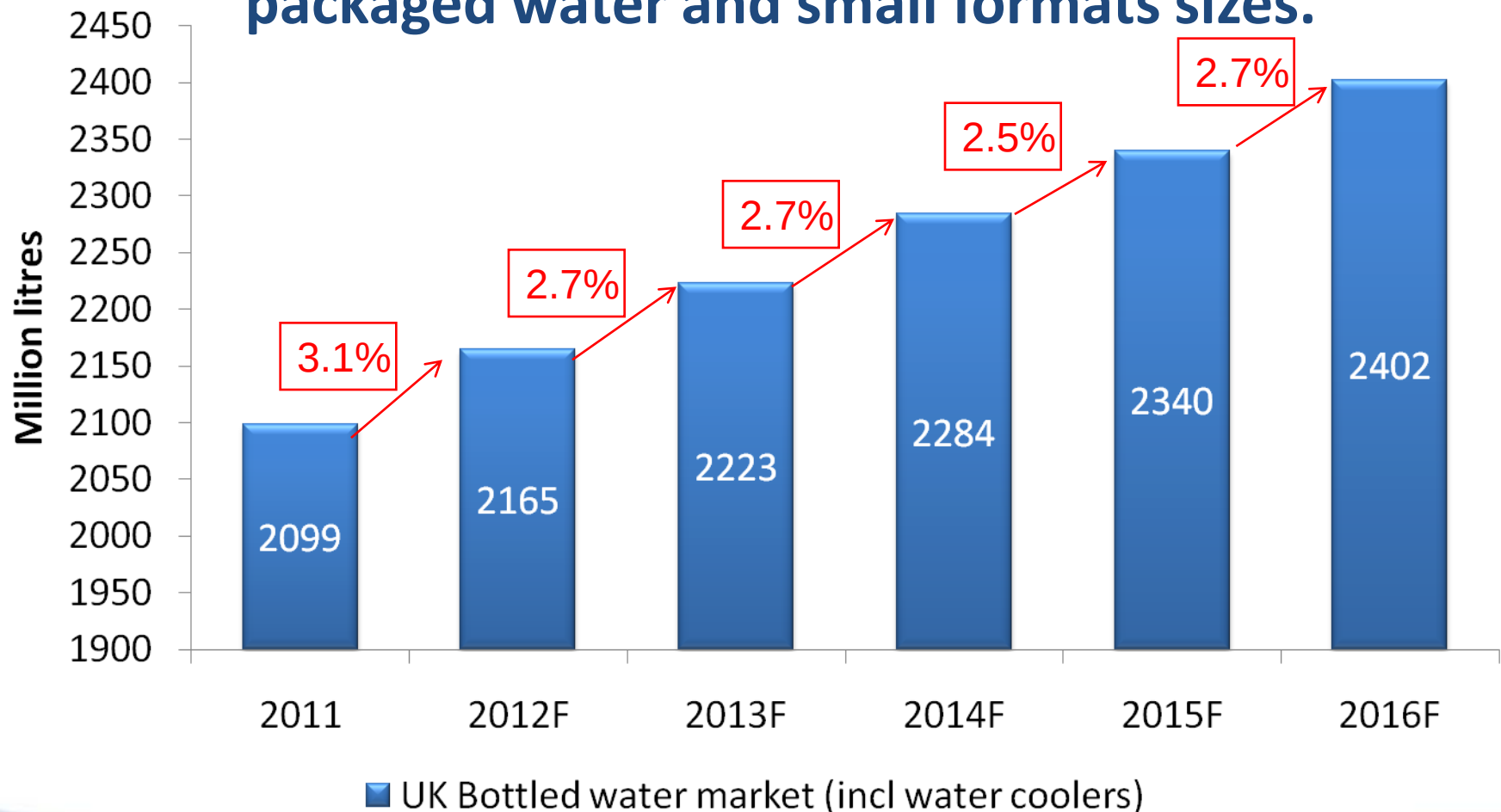
Million litres (packaged water ≤ 10 litres)



Source: Zenith International, November 2011

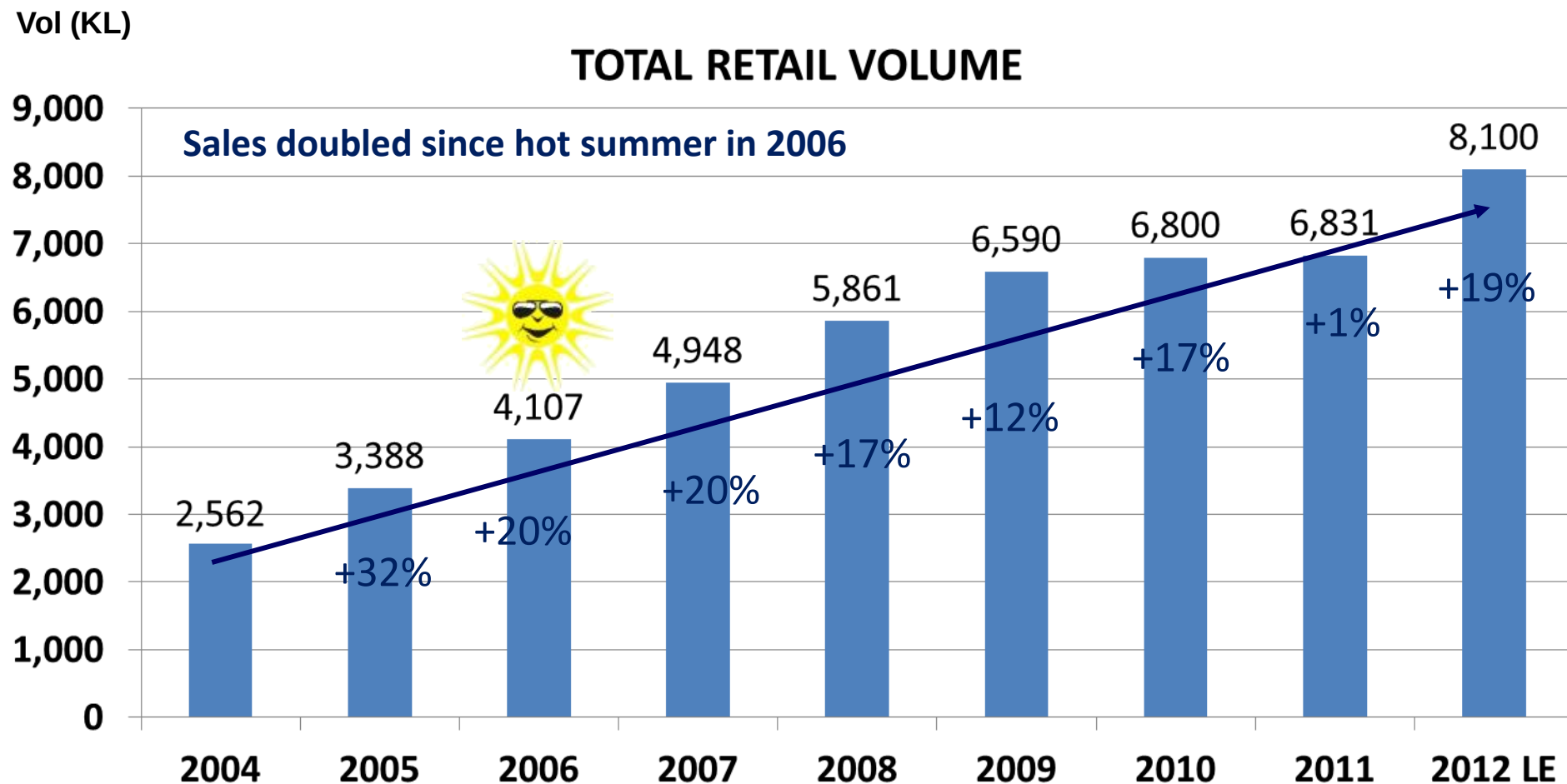
UK Bottled water market forecast, 2011-16

The UK bottled water market is expected to grow steadily, adding +300million litres by 2016 – mainly driven by plain packaged water and small formats sizes.

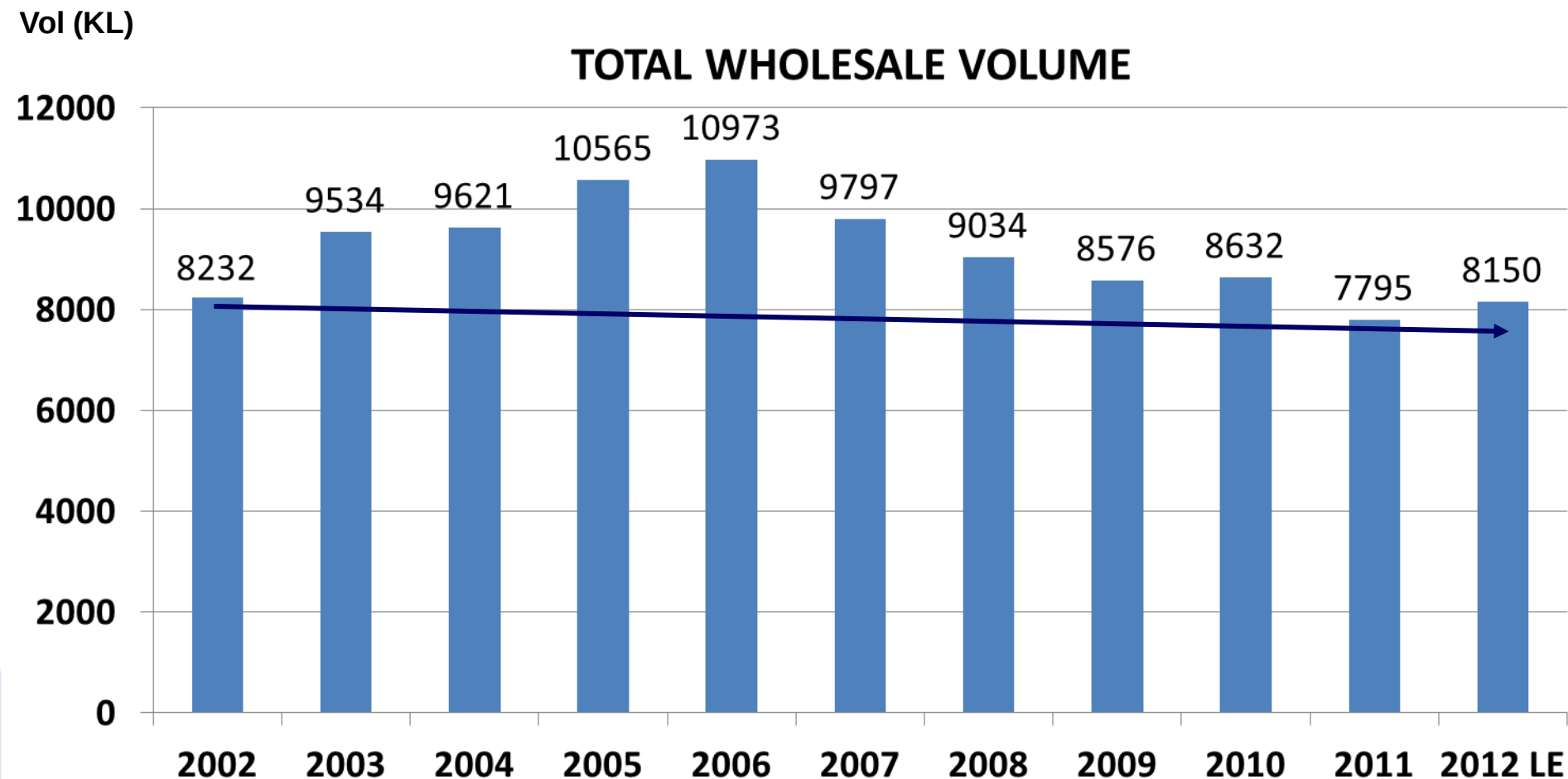


Brecon sales in supermarket channel

- Since 2004 Brecon Carreg growth is 216%.
- Brecon Carreg average YOY growth is 20%, versus YOY water market growth of 1.8% - Brecon Carreg is helping grow the UK bottled water market
- 2012 sales growth predicted at 19% YOY, due to gains in distribution across the estate in both England and Wales



Brecon sales in wholesale channel



Key Market Trends & BMW Strategy

Market Trends

- **Buying British/local:** British consumers increasingly prefer to buy British and/or local brands and reduce food miles.
- **UK brands vs Imported brands (bottled water):** UK brands are driving the market growth, imported brands have been losing share since 2005 (32.3% in 2005 v 25.9% in 2011).
- **Provenance** and confidence in trusted suppliers are now clearly important to consumers.
- Extensive media focus on UK's serious obesity problem (Europe's fattest women with men not far behind) – opportunity for bottled waters to push **health & hydration** messages.
- **Discounters** (Aldi/Lidl) are growing their shares in the market.

Market Trends

- At retail **promotions matter more than ever**:
 - consumers are seeking value for money even at the expense of brand loyalty.
 - in bottled water, **heavy discounting, half price, BOGOFs** etc are being increasingly seen and can result in significant volume uplifts at the expense of margin.



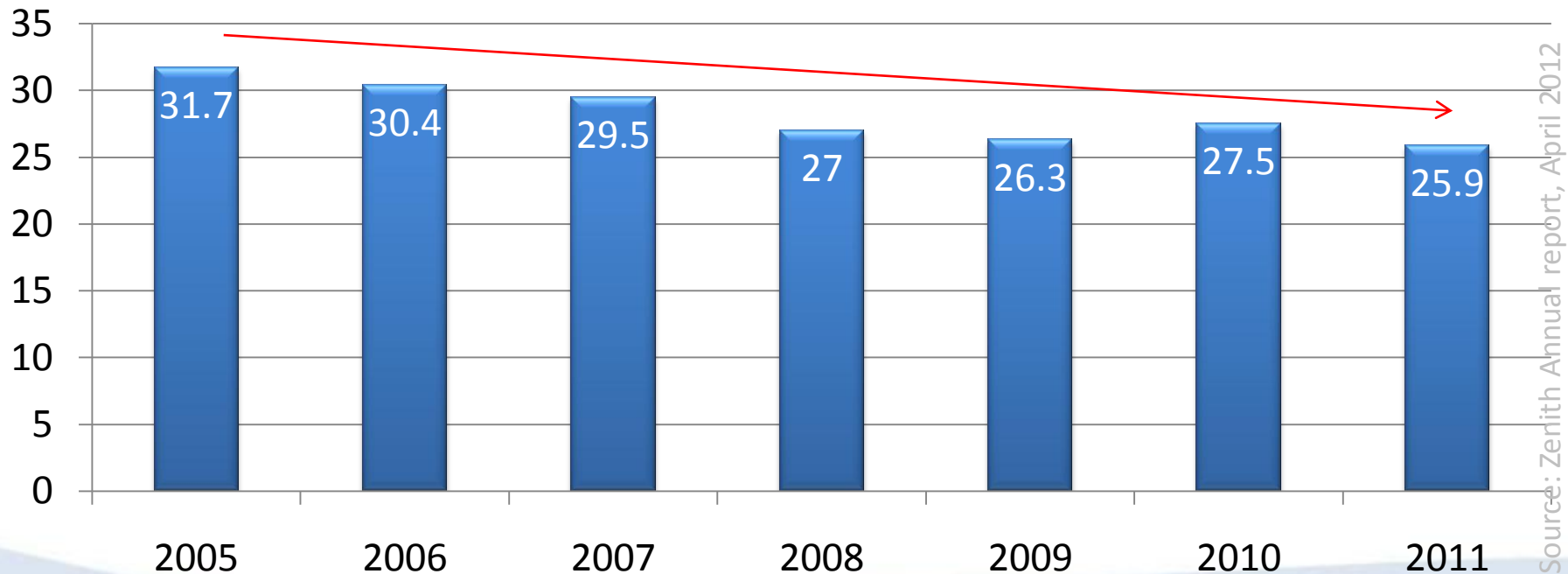
- **Ethical – CSR** remains a prominent theme for all stakeholders with distributors increasingly requiring suppliers to demonstrate high standards.
- **Lightweighting** – top of the agenda for many companies, offering the best potential for reducing raw materials, processing, distribution and energy costs.

Key Market trends/drivers

UK brands vs Imported brands:

- Imported waters dramatically lost share since 2005 (20% loss of share: 32.3% in 2005 vs 25.9% in 2011) as consumers preferred to buy local and reduce food miles.

% share (still/sparkling bottled water imports as % of total package water, sizes <10 litres)



Strategy

- Develop a sustainable profitable growth strategy, driven by branded business development in our heartland
 - ✓ with a strengthened brand positioning and visibility to drive loyalty in Wales
 - ✓ with a dynamic innovation plan that meets consumer trends (convenience, communication and CSR...)
 - ✓ Defend our position in the supermarket channel in Wales and look to maximise our visibility in all impulse areas
 - ✓ Front of store and secondary sitings on the shop floor
 - ✓ Maintain volume in the declining wholesale channel
 - ✓ Particular focus on market driver - 500ml multi-packs
- Private label activity is non core but used as a fixed costs absorber.

Brecon Carreg Strategy in 2013

A Two pronged strategy

- Strengthen our position as undisputed leadership in our heartland, Wales.
- To grow sales and become a key player in targeted key metropolitan areas within 75 miles of Wales (Birmingham, Liverpool, Manchester, Bristol, Cheltenham, Gloucester)
 - To grow our weighted distribution.
 - To challenge Buxton and Highland Spring on consumer offering (value for money, consumer choice).
 - To invest in brand building/communications to increase awareness, recognition, consumer demand.

Summary

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Q&A

- Any questions???