

AG Barr

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For AG Barr and others, Scottish bottle deposit scheme could be new normal

Plans to introduce a deposit return scheme for plastic, glass and aluminium drink containers in Scotland could become the new normal across the world for drinks makers such as AG Barr PLC (LON:BAG).

The scheme, which will see 20p added to the cost of drinks in disposable bottles that customers can then reclaim by returning the containers to shops or specialised reverse vending machines, could serve as a permanent handicap to profits for the Irn-Bru maker as the increased price stifles consumer demand.

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Analysts at Liberum are estimating that the Scottish government could implement the scheme in March 2021, which they predicted could be "painful" for the firm going forward, although more would become clear when the Holyrood government unveils its plans for 'stage 2' of the scheme, expected before March 2020.

Liberum's Nico von Stackelberg told Proactive that while 20p may not sound much for a single bottle of 'the Bru', multipacks could see their prices increase "substantially".

Von Stackelberg is predicting that AG Barr is likely to take a hit to its top-line growth in its 2022 financial year, when the scheme is likely to be introduced, although the overall cost to the company and the rest of the industry will depend on the details to be released in stage 2.

"The industry wants to see really high recycling rates, as then the system will nearly pay for itself. If there have poor recycling rates, it could be even more costly than current models", he said.

He adds that costs to the firms could also be higher if they are forced to shoulder the costs of the scheme without government assistance, although this is deemed unlikely.

England next?

The prospect of an increase in the price of drinks in single-use containers isn't confined to Scotland, with a consultation currently underway in England to introduce a similar 15p refundable deposit.

Von Stackelberg said that one of the beverages to be worst hit by the schemes will be bottled water, placing pressure on companies such as Britvic PLC (LON:BVIC), while Vimto maker Nichols PLC (LON:NICL) is also in the firing line.

However, the analyst said schemes such as the one in Scotland are part of a 'new normal' as governments place the burden of consumer's waste on the companies to increase recycling rates and minimise plastic waste around the world.

With this in mind, he says that investors should not dump their shares in firms like AG Barr, as the outcome of such

Price: 518

Market Cap: £580.31 m

1 Year Share Price Graph



Share Information

Code: BAG

Listing: LSE

52 week	High	Low
	641	369

Sector: Food & drink

Website: www.agbarr.co.uk

Company Synopsis:

Our business has been a soft drinks business since 1875 making, marketing and selling some of the UK's best loved soft drinks brands. Our biggest brand is IRN-BRU which is seen by many as part of the culture of the Scottish Nation. We have been investing in and building brands like IRN-BRU for over 100 years and continue to develop our business to meet consumers continually changing needs.

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recycling schemes is already "reasonably priced in" to the shares.

"It's not like investors are going to be blindsided by this. It is now part of doing business for these companies", he said.

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