

# AG Barr

10:12 28 Jan 2020

## 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.

### READ: AG Barr upbeat as full-year profit slightly ahead of expectations

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 depends on final 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.*

action@proactiveinvestors.com

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.

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 +44 (0)207 989 0813 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

### No investment advice

The Company is a publisher. You understand and agree that no content 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 the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. 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.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.