

# GA-COURTENAY SPECIAL SITUATIONS FUND

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## FEVER TREE: TRANSFORMATIONAL DEAL PUTS US EXPANSION ON COORS

March 17<sup>th</sup>, 2025

“If 3/4 of your drink is the mixer, mix with the best.<sup>1</sup>”

Fever Tree marketing slogan

“We took it on absolutely head on, we took on the world’s biggest brands, Schweppes in America, and we said, look it’s rubbish. Decent spirits need better mixers, they deserve better.

So we said what we are going to do is design something from scratch, and say, if we started with a clean sheet of paper, how would we make the best tonic water in the world?”

Charles Rolls, co-founder of Fever Tree, speaking in 2018<sup>2</sup>

“Can you imagine a supply chain director from a big incumbent drinks company saying we’re going to import the ingredients for our product from the Rwanda Congolese border?

If you want to be the best – you have to ask yourself what it takes.”

Jeremy Kanter, Chief Marketing Officer, Fever Tree, speaking in July 2024<sup>3</sup>

“The size and opportunity of the US market is significant. We see an opportunity that’s multiple times the size of our business currently. And as I explained, there’s no question Molson Coors have the capability to really drive this business to the next level in terms of size, but also crucially into new channels and new opportunities.

This transformative partnership will enable Fever Tree to capitalise on Molson Coors’ supply chain and procurement strength to drive operational efficiencies as well as manage the onshoring of US production.”

Tim Warrillow, CEO, Fever Tree, January 2025<sup>4</sup>

## Executive Summary

This white paper examines the *equity special situation opportunity* presented by Fever Tree, the worldwide leader in premium mixers such as the tonic waters and ginger beers that complement alcoholic spirits, and which has recently announced a transformational transaction with scaled US beverages peer, Molson Coors.

Our analysis is presented in the context of today's market environment in which traditionally mispriced securities are scarce as a result of generally high valuations<sup>6</sup> combined with the widespread use of sophisticated computing tools to screen readily ascertainable metrics consistent with security mispricing.

The outcome is that identifying the attractively priced *equity special situation opportunity*, whose pricing is in part of a result of its unusual pre-conditions and consistent with a lower probability of identification by most market participants, can be highly advantageous. Our approach targets the identification of such opportunities by close monitoring of the universe of mergers, acquisitions, and other significant corporate events that can result in transformative value shifts.

The Fever Tree case reviewed by this white paper comprises a group of dimensions consistent with the form of *equity special situation opportunity* that we seek.

These characteristics include: prior to the transaction announcement the target security has de-rated and as such exhibits valuation asymmetry, the opportunity has arisen from the M&A universe and post deal announcement there has been limited change in security price as such implying a market inefficiency window, and finally, the transaction not only cures the variable responsible for the de-rating of the target security but is additionally judged as probable to deliver scenarios with transformative economics.

Prior to its January 2025 announcement of a transformative US partnership with Molson Coors, Fever Tree equity had significantly de-rated, resulting in valuation asymmetry

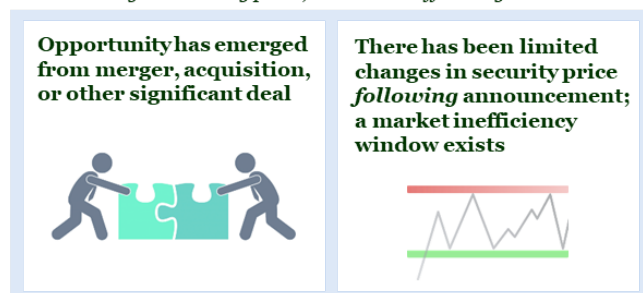
Prior to the January 2025 announcement of its US partnership with Molson Coors, Fever Tree's valuation had significantly declined due to what appears to be a market misinterpretation of its trajectory. The misreading of positive developments as negative has created favourable valuation asymmetry, meeting our conditions for the optimal form of equity special situation opportunity.

### Figure 1: The Fever Tree case study comprises a group of dimensions consistent with the optimal form of *equity special situation opportunity*<sup>5</sup>

*The pricing of the target security exhibits valuation asymmetry*



*The opportunity has arisen from M&A universe; post-announcement, limited change in security price, a market inefficiency window exists*



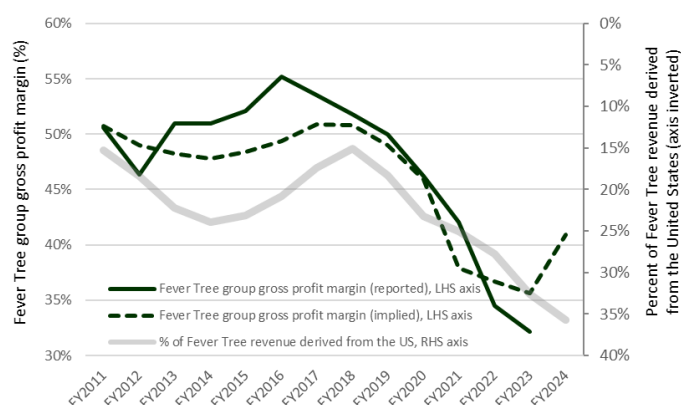
*The transaction cures the variable responsible for the de-rating and is additionally judged as probable to deliver transformative economics*



Fever Tree's valuation de-rating almost certainly stems from its declining profitability. From 2016 to 2023 operating profit margins contracted from 35% to 8%<sup>7</sup>, an outcome linked to the gross profit margins of the company falling from 55% to 22%<sup>8</sup> over the same period, as per Figure 2.

This pattern of progressive margin compression, for branded consumer products companies, might normally be associated market share loss. However, at Fever Tree the opposite is the case. During this same period, Fever Tree grew revenues by 256%<sup>9</sup> and continued gaining market share, overtaking Schweppes in the US in 2021 to become the market leader in tonic water and ginger beers.

**Figure 2: A model implying Fever Tree's gross margin, using inputs of growth in US revenues and associated transatlantic shipping costs, gives an output closely matching the actual reported gross margins<sup>10</sup>**



**Figure 3: In the US, in 2021, Fever Tree gained the market leadership position from Schweppes<sup>11</sup>**

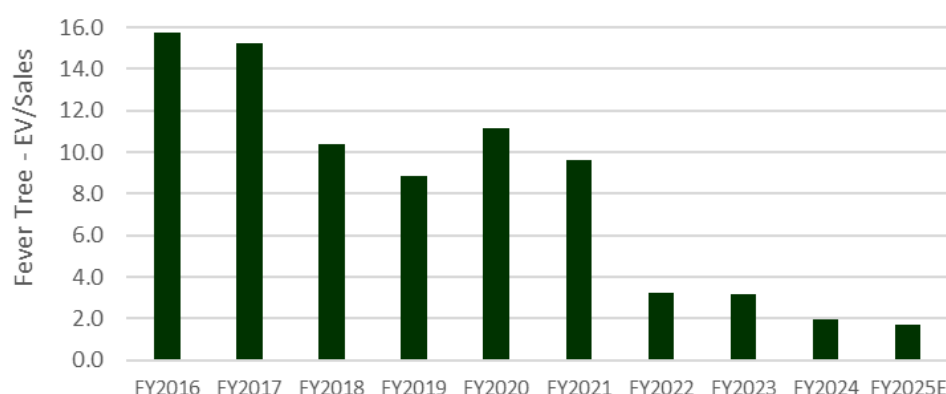


Nevertheless investors have significantly de-rated Fever Tree's valuation multiple. As Figure 4 shows, Fever Tree's valuation has declined nearly 90%, from 16x EV/Sales in 2016 to just 1.7x consensus EV/Sales for 2025E<sup>12</sup>. The result is that Fever Tree's valuation today is at a deep discount to a number of its comparators: Suntory acquired competitor Schweppes' parent Orangina at 2.6x EV/Sales in 2009<sup>13</sup>, while peer Monster Beverage currently trades at 6.5x EV/Sales for 2025E<sup>14</sup> and Keurig Dr Pepper at 3.9x<sup>15</sup>.

Fever Tree's margin compression has resulted in consensus estimating 2025E net income at £36m, substantially below 2018's £62m, despite projected 2025E revenues being almost double<sup>16</sup>. However, the company's true value is a function of its long term cashflows, themselves a function of the company's long-term revenue progression. Hence there has been a market error in de-rating the equity of Fever Tree, *so long as its margins recover in the future to their earlier, more rewarding levels.*

At its current £814m market capitalisation (the company also has a 2024E net cash position exceeding £78m<sup>17</sup>), Fever Tree is priced as if its historic profitability will not be restored. Based on 2025 consensus revenue estimates, a return to historic 35% operating margins would yield a P/E ratio of 7.9x – or just 7.1x excluding cash at year end 2024 – putting the company firmly in deep value territory<sup>18</sup>.

**Figure 4: Fever Tree has de-rated to a valuation of 1.7x consensus EV/Sales for 2025E, a significant discount to both its valuation history and the comparable valuations of peer group companies<sup>19</sup>**



Our research indicates that, rather than being the result of market share loss, Fever Tree's margin compression instead coincides with the scaling of Fever Tree's US revenue, which grew from £21m in 2016 to £119m by 2023, becoming its largest geographic segment, and this year reaching an even greater 39% of group revenue<sup>20</sup>.

Prior to the Molson Coors partnership announcement, Fever Tree has produced US-bound products in the UK<sup>21</sup>, exposing group profitability to transatlantic shipping costs. Figure 2 also presents our modelled estimate of Fever Tree's theoretical group margin, accounting for increased US revenue and associated shipping costs (particularly during COVID when these costs surged).

Our model closely matches Fever Tree's reported gross margins, providing strong evidence that the margin decline since 2018 stems from the company's success in the US market and its associated temporary burden of rising shipping costs.

The implication, and a key insight from our work, is not only that Fever Tree's margin decline is temporary, but additionally that the margin decline trajectory is cured by the partnership agreement that has now been announced with Molson Coors.

### Fever Tree's Molson Coors partnership cures the company's transatlantic shipping cost burden, and furthermore stands to underpin a significant scaling of Fever Tree's US revenue

Following the January 2025 announcement by Fever Tree and Molson Coors of their US partnership Fever Tree products will be produced locally in the US<sup>22</sup>, combined with Molson Coors also handling sales, distribution, and marketing execution.

As such, a base case contention can be put forward that, following the Molson Coors transaction, *Fever Tree is implied at a single digit P/E ratio on current year consensus revenues, yet only if a normalised margin equal to historic margins is also applied*. And, whilst Fever Tree has guided that a return to prior margins will not be immediate as a result of the initially accelerated marketing spend that will take place to accelerate the US business, the conceptual, *normalised margin valuation* measure still reveals the asymmetrical price point of a potential allocation to Fever Tree today, assuming a reasonable investment horizon.



*“Molson Coors, with its multichannel approach across both the breadth of the on- and off-trade channel will be the perfect US partner for the Fever Tree brand. In numbers, their network covers over 500,000 accounts and around 30,000 deliveries every single day. They are supported by their dedicated national sales force, best-in-class category management, long-established customer relations and deep sales insights.*

*The size and opportunity of the US market is significant. We see an opportunity that’s multiple times the size of our business currently. And as I explained, there’s no question Molson Coors have the capability to really drive this business to the next level in terms of size, but also crucially into new channels and new opportunities.*

*This transformative partnership will enable Fever Tree to capitalise on Molson Coors’ supply chain and procurement strength and expertise to drive operational efficiencies as well as manage the onshoring of US production.”*

Tim Warrillow, CEO, Fever Tree, announcing the US partnership with Molson Coors, January 2025<sup>23</sup>

Additionally, Fever Tree’s Molson Coors partnership stands to underpin a significant scaling of Fever Tree’s US revenue.

In 2023, Fever Tree’s US revenues surpassed UK sales, and consensus analysts estimate they will represent over 39% of total company revenue in 2025E<sup>24</sup>. However, for the US, the premium spirits category – Fever Tree’s natural adjacency – the company guides is 12x larger than the UK market<sup>25</sup>. As Fever Tree’s management note, if their revenue can achieve the same level of market penetration in the US as it has in the UK, US revenue would multiply<sup>26</sup>.

Long-term trends also favour Fever Tree’s positioning, with major spirits companies such as Diageo, Pernod Ricard, and Brown Forman reporting 4% annual organic US revenue growth over the past decade<sup>27</sup> driven by increasing consumer preference for premium spirits.

In appraising in greater detail Fever Tree’s US opportunity, the white paper presents – for illustrative purposes only – what we believe is a conservative success case scenario for Fever Tree’s US growth over the next four years.

Our success scenario accepts Fever Tree’s guidance that its comparable US opportunity is 12x the same market definition in the UK, and assumes that Fever Tree, over the next four years, captures just over one third of this opportunity. For reference, for from 2014 to 2018, the same four year time period, Fever Tree in the UK grew revenue by more than 10x and we estimate captured 70% of its comparable UK opportunity<sup>28</sup>, and without an equivalently advantaged production and distribution partner such as the business now possesses in the US. Our success case scenario also assumes that the profit margins of Fever Tree recover 34% operating margins, their level prior to 2017<sup>29</sup>, that is, before the company accelerated its US revenue growth yet with its associated significant increase in shipping costs which were then commensurate with the trailing margin decline trajectory.

Under the success case scenario, Fever Tree’s net income reaches £140m by 2028, compared to its current £814m market capitalisation. The group’s projected net cash position also rises to £443m by 2028. The outcome implies a 2028E P/E ratio of just 5.8x (or a mere 2.7x excluding cash)<sup>30</sup>.

Naturally, this success case is presented for illustrative purposes only, and the future will diverge as unknowns – positive and negative – inevitably emerge.

**Figure 5: Sensitivity of Fever Tree FY2028 Group net income, US revenue and Group net cash (assuming no dividends nor share buybacks), to percent of US market opportunity captured by year end 2028<sup>31</sup>**



Hence what is critical from the perspective of our analysis, rather than embracing false precision, is that our overall judgement of the probability of US success is broadly correct, and indeed, that success is highly probable. The white paper undertakes this assessment through what we believe is a deeper analysis of Fever Tree's business position than may be typical – yet a depth of analysis justified by the potential investment reward.

A robust route to making this assessment in our view must recognise that companies, and their business trajectories, are not dead entities that can be entirely reduced to the forms of widely used formulaic appraisals that many market participants adopt. Instead, companies are very much alive, and the success of a business trajectory depends on the interplay between its product attributes, its leadership, the productivity of its workforce, the extent to which its innovation and marketing achieves excellence, and its strategic orientation and choices.

Furthermore, success probability is raised when a company not only performs strongly with regard to the above attributes in an absolute sense, but also *relative to its competitors*. As such, all else equal, a company has a stronger advantage when it faces ossified competitors with low corporate dynamism.

**Figure 6: The 'super brand' attributes of Fever Tree are part of its set of characteristics allowing it to efficiently expand to new markets such as the US, align its workforce around unified goals, and remain both highly innovative twinned with delivering marketing excellence<sup>32</sup>**



Our analysis finds that the success with which Fever Tree has delivered on its founding orientation, to produce *the best tonic waters and mixers in the world*, and exclusively from naturally sourced ingredients, sits at the fulcrum of its competitive advantage. This orientation also underpins its ascent to ‘super brand’ status as well as being a central factor driving the company’s highest-in-sector workforce productivity, delivery of excellence in innovation and marketing, and empowering its astute business strategy.

With these attributes in place, Fever Tree has established market leadership positions across multiple global regions, including the US prior to the Molson Coors partnership. And – to the extent these attributes endure – they inform our conclusion that our US success case probability, now enhanced through the company’s favourable partnership with a scaled US-based manufacturer and distributor, is high.

Apparent verification of our conclusion is has also been presented by insider behaviour. Following announcing the Molson Coors transaction, directors of the company conducted meaningful share purchases. Chairman Domenic De Lorenzo added nearly £70,000 in shares, CFO Andy Branchflower purchased £250,000, and Non-Executive Kevin Havelock invested almost £1 million<sup>33</sup>. Notably, Molson Coors – with inside knowledge of the business plan – also acquired an 8.5% equity stake in Fever Tree through a share issuance which formed part of the transaction announcement<sup>34</sup>. Fever Tree, possessing similarly advantaged insider knowledge, has subsequently announced an equivalent share buyback to neutralise this<sup>35</sup>.

The conclusion presented is that Fever Tree fits our target *equity special situation opportunity* profile: a high-quality company whose trajectory has been misunderstood, creating a discounted and asymmetrical equity pricing entry point. The transformational transaction announcement just over a month ago appears to be co-incident with a market inefficiency window where its implications remain unrecognised. The US partnership with Molson Coors not only eliminates Fever Tree’s transatlantic shipping burden, which we contend has been the primary cause of its trailing margin decline, but also empowers significant prospective scaling of Fever Tree’s US advantaged business model – a scenario which our success case reveals, today, as implying Fever Tree equity as priced at significantly discounted levels.

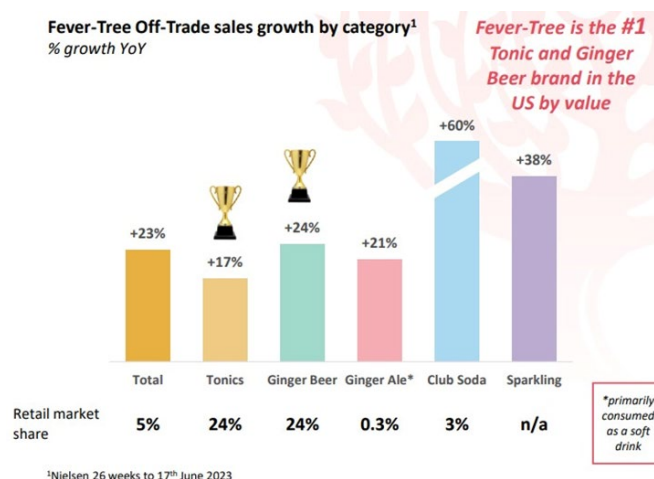
# 1. Fever Tree's Molson Coors US partnership stands to cure the company's high transatlantic shipping cost burden

## 1.1 Fever Tree's gaining of the leading US market share in tonic water and ginger beer has been achieved only by initially accepting high transatlantic shipping costs, at a cost to group margins

The US became Fever Tree's largest market in 2023, surpassing the UK<sup>36</sup>. Key achievements include market leadership in tonic water (27% value share) and ginger beer (30% value share), penetration across both on-trade and off-trade channels, and successful expansion into sparkling and cocktail mixers.

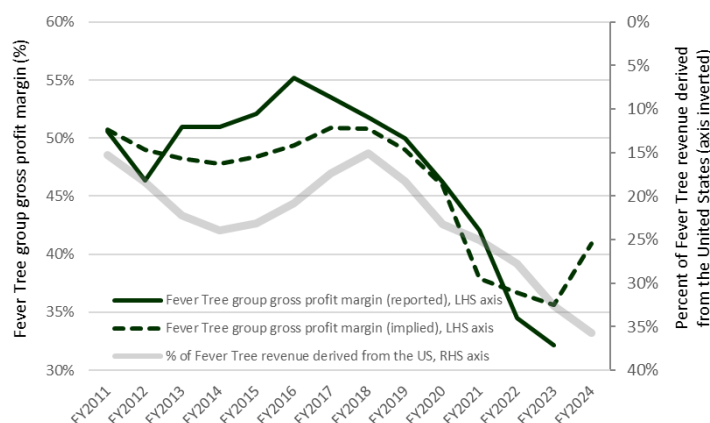
Despite this success, Fever Tree's production remained primarily UK-based<sup>37</sup>, and as such Fever Tree's success in gaining the leading US market share in tonic water and ginger beer has been achieved only by initially accepting high transatlantic shipping costs, at a cost to group margins. This burden intensified post-COVID when transatlantic shipping costs quadrupled amid port congestion challenges<sup>38</sup>. As Figure 8 shows, our modelling indicates Fever Tree's gross margin decline since 2018 directly correlates with US revenue growth and its associated shipping costs. The implication is that to the extent that Fever Tree can address its high shipping cost burden, the market has misunderstood Fever Tree's investment case, incorrectly viewing profitability compression as permanent rather than temporary.

**Figure 7: The US has become Fever Tree's largest market by revenue with key achievements including the leading market positions in both tonic water (27% value share) and ginger beer (30% value share)<sup>37</sup>**



Notably, even before the Molson Coors partnership, Fever Tree had begun implementing a comprehensive margin recovery plan including improved procurement, production optimisation, and pricing increases. These initiatives delivered approximately 600 basis points of gross margin improvement in H1 2024, with guidance for continued improvement of roughly 200 basis points annually thereafter<sup>39</sup>.

**Figure 8: Our modelling outputs that Fever Tree's gross margin decline since 2018 is attributable to its growth in US revenues (overtaking the UK in 2023), and their associated from-UK shipping costs<sup>40</sup>**



### Cost of Shipping a 40-foot Container to the USA

The cost of sending a 40-foot shipping container from the UK to the USA ranges from £5,905 to £8,545.

Destination	40-foot container
Chicago	£7,800 – £8,000
Houston	£7,300 – £7,600
Los Angeles	£8,100 – £8,500
Miami	£5,900 – £6,200
New York	£6,600 – £6,800
San Francisco	£8,200 – £8,500



## 1.2 Fever Tree's joint venture with Molson Coors secures a scaled US-domiciled manufacturing and distribution partner on favourable terms, and stands to cure their margin shortfall

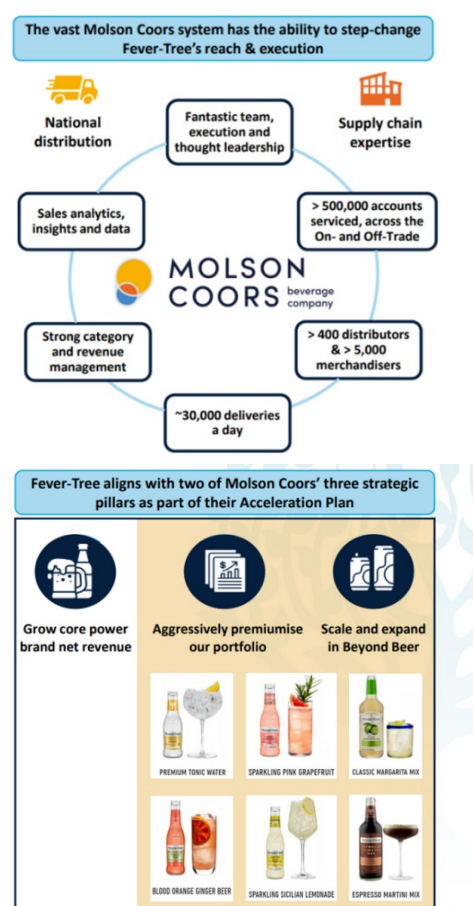
In January 2025, Fever Tree announced a strategic US partnership with Molson Coors, which will handle sales, distribution, marketing execution, and production<sup>41</sup>. The partnership leverages Molson Coors' local production facilities and extensive distribution network (500,000 accounts with 30,000 daily deliveries). Brand strategy will be jointly governed through an equal representation committee, while Fever Tree retains control of brand identity, vision, and new product development<sup>42</sup>.

The terms of the transaction also include guaranteed royalty payments from Molson Coors to Fever Tree from 2026-2030<sup>43</sup>, providing a degree of buffer in favour of Fever Tree against potentially higher marketing expenditures to accelerate US growth.

Molson Coors will additionally fund the working capital required for US expansion<sup>44</sup>, allowing Fever Tree to efficiently convert US profits to cash. This reduces Fever Tree's cost of growth while creating additional cash reserves to pursue global opportunities and potential shareholder returns.

Notably, this partnership extends Fever Tree's capital-light business model, allowing it to focus on its core strengths in strategy, brand identity, and product development. Critically, the arrangement eliminates the high shipping costs and distribution handicap that previously burdened Fever Tree's profitability, while adding Molson Coors' scale advantages to drive US revenue growth.

**Figure 9: Fever Tree and Molson Coors in January 2025 announced a mutually beneficial partnership, onshoring US production and extending Fever Tree's familiar, capital light business approach to the US**



*"Everybody has their skills as an entrepreneur and it's a very important thing to work out early what your skill set is. Our skill set is certainly not in wanting to run a manufacturing plant."*

*"There are some extremely good manufacturers out there, if you work hard to find them, that's a job, but when you have found them, and in our case the really good ones have been the Showering Brothers who used to make Babycham and they are a fantastic family and they have got an exceptionally high quality facility down in Shepton Mallet in the UK."*

*"These guys are experts in their area and as long as you control the quality that goes in and you monitor their processes you can get great for product out."*

*"But what we're always looking for also is distribution."*

*"You may have a great product, but once you've got that the issue is how do you get your consumer to know it, try it and buy it."*

*"And if you don't get distribution you're up against an almost impossible situation."*

Charles Rolls, co-founder of Fever Tree, speaking in May 2017<sup>45</sup>

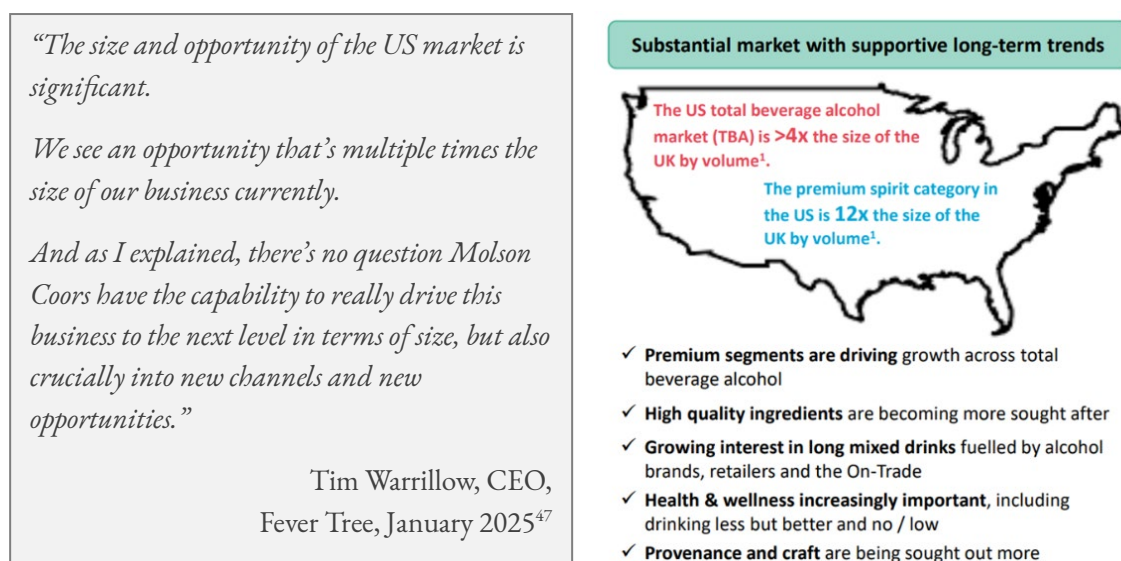


## 2. Fever Tree guides its US opportunity at 12x that of its UK opportunity, furthermore, its trailing US revenues may have been artificially constrained

### 2.1 Fever Tree guides its US opportunity at 12x that of its UK opportunity

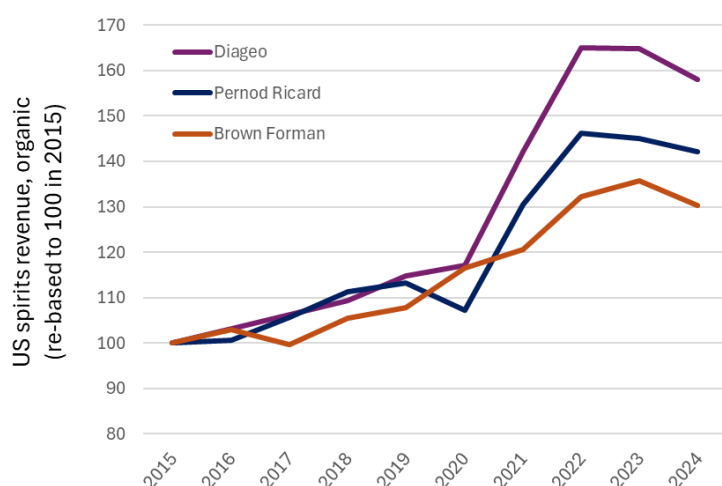
Whilst Fever Tree's US revenues have already surpassed its UK revenues, the company guides its US growth opportunity as remaining significant, with the US premium spirits market – its natural adjacent category – 12x larger than in the UK.

**Figure 10: The US is already Fever Tree's largest market, however, it is also its most scalable with the premium spirits category in the US 12x the size of the UK<sup>46</sup>**



Long-term trends in the US are also suited to Fever Tree's product positioning. As per Figure 11, organic revenues reported by Diageo, Pernod Ricard and Brown Forman have grown by 43% (4% annualised) over the last decade, and have also been categorised by a shift in demand orientation to premium spirits, the spirits category most likely to be twinned with Fever Tree's mixers.

**Figure 11: The US sprits sector has grown by organic revenues by 43% (4% annualised) over the last decade, and is also categorised by a shift in demand orientation to premium spirits**



*"Gen Z definitely drink less beer and wine, but penetration for spirits among that segment of the population has gone up by 3 points over the last decade.*

*And whilst Gen Z drink less, they also drink better – they drink premium."*

Pernod Ricard, earnings call transcript,  
February 6<sup>th</sup>, 2025<sup>48</sup>

## 2.2 Fever Tree's trailing US revenues appear to have been artificially constrained, further amplifying the ability of the company to accelerate revenue growth from current levels

While the US is now Fever Tree's largest market by revenue, evidence suggests the company has strategically constrained US sales outside its tonic water and ginger beer products through pricing. If accurate, this is likely to further amplify the ability of the company to accelerate revenue growth from current levels.

As shown in the figure, for tonic water and ginger beer, Fever Tree's US products command a 40-100% premium over incumbent competitors.

This premium is comparable to the UK market (30-40%) and has still enabled market leadership in both categories. However, for US soda water, Fever Tree charges a prohibitive 380% premium, likely deliberately limiting market share growth.

This pricing strategy made sense when US growth eroded group margins due to high shipping costs. However, with US production and distribution moving onshore through the Molson Coors partnership, these artificial pricing constraints can be eliminated.

This suggests Fever Tree's current US revenues have been deliberately *depressed* by pricing strategies designed to limit growth during the period of margin-eroding shipping costs.

The opportunity for US revenue expansion once these pricing constraints are removed represents an underappreciated growth tailwind.

*"We price at up to double the incumbent, however that translates to an extra pound-50 or \$2. When you think about how much you spend on your spirits and an extra one or two pounds on the mixer isn't that much, quite the opposite if it provides three quarters of the drink."*

Jeremy Kanter,  
Chief Marketing Officer,  
Fever Tree, 2023<sup>50</sup>

**Figure 12: Fever Tree has US leadership when its beverages are priced at equivalent premiums as the UK market, yet additional Fever Tree US products are priced at far higher premiums, likely limiting volumes<sup>49</sup>**



### 3. For Fever Tree to decisively accelerate US market share gains, a set of additional properties are required: those ‘super brand’ characteristics with universal appeal which empower a brand to readily penetrate new regions

#### 3.1 The Fever Tree brand values in combination are highly desirable, and rare, meeting all four of our ‘super brand’ properties

Fever Tree's Molson Coors US partnership stands not only to cure the company's high transatlantic shipping cost burden through onshoring US production, but additionally empowers the prospective US revenue growth of Fever Tree with the distribution might of Molson Coors.

*“There's no question Molson Coors have the capability to really drive this business to the next level in terms of size, but also crucially into new channels and new opportunities.”*

Tim Warrillow, CEO, Fever Tree, January 2025<sup>51</sup>

Our premise is that the potential investment reward offered by Fever Tree justifies a deeper examination, and in particular, into the interplay between its product attributes, its leadership, the productivity of its workforce, the extent to which its innovation and marketing achieves excellence, and its strategic orientation and choices.

We undertake this analysis, and first in considering Fever Tree's product and brand attributes, in the context of recognising that some brands may possess wonderful qualities yet their attributes still lack sufficient universal appeal to travel successfully to new markets, as Warren Buffett notes in Figure 13, highlighting See's Candies.

#### **Figure 13: Warren Buffett ruminates, highlighting See's Candies, some brands possess wonderful qualities yet their attributes lack sufficient universal appeal to travel successfully to new markets**

*“With See's – it hasn't been a question of not trying to open stores - what we found out is that we have this wonderful brand but a brand that doesn't travel. You know, the mystique, the actual product, the feelings people have about some things as we said before I mean it sometimes it is limited to given markets.*

*I kept learning more as I watched different brands – our economics were so good in California that we tried in many cases the same experiment over and over again. We've tried everything in the world to cause the See's brand to travel.*

*The temptation is to keep trying because the economics would be so good, if we succeeded. So we tried various things, and of course every manager that comes along wants to try it because they've learned it should work. But [for See's] it doesn't work..”*

Warren Buffett, speaking at Berkshire Hathaway shareholder meeting 2023<sup>52</sup>

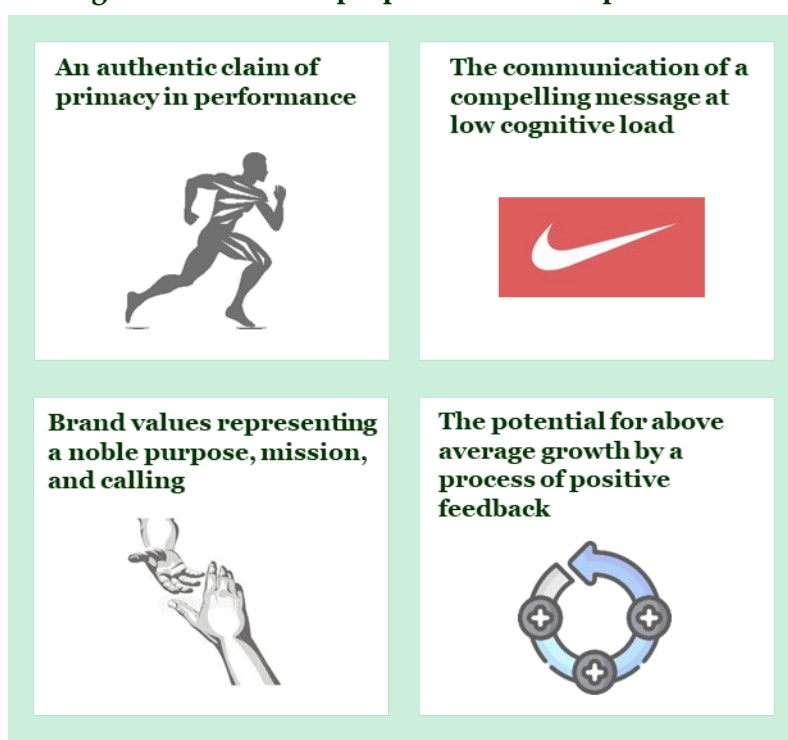
Buffett's comments include that it is "*the feelings that people have about some [of the] things*" that a brand represents that can both empower a brand, or limit it, in successfully travelling to new markets. Of course, Buffett rarely gives away his full mode of thinking, although we have historically undertaken our own deeper analysis examining multiple case studies in an attempt to determine what those 'super brand' characteristics are which result in the universal success of certain brands and their respective products.

Our work identified four consistent properties of super brands: performance authenticity, a brand name and iconography that communicates a compelling message at low cognitive load, a noble purpose, mission and calling, and brand attributes which result in growth tailwinds through positive feedback.

The Fever Tree case, and as reviewed in this section of the white paper, is revealed as very unusual in that *all four super brand qualities are met*, a significant finding in the context of our examination of Fever Tree's ability to now decisively accelerate US market share gains.

However, it the first super brand quality, *performance authenticity*, when a brand convincingly communicates its product is the best, which not only sits at the fulcrum a super brand, but additionally orientates the entirety of Fever Tree's advantaged business position.

**Figure 14: The four properties of the 'super brand'<sup>53</sup>**





### 3.2 Fever Tree meets our first ‘super brand’ property: the company possess a legitimate claim to be the performance authentic tonic waters, ginger beer, and other premium mixers specialist

#### *3.2. a) When a brand communicates its product is the best – a closer look at performance authenticity*

The first super brand property, performance authenticity, is achieved by a brand when its products *achieve leadership in a performance-critical domain*.

For Ferrari, the performance-critical domain is competitive racing: Ferrari maintains the leadership position as the most successful team in the history of Formula One racing, the only team contesting every championship season since 1950, and in doing so winning more championships than any other team<sup>54</sup>. Success in the performance critical domain is then used to provide authenticity, premium pricing and sales volume incentive for Ferrari’s consumer-facing sports cars, which contribute the vast majority of Ferrari’s profitability.

Rolex, another example of a consumer-facing brand possessing performance authenticity, in launching the Submariner wristwatch in 1954, focused on a design that performed at the extreme. The Submariner was the first watch to be waterproof up to 100 metres, today 300 metres<sup>55</sup>, and early advertising focused on educating the brand’s prospective customer base regarding the use of the watch at the performance extreme. The brand’s advertising, which focused on accreting the consumer-facing premium pricing and sales volumes, used the performance authenticity of the brand as the subtext but not the focal point of the marketing approach. Instead, the focal point shifted to aspiration – be it sporting contest or social interaction – and in doing so aimed to drive sales from consumers drawn to, and willing pay a premium for, the aspirational qualities of the brand.

However, our research also finds that performance authenticity does not require the brand to possess a sports-like orientation such as motor racing or deep sea diving. Disney, in originating both the Mickey Mouse character and the Disney World theme parks is building on a relevant *performance authenticity* measure when it comes to the new characters originated by the company, and whose profitability far exceeds that attributable to Mickey Mouse and its theme parks. Apple, in inventing the first mass market desktop computer that came as a single motherboard, pre-assembled (unlike other personal computers of that era)<sup>56</sup> today also builds on a relevant *performance authenticity* measure when it comes to the launch of their new products such as the iPhone and the Apple Vision Pro.

In beverages, *performance authenticity* is a result of the company being the first to synthesise a unique set of ingredients, and the finest quality ingredients at the time of the origination of the brand, and that result in desirable, premium characteristics in the resulting beverage.

As the branding of Coca-Cola originally emphasised, “*It’s the real thing*”: Coca-Cola originated the category, using desirable, and high quality ingredients. And only Coca-Cola retained access to their exact recipe. Coca-Cola was, and remains, *performance authentic*.

**Figure 15: Coca-Cola, the real thing, is performance authentic<sup>57</sup>**

“Coca Cola.. It’s the real thing.”

Coca-Cola brand advertising





**Figure 16: Performance authenticity at Rolex resulted from the brand first achieving leadership in a performance-critical domain. Thereon this success accreted premium pricing and volumes for its consumer-facing products.**

*Rolex, in launching the Submariner wristwatch in 1954, pioneered a design that performed at the extreme; early advertising from Rolex focused on educating the brand's prospective customer base regarding the use of the watch in performance environments<sup>58</sup>*

**Divers dive with Rolex**  
**THE ROLEX SUBMARINER**

The Rolex Submariner is a self-winding chronometer designed for the man who spends part of his working life under water—often at considerable depths. It is made with a special Rolex Oyster case, one version of which is built to withstand water-pressure to a depth of 660 feet. Its extra-luminous minute, hour and second hands make it easy to read even in the twilight depths. A special revolving bezel makes it possible for the diver to check his decompression time at a glance. The Submariner is the official watch for divers of the Royal Navy, the French Navy and the Royal Canadian Navy.



**THE ROLEX SUBMARINER**  
Precision guaranteed by a special Rolex Oyster case which renders it 100% waterproof to a depth of 660 feet. Self-wound by the Perpetual rotor mechanism. Extra-luminous hands. Revolving, calibrated, outer bezel acts as a reminder of unexpired time.

**ROLEX**  
Official watch  
for Royal Navy divers

Write to Rolex, Geneva, for full details of the Submariner.  
THE ROLEX WATCH COMPANY LIMITED (Incorporated in Switzerland) CHAM, SWITZERLAND

**If you were looking for lost empires here tomorrow you'd wear a Rolex**

When a man's life depends on his watch, the chances are he wears a Rolex. It's a big, tough, working watch. The Oyster case is carved out of a solid block of hardened Swedish stainless steel or gold. And with nearly three million parts in a 100,000-hour winding officially certified Swiss chronometer. The watch is made by hand in the 'Val de Joux' in Switzerland. It takes up more than a year to build a Rolex. The man who has been doing his time diving for archaeological treasures in the 'Tuscan' field was first made.


The Rolex they wear is the Submariner. Absolutely water and pressure to a depth of 660 feet, provided case, crown and crystal are intact. Rolex is waterproof to 660 feet. The watch is made by hand in the 'Val de Joux' in Switzerland. It takes up more than a year to build a Rolex. The man who has been doing his time diving for archaeological treasures in the 'Tuscan' field was first made.



**ROLEX**  
AMERICAN ROLEX WATCH CORPORATION, 300 FIFTH AVENUE, NEW YORK, N.Y. 10001  
Also available in Canada. Write for your color catalogue.

**Rolex went under at the North Pole.**

In April of 1974, a team of professional underwater experts, directed by Dr. Joe MacKenzie, dove beneath the Polar Ice Cap of the geographic North Pole. Expertise, confidence and precision were the orders of the mission. Both the divers and their Rolex watches performed flawlessly. But you'd expect nothing less from a Rolex. In an age of obsolescence and gimmicks, this simple classic value of a Rolex is indeed a rarity.

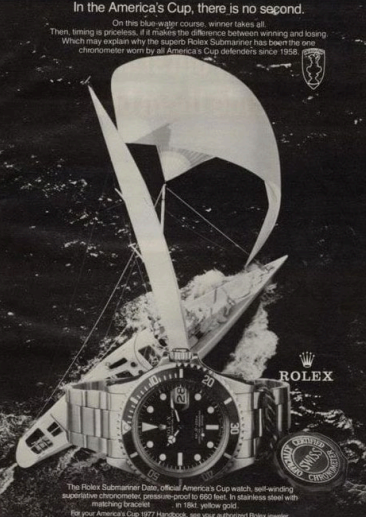


**ROLEX**

*Subsequent advertising by Rolex thereon focused on accreting the consumer-facing sales volumes. The latter advertising uses the performance authenticity of the brand as the subtext but no longer as the focal point of the marketing approach. Instead, the focal point shifted to aspiration – be it sporting contest or social interaction<sup>59</sup>*

**In the America's Cup, there is no second.**

On this blue-water course, winner takes all. Then, timing is precision. It's a matter of the difference between winning and losing. Which may explain why the superb Rolex Submariner has been the one chronometer worn by all America's Cup defenders since 1958.



**ROLEX**

The Rolex Submariner Date, official America's Cup watch, self-winding, extra-luminous, chronometer-precise to 660 feet. In stainless steel with matching bracelet. In 18k yellow gold. For your America's Cup 1987 Handbook, see your authorized Rolex jeweler.

**The British Yachting Team went to the Olympics knowing their equipment was the finest money could buy.**

The British Yachting Team won a Gold and a Silver Medal in the 1972 Olympics. No Olympic team can afford to take chances with equipment. So everything on board was the finest that money could buy, including the Rolex watches issued to the helmsmen. Sailing events are particularly arduous. Round the 12-mile course every day, for six days, only the most reliable equipment will survive. And Rolex watches have proved again and again that they can successfully endure the most rigorous adventures. One of the most remarkable of these was described in a letter sent to us by a Canadian deep-sea fisherman. "At approximately four in the morning one of the crew members woke up to find that the boat was taking in water very rapidly. We had time only to rush up on deck and leap on to the barge to which we were tied. At that time I was not wearing my watch as we had snagged our net the previous day and had worked on it quite late that night, and I don't like to wear my watch while mending nets as the web will catch in the bracelet. "The watch went down with the boat in 35 fathoms. The boat was submerged for 22 days. "I had gone to see about a new watch, but was told to wait and see if they could raise the boat, as it would be in good condition, but I was quite sceptical as I thought the pressure would 'pop' the crystal. Nevertheless, when the boat was raised I was there and went on board to look for my watch. "The watch was on the galley floor amongst mud, weeds, etc. I took it on the barge that had raised the boat and washed it off. Upon shaking the watch it commenced to go and was none the worse for the length of time it had been under. I continued to wear the watch without taking it to a jeweller." A Rolex Oyster takes just over a year to make. In a series of 162 separate operations, our craftsmen carve each Oyster case out of a solid block of 18k gold, or surgical stainless steel. Every rotor self-winding Perpetual movement is so accurate that it has been officially certified as a Chronometer. It's not really surprising that the British Yachting Team chose Rolex watches. People who need the best usually do. **Owning one is almost as satisfying as making one.**



**ROLEX**

Picture: The Rolex Submariner. Available in 18k gold or stainless steel with matching bracelet.

**We invented the Submariner to work perfectly 660 feet under the sea. It seems to work pretty well at any level.**



**ROLEX**

The Rolex Submariner is a baby watch. It's the official watch for divers of the Royal Navy. The bed-frog Oyster case resists pressures down to 660 feet. You'll find it in the cockpits of most ocean races as land-dwelling skippers lean down to Bermuda, Hobart and the Fastnet Rock. How come it's seen so much where the wettest thing around is a dry Martini? Who knows. Maybe it's because the black dial goes so well with a black tie. Ask her. Maybe she knows.

**ROLEX**  
When a man has a world in his hands, you expect to find a Rolex on his wrist.

### 3.2. b) The founding, and continuing, orientation of Fever Tree is performance authenticity

The characteristics of Fever Tree are also those of *performance authenticity*. Fever Tree was the first to uniquely source only the finest quality naturally occurring ingredients, to create a new premium tonic water and ginger beer category, and which has also emerged as highly desirable in the eyes of consumers.



*“One of the things that really helped was to have an insider's perspective and inside knowledge. When I was running Plymouth Gin that's what gave me the insight, and that was mine that as a managing director of a gin company. The sector was gasping for a premium tonic water, yet it did not exist.*

*And so that's what insight and knowledge – that's one of the most important things to try and get in any entrepreneurial venture. You can do all the research, and research of course is very very good, but trying to get beyond just desk research, and get really involved in an industry to understand what it is that's really needed – I think that was probably one of the most important things.”*

Charles Rolls, co-founder of Fever Tree, speaking in May 2017<sup>60</sup>

Fever Tree's possession of *performance authenticity* is a direct result of its founding orientation, targeting the disruption of the mixer category, at the time largely commoditised and overlooked, and dominated by a few large conglomerates whose ossified business positions had led to them focusing primarily on manufacturing efficiency and cost reduction rather than quality, flavour or innovation.

The established mixer category incumbents at the time, notably Schweppes (established 1783<sup>61</sup>), had benefited from an enduring position of business dominance and had made decisions commensurate with over-estimating their competitive moat, including products lacking innovation and creativity, and which had replaced natural ingredients with artificial substitutes such as saccharin and aspartame to reduce costs, and resulting in inferior products.

**Figure 17: Fever Tree co-founders, Charles Rolls and Tim Warrillow, pictured in 2016<sup>62</sup>**





*"There was a sense from the incumbents that this was a category where there was no value to be had, there was no excitement, and actually the only race was to compete on price and to really take value out the category and commoditise it. The incumbent mindset was that people just don't think about their mixer.*

*And so the incumbents were using artificial ingredients because they were cheaper – it was all about price.*

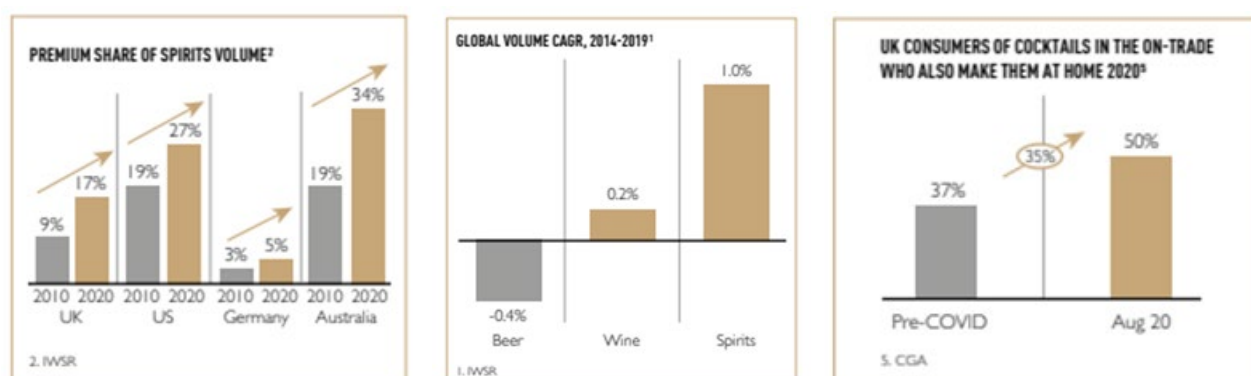
*The result was that there was an opportunity to really disrupt the category."*

Jeremy Kanter, Chief Marketing Officer, Fever Tree, July 2024<sup>63</sup>



The business opportunity created by the backdrop of underinvestment by the incumbents in the mixers category was further emboldened by trends in the spirits category. Spirits consumption was outpacing beer and wine, premium spirits were growing faster than the overall category, and home-mixing was becoming increasingly popular. These trends created a disconnect where consumers with growing appetites for premium spirits had no choice but to pair them with artificial, low-quality mixers.

**Figure 18: An enduring trend had also emerged – spirits consumption was growing ahead of beer and wine, the growth of premium spirits was outperforming the wider category, and consumers were increasingly mixing their own drinks at home<sup>64</sup>**



Fever Tree's insight "if three-quarters of your gin and tonic is tonic, then the quality of the tonic should be as important as the quality of the gin"<sup>65</sup> became its simple yet powerful performance authentic ethos – to make the best tonic water in the world – and that still remains today at the heart of its business model.

*"We took it on absolutely head on, we took on the world's biggest brands, Schweppes and Canada Dry in America, and we said, look it's rubbish. Decent spirits need better mixers, they deserve better.*

*So we said what we are going to do is design something from scratch, and say, if we started with a clean sheet of paper, how would we make the best tonic water in the world."*

Charles Rolls, co-founder of Fever Tree, speaking in 2018<sup>66</sup>

*“The mixer category was not competitive – it had become commoditised. It was a category of one dominant brand and own label.*

*Quality craft spirits were starting to come to the market and bartenders, mixologists, they were talking about making spirits and cocktails exciting and sexy, almost as then had not been seen for quite some time.*

*So there was all of this interest and noise going on around the world of spirits yet in stark contrast the mixer category had become a long forgotten in an overlooked category dominated by large conglomerate brands and own label products who ultimately ended up focusing more on manufacturing efficiency than they had on quality or flavour with artificial ingredients such as saccharin and aspartame, and finding themselves across the whole category.*

*And this struck us as extraordinary that people prepared to pay ever more money for high quality spirits and yet had no choice but to drown them with these increasingly artificial mixers.*

*Charles and I said to each other – ‘if three quarters of that gin and tonic is tonic, surely the quality of the tonic should be as important in people’s mind as the quality of the gin’.*

*And we reasoned that we could produce a far higher quality mixer to make that drink taste better then surely we could get people interested, and to be prepared to pay for it.”*

Tim Warrillow, CEO, Fever Tree, March 2022<sup>67</sup>



### 3.2. c) The performance authenticity of Fever Tree is centred around highest quality, natural ingredients

Following the establishment of Fever Tree, its founders spent 18 months researching historical tonic water recipes and global ingredients before launching their first product<sup>68</sup>. They were obsessively committed to sourcing the highest quality ingredients from around the world, including specialty quinine (the key ingredient that creates the gentle bitterness in tonic water) from the Congo-Rwanda border and from a varietal called “Legendaria” that was considered the finest according to Victorian sources<sup>69</sup>. The founders also sourced distinctive gingers from Nigeria, Ivory Coast, and Cochin (India)<sup>70</sup>. This global sourcing approach was unprecedented in the mixer category, which had been dominated by large companies focused primarily on manufacturing efficiency and cost reduction.

Tim Warrillow’s quest for the best quinine included taking him on a dangerous journey to the eastern Democratic Republic of Congo, requiring flights to Kenya and Rwanda, followed by an eight-hour drive and navigating through armed roadblocks<sup>71</sup>. Despite these challenges, the founders insisted on using only the finest ingredients because they recognised that the superior taste would be a key differentiator in the market. Their commitment to quality extended to using natural sweeteners instead of the artificial saccharin that competitors like Schweppes had adopted to cut costs.



*“What our founders did before launching the first Fever Tree product, they took 18 months and went back to the British Library and looked at the history of tonic water, and what made the finest tasting tonic water. They found it was a type of quinine that defines the finest tonic water and they found it came from the Cinchona tree. And they found there was a Cinchona varietal called the Legendaria, that, according to the Victorians, was the finest variant. It only now existed in Rwanda and the Congo. It used to be in Peru but it had become extinct. And so they found the Legendaria varietal in just one place, in the Congo Rwanda border.*

*So they said, well, we're going to go there and see if it's as amazing as the history books say. And they went on a journey and tasted it and it was phenomenal. It was crisper, fresher, brighter and they said – ‘right we're going to source all our quinine from here’.*

*Can you imagine a supply chain director from a big incumbent drinks company saying we're going to import the ingredients for our product from the Rwanda Congolese border?*

*But the observation of our founders was to make the best tasting, we need the best ingredients, and that ethos was the founding ethos of Fever Tree, and applied to all the ingredients that we use whether that's our ginger beer – our ginger beer is three gingers and lots of [competitor] ginger beers don't actually use any ginger but in our case we use three gingers, an earthy Ginger from Nigeria, which when mixed with a warm spicy ginger from Cochin in India and a lemongrass fresh zippy ginger from the Ivory Coast makes the most phenomenal tasting ginger beer.*

*That was the mentality of our founders and that is the ethos of the company, it is about creating our mixers using the very best ingredients in carbonation, putting it in a smaller glass bottle rather than a large PET bottle, because glass is a better way of containing that these products and from a sustainability perspective. And so we present people with this choice, and we put innovation back into the category, and really excite people with choice to make their drinks delicious.”*

Jeremy Kanter, Chief Marketing Officer, Fever Tree, speaking in July 2024<sup>72</sup>



The attention by the founder of Fever Tree to *performance authenticity* was not merely a marketing choice but a recognition of the necessity to make the best mixers in the world, in order to achieve business success. As a small company absent economies of scale, they knew their product would need to be priced at a premium, yet also recognised that consumers spending significant amounts on premium spirits would be willing to pay the relatively small additional cost for a mixer that would enhance rather than diminish their drink.

*“It took us a long time to develop our first product – it involved spending a lot of time going back into the history books to go and research mixers and tonic water, particularly at that point, and then to actually uniquely having decided what we needed to do, to go and find the best quality ingredients and the most authentic ingredients.*

*It was not only having research – we wanted to go out and find the ingredients, go and meet the producers, talk to them and understand them, understand what makes something better and worse as an ingredient.*

*So an enormous amount of time traveling around, going to find ingredients and I have to say it still does – it's one of the great joys of the job. But it did as a result mean our product development time was much longer than was typical, and so that was certainly a challenge. But I'm glad we took that route because it has really paid off.”*

Tim Warrillow, CEO, Fever Tree, speaking in March 2022<sup>73</sup>

*“There has to be an unreasonableness when it comes to quality and to keep pushing on those flavours. People say you cannot go and find those producers, you had to take produce that came from wherever else in the world. We said no.*

*We want to find those authentic, best in class ingredients sourced from authentic producers, and where we ourselves know the source. There's an unreasonableness on quality and we just keep pushing on that.”*

Jeremy Kanter, CMO, Fever Tree, speaking in July 2024<sup>74</sup>

As such the founders deliberately rejected the cost-engineering approach of the industry incumbents, instead prioritising an ‘unreasonable’ commitment to quality. This strategy of focusing first on creating an exceptional product through the best ingredients available worldwide, before turning to channel strategy and marketing, proved highly effective in disrupting a category that had become commoditised and overlooked.

And not only were Fever Tree the first, but, as the Chief Marketing Officer of Fever Tree Jeremy Kanter points out, it was unimaginable that a large conglomerate would then or today take the same risks, or diligence in effort, in sourcing those same ingredients as did the founders of Fever Tree.

*“Can you imagine a supply chain director from a big incumbent drinks company saying we're going to import the ingredients for our product from the Rwanda Congolese border?”*

Jeremy Kanter, Chief Marketing Officer, Fever Tree, July 2024<sup>75</sup>

**Figure 19: The "fever tree" (Cinchona) bark contains quinine, a naturally occurring alkaloid that defends against insects. Named after allegedly curing the Countess of Chinchon, this South American plant was brought to Africa by Europeans seeking quinine to combat malaria<sup>76</sup>.**

**By the 1850s, the British had established fever tree plantations in southern India, where malaria was widespread. British officials distributed local quinine to soldiers and civil servants, who mixed it with gin to improve its bitter taste – creating the gin and tonic<sup>77</sup>.**

**However, centuries of demand severely depleted Latin American Cinchona populations. An area in Ecuador that contained 25,000 trees in 1805 now counts just 29 within what is now Podocarpus National Park<sup>78</sup>.**

**While a synthetic quinine, hydroxychloroquine (also a controversial treatment for coronavirus<sup>79</sup>) was developed in the 1955<sup>80</sup>, natural Cinchona bark is still used for tonic water production. Careful measurement is essential, as quinine overdose can cause ear ringing, headaches, blurred vision, dizziness, and confusion.**





3.2. d) *Performance authenticity also often co-incident with struggle before success dynamics, albeit ultimately overcome by the company's founding team, and this is also the case at Fever Tree*

The achievement of *performance authenticity* is also observed as typically co-incident with a pattern of struggle before success – and this pattern reinforces both the realism in the eyes of consumers that performance authenticity has been achieved, and at the same time as introducing an additional magical, mystical element that piques interest for follow-up customer attention.

**Figure 20: Super brands have within their corporate history a form of hero's journey, struggle before success, reinforcing both their values of performance authenticity and mysticism<sup>81</sup>**



A modern example is Tesla's control shareholder Elon Musk in sleeping at the production line during critical periods<sup>82</sup>, as an equivalent of the struggle before success thematic and which has had similarly positive consequences for the *performance authentic* brand values represented by Tesla in being the first to pioneer automotive electrification and thereon follow-through premium pricing and sales volumes.

In the case of Fever Tree, struggle before success is represented by the dedication and time that the founders took to develop the first product, and particularly for Tim Warrilow who not only had very little personal funding through this period but additionally in his pursuit of the finest ingredients personally travelled through dangerous regions to find the remaining rare varieties of the Cinchona Legendaria.

3.1. e) *An objective form of verification of performance authenticity is revealed when professionals within the relevant performance domain demand exclusively the product from the performance-orientated brand*

An objective form of verification of *performance authenticity* being achieved by a super brand is revealed when professionals within the relevant performance domain demand exclusively the product from the performance-orientated brand. As the Rolex adverts revealed, the first time a diver went under the North Pole, they used Rolex.

This form of the professional's choice validating a brand's *performance authenticity* is met by Fever Tree. As Jeremy Kanter points out, the best chefs and restaurants in the world, including Ferran Adrià at the award winning El Bulli, were so amazed by the product that they insisted on stocking it and including it on their tasting menus<sup>83</sup>. Of course, they were also delighted by the uplift it enabled them to charge for cocktails paired with Fever Tree tonics.

**Figure 21: Performance authenticity is also often co-incident with struggle before success dynamics, which reinforces both the realism that performance authenticity has been achieved, and at the same time introduces an additional magical, mystical element to pique interest for follow-up consumer attention.**

*"We went into the library to research the most authentic best ingredients, and then actually went out in the field to go find them. This has involved travels all around the world and it's taken us to some pretty wonderful and interesting and memorable places. Last year for example I was out in the Yucatan Province where we find this rare lime that we've put into quite a number of our products. Beautiful places like Sicily where we've sourced this wonderful lemon extract. But also some pretty dangerous places. In my case the most memorable of which was my trip out to go and source quinine."*

*Quinine is the very essence of tonic water and the last remaining plantation of the highest quality quinine was unfortunately in just about the most remote and lawless place which was in the Eastern Democratic Republic of Congo. Just to get there I had to fly from London to Nairobi in Kenya, then from Nairobi to Kigali in Rwanda, and then persuade a local taxi driver to drive me the eight hours across Rwanda just to get to the border.*

*I realised quickly how lawless it was because just in those few miles it took to go from that border to the gates of the plantations, I got stopped with this taxi driver three times with three different forms of armed road blocks.*

*The first was with someone who threw this plank of wood with these six inch nails sticking out of it, in front of the taxi. It was a very effective way of getting us to stop. The second one he didn't even go to the lengths of producing a bit of wood and nails, he just had a bit of string across the road, but he was so well armed that we stopped anyway. The third one is the image that has remained with me ever since, which is the young kid teenager who had a rocket launcher slung over his shoulder, and – that was also a very good way of getting you to stop.*

*So tragically that is how lawless this part of the world is, but it is also the most fertile place. And almost in the world to this day we still source all our quinine from them and actually I went there not all that long ago, at the end of last year, and it was great to see in this area, as our business has grown, that they've grown with us, and the work and employment it's bringing to the area as well. It's been heartening that relationship and I have enormous respect for those people running that plantation."*

Tim Warrillow, Chief Executive Officer, Fever Tree, speaking in March 2022<sup>84</sup>



*"Now that is Tim's photo [on the left]. And that chap he claims was pointing a rocket launcher at him."*

*And you know you will need to corner Tim on that and [laughs] – well, you know – I wasn't there."*

Charles Rolls, speaking in May 2017<sup>85</sup>



*"It took us a long time to develop our first product and I had very little savings so that that was quite painful, that was certainly a headache, 18 months or so before there was any sign of any money coming in. And that is because the way we went about developing our products – really differently from the way the soft drink trade had done it previously. It did as a result mean our development time was much longer than was typical, and so that was certainly a challenge. But it has really paid off."*

Tim Warrillow, CEO, Fever Tree, March 2022<sup>86</sup>

*"The lengths that Tim and Charles went to create a product that was totally different in terms of sourcing its ingredients, the qualities of those ingredients, in terms of the packaging, and the carbonation. All those factors went to make a product that both the very very best, that the very the top taste makers would recognise as amazing as well, and as well as the regular punter shall we say."*

Jeremy Kanter, Fever Tree, July 2024<sup>87</sup>

**Figure 22: A form of verification of performance authenticity is revealed when professionals demand exclusively the product from the performance-orientated brand. El Bulli, voted by Restaurant Magazine as No. 1 on its Top 50 list of the world's best restaurants for a record five times – demanded Fever Tree**

*"I don't know if you remember back in the early 2000s there was a restaurant called El Bulli that Restaurant Magazine as No. 1 on its Top 50 list of the world's best restaurants for a record five times—in 2002, 2006, 2007, 2008 and 2009.*

*El Bulli had an amazing Chef called Ferran Adrià. And our founders Tim and Charles were standing there, during the relatively early days of the business and they got a telephone call from someone at El Bulli saying chef Adrià would love to see you.*

*They were asked 'could you come to the restaurant.' So obviously at that time our two founders welcomed the chance to jump the queue to get into El Bulli, even if they were not sure exactly what chef Adrià wanted.*

*When they arrived chef Adrià explained he was so taken by the quality of the tonic water that someone else – an artist friend of his in the UK – had sent him.*

*Our founders were amazed – Adrià had made a liquid nitrogen-cooled granita of Fever-Tree tonic for his tasting menu.*

*So you turn up to the world's best tasting, best of the best restaurant in the world, and on the tasting menu is the Fever Tree product as a granita.*

*There are not many stories like that, where that is testimony to the quality of your produce. But it does serve as example of the level and extent that the guys went to making our tonics and changing the rules on the quality to off the scale. And having that form of product and ethos is at the heart of our success.*

Jeremy Kanter, Chief Marketing Officer, Fever Tree, July 2024<sup>88</sup>



*"To be much more premium to your competitors you need to be based on an authenticity of recognised quality. That doesn't come from a nice advert – consumers are not stupid they're quite the opposite they're incredibly, intuitively smart. If you're charging a premium it has to be that consumers can tell, that authenticity of not feeling that they're 'sold to', but authenticity of feeling like 'those who know, know to drink Fever Tree'.*

*And if you think about that, say you've got friends who are a bit more discerning, you'll be watching those people, or you'll be following those people in social media, who know. So the best bartenders, the chefs, or people who are just passionate they'll go to the food festivals, or the food types, the brand has to work its way down from that initial premium leadership position. And if the leadership position is authentically true, people will know your value piece, your premiumness and your super premiumness will be accepted. But if it is not authentically true people will quickly see it to be a fad, you could maybe make money, but there's a good chance that you won't last.*

*Fever Tree has been a premium leader now for 20 years, we've overtaken the mainstream in many of our markets in value size. Our household penetration in the UK is larger than any beer brand. And the reason we have been able to achieve that penetration is because our quality is authentic and relevant to everybody who wants to have access. So a super premium product needs authenticity of functional superiority and that means that those people who know those people who know your product and vouch that your product is the best."*

Jeremy Kanter, Chief Marketing Officer, Fever Tree, speaking in July 2024<sup>89</sup>



### 3.3 Fever Tree's brand name and iconography also meets our second 'super brand' property: the communication of compelling message at low cognitive load

#### *3.3. a) Super brands, including Fever Tree, use wording and iconography that delivers highly effective message transmission at low cognitive load*

The second property which super brands possess relates to the brand name and iconography communicating a compelling message at low cognitive load. Perfecting this allows the super brand to achieve effective message transmission even in circumstances of extremely limited attention span from the prospective customer.

*"This is a very complicated world it's a very noisy world and we're not going to get a chance to get people to remember much about us, so we have to be really clear on what we want them to know."*

Steve Jobs, introducing Apple's Think Different campaign, September 1997<sup>90</sup>

Super brands achieve effective message transmission at low cognitive load not by compression but by parallelisation, with the core concepts within the multiple variable message being split out, and then each being communicated simply across one of a set of domains in parallel. These domains individually include wording, iconography, colour, sound symbolism and syllabic repetition. They efficiently communicate the brand message at the same time creating the impulse in the prospective consumer that they *would like to know more*.

Efficient communication is achieved by simple wording, and simple iconography. Consider Netflix: two syllables, and the prospective customer understands exactly what the product offers. Iconography is deployed coincident – in the case of Nike, for example, its brand values are centred around the aspiration to athletically win, and its iconography, a curving "swoosh", at a single glance conveys the concept.

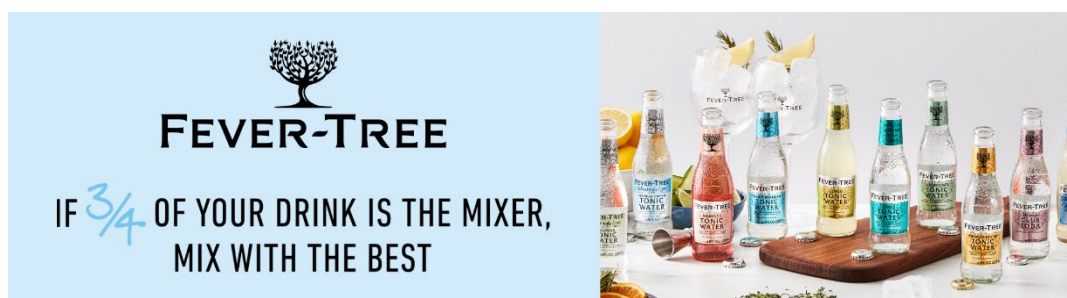
**Figure 23: Netflix – two syllables, and the prospective customer understands exactly what the product offers. Nike, a curving swoosh and the brand value has been instantly conveyed – to athletically win<sup>91</sup>**



The brand name origin of Fever Tree, as Charles Rolls points out, is that it is the colloquial name for the Chinchona tree, the source of the purest natural quinine. And as such, to quote an early slogan from the company, *"those who know, know to drink Fever Tree"*<sup>92</sup>. In this manner the brand communicates its core values of the highest quality, naturally sourced, ingredients, but only to those prospective customers with an already sophisticated knowledge base.

The Fever Tree brand name – in three syllables – also links to the idea of feverish, and its connotation with excitement. This not only piques interest – would not the prospective customer wish to try the tonic that would make them feverish with excitement – but also to the general theme of exhilaration that Fever Tree targets bringing to the otherwise overlooked tonic drinks category that had become dominated by large conglomerates lacking comparably high quality or as innovative products.

**Figure 24: Fever Tree's brand wording, in three syllables, communicates both a sophisticated message (the fever tree is the Cinchona tree), and a more simplistic, excitement connotation (feverish excitement). This is accompanied by a simple slogan advocating both the quality of the product and its relative value compared to the pricing of its accompanying spirits.<sup>93</sup>**



**Figure 25: 'Fever Tree' is the colloquial name for the Cinchona tree from which the purest natural quinine is sourced; whether the founders of the company also selected the brand name for its connotation with 'feverish' excitement is unclear<sup>94</sup>**

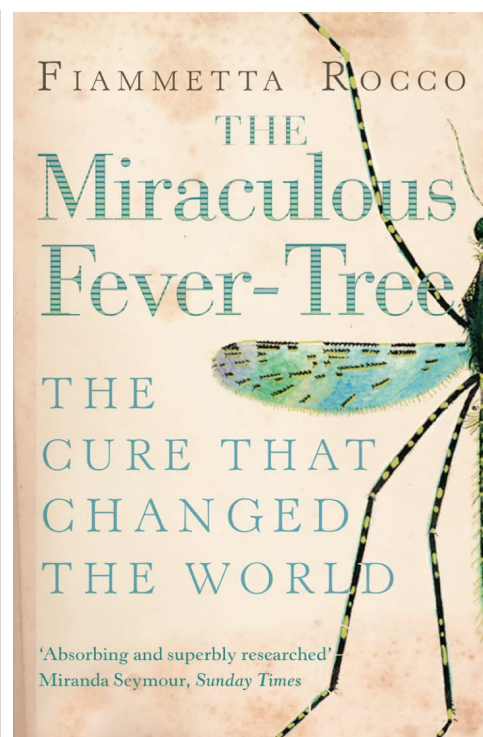
*"We came up with the name Fever Tree because it was book written Fiammetta Rocco called The Miraculous Fever Tree.*

*We had been looking for a name that would connote something natural because that was what we wanted to do with Fever Tree which was to show that it was so different from the Schweppes profile which was the unnatural saccharine-filled tonic on the market so that was one parameter.*

*We had had some quite funny ones. Tim was really keen on some names of the hill stations from India and I must say I didn't end up paying for this but we did have some research done and one of the hill stations in India is called 'Simla' and we had this great bloke at the back of the focus group saying "oh so it is 'Simla' to Schweppes is it?"*

*But actually Tim and I lighted on the Fever Tree name both at the same time. Fever Tree is the colloquial name for the Cinchona tree which is where you can get the purest natural ingredient."*

Charles Rolls, co-founder of Fever Tree, speaking in May 2017<sup>95</sup>



The Fever Tree brand name is used alongside iconography of the tree itself. The iconography is simple and memorable, as per Figure 26. Often embedded against gold, or a metallic, background, the iconography also conveys the brand value of premiumisation and high quality ingredients. Additionally, both the brand name and the iconography are emblematic of the fever tree itself, signalling to the use of only natural ingredients.

A second Fever Tree iconography is also visible as a mock-engraving on the bottle glass, further denoting quality of product and comparable to the mock-engraving of the thirsty monk mascot that Charles Rolls used as part of his re-premiumisation of the Plymouth Gin brand in the late 1990s (see section 4.2).

All of these aspects of the Fever Tree brand communicate its values simply, effectively and memorably, and at the low cognitive load that super brands achieve.

**Figure 26: Embedded against gold, or metallic, background, the Fever Tree iconography conveys the brand value of premiumisation and high quality ingredients.**

**Additionally, both the brand name and the iconography are emblematic of the tree itself, signalling to the use of only natural ingredients.<sup>96</sup>**



*3.3. b) Fever Tree also possesses an additional property consistent with super brands: sound symbolism and syllabic repetition, both of which heighten consumer interest in the product*

The Fever Tree brand also exhibits *sound symbolism*, relating to which a growing literature supports that consistent, intuitive relationships between speech sounds is effective in the efficient communication of specific concepts as well as related judgement and decisions<sup>97</sup>. The McDonald's logo, with the Golden Arches conveying "mmm", a sonic equivalent of enjoying food, is another readily ascertainable example.

Academic research has more generally shown that sounds using front vowels such as the "ee" sound in "feet" produced with the highest point of the tongue relatively forward in the mouth are associated with familiarity and comfort. By contrast back vowels in particular the "oo" sound in "Google", produced with the tongue relatively far back in the mouth are associated with far away concepts such as exploration, adventure and aspiration<sup>98</sup>, and of course very suited to Google's purpose functioning as an exploratory tool for the internet.

In the case of Fever Tree, the repeated e's, with the brand name also ending in "ee", associates with familiarity and comfort, essential when a prospective customer is considering whether they should put an otherwise new and unfamiliar beverage into their body.

The Fever Tree brand also exhibits *syllabic repetition*, and in doing so possesses a mimicry of the rapid heartbeat associated with excitement. Just as a piece of energetic music containing sound repetition can stimulate positivity in its listeners, *syllabic repetition* has been shown to favourably impact brand evaluations by consumers and their reaction to cross-selling<sup>99</sup>.

Brands such as Fe-ver-Tree, Coca-Cola, Lululemon, Hubba Bubba, Tutti Frutti, M&Ms, Kit Kat, Tostitos, Krispy Kreme and Dunkin Donuts – by their use of syllabic repetition, in this manner elicit positive feelings, especially when their names are spoken aloud.

**Figure 27: Humans understand nonwords as meaning “remote” at significantly higher frequency when “oo” (F1) vowels are used in preference to “ee” (F2) vowels<sup>100</sup>**

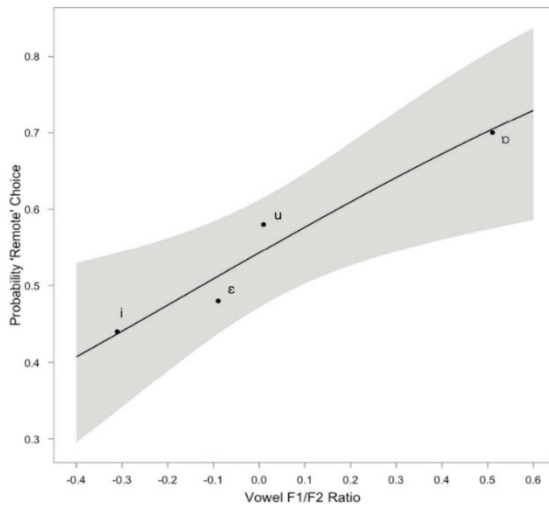


Figure source: The Sound of Distance, University of Toronto

**Figure 28: Syllabic repetition when spoken out aloud has been shown to favourably impact brand evaluations by consumers<sup>101</sup>**

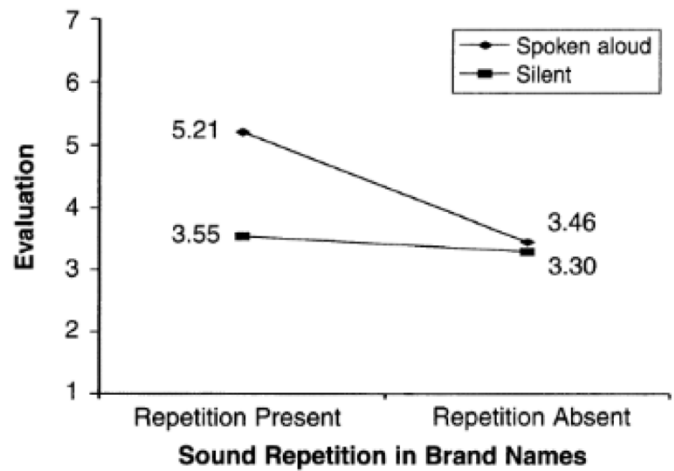


Figure source: The Sound of Brands, Journal of Marketing

**Figure 29: Brands such as Coca-Cola, Lululemon, Hubba Bubba, Tutti Frutti, M&Ms, Kit Kat, Tostitos, Krispy Kreme and Dunkin Donuts – and Fe-ver-Tree, by their use of syllabic repetition, in its mimicry of the rapid heartbeat associated with excitement, elicit positive feelings<sup>102</sup>**



3.3. c) The Fever Tree wording and iconography also communicates something extra, unique and mystical, further piquing consumer curiosity, and again consistent with other super brands

Super brands also communicate something extra, either magical or mystical, that piques interest such that once the initial efficient consumer communication has occurred, a follow up incentive exists.

*“The name Starbucks has magic. It piques curiosity.*

*Starbucks connoted a product unique and mystical.”*



Starbucks founder Howard Schultz, 1999 Autobiography, Pour Your Heart Into It<sup>103</sup>



In the case of Starbucks, coffee travels across considerable sea-faring distances to reach the developed world. Not only is the brand named after Starbuck, the first mate on the Pequod in Herman Melville's seafaring novel *Moby Dick*, but this is combined with the mysterious, nautical figure at the centre of the Starbucks logo – a two-tailed siren – which in folklore lured sailors with a beautiful voice to shipwreck off the coast. The brand's iconography thereby connotes the risk and adventure that took place to bring your latte to you, as the green mythological figure at the centre of your Starbucks cup stares into your soul.

A comparable mystic and magic is also conveyed by the Fever Tree brand name and iconography. As the Fiammetta Rocco book title describes – for those in the know – *'The Miraculous Fever Tree [is] The Cure That Changed the World'*<sup>104</sup>. The name Fever Tree connotes mystique, and excitement. However, the tree iconography of the Fever Tree iconography also alludes to mystical, vitality-giving qualities that pique consumer interest, whether it is the connection to the concept of the tree of life, the garden of Eden, or simply the grandness of the fever tree itself.

### 3.4 Fever Tree's brand also meets our third 'super brand' criteria: the communication of a noble mission, a calling, a purpose – creating an enduring bond of affection from the customer

#### *3.4. a) The Fever Tree super brand characteristics communicate a noble mission, a calling, a purpose*

Elon Musk has argued that a super brand keeps its power by attaching itself to a noble mission, a calling, a purpose.

We observe his principle as substantiated. In the case of Nike, for example, the brand advertising honours great athletes and athletics, rather than focusing on the specific attributes of the Nike product.

Apple, by making tools that it puts forward as empowering people with passion to change the world, makes a analogous statement.

*"Don't attach yourself to a person, place, or organisation.*

*Attach yourself to a mission, a calling, or a purpose.*

*That's how you keep your power and your peace."*

Elon Musk,  
public  
comments,  
2022<sup>105</sup>

*"One of the greatest jobs of marketing that the universe has ever seen is Nike. Remember, Nike sells a commodity – shoes. Yet when you think of Nike you feel something different than a shoe company as their ads don't talk about their products.*

*They don't tell you about their air soles, why they're better than Reebok's soles.*

*Where Nike is doing their advertising is they honour great athletes and athletics – and that's who Nike are and that's what they are about."*

Steve Jobs, introducing Apple's Think Different campaign, September 1997<sup>106</sup>

*"Apple is about something more than that Apple as well. Our core value it is that we believe that people with passion can change the world for the better.*

*And we believe those people that are crazy enough to think they can change the world are the ones that actually do."*

Steve Jobs, introducing  
Apple's Think Different  
campaign,  
September 1997<sup>107</sup>

Fever Tree's brand values also communicate the concepts of a noble mission, a calling, a purpose. The Fever Tree values relate to the finest ingredients, and the highest quality, naturally sourced and in stark contrast to the alternatives that were offered at the time of Fever Tree's launch.

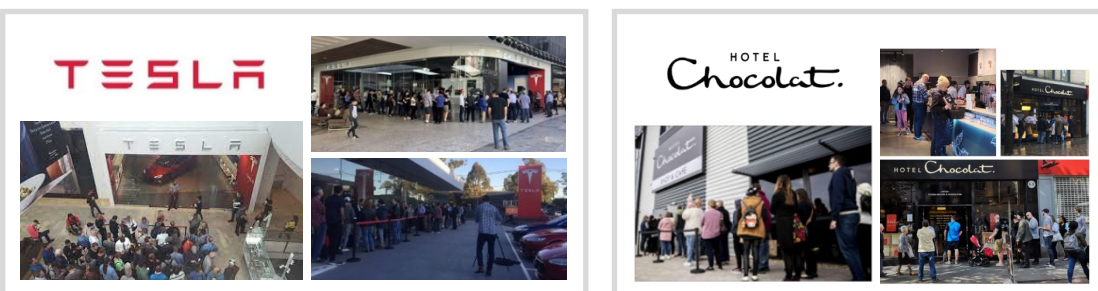
The noble mission, a calling, and purpose of Fever Tree is its rejection of the low cost orientated, corporate model which degrades the product quality delivered to the consumer. As we have noted, delivering on Fever Tree's brand values also involved the company founders taking life-threatening risk to deliver on its mission, including traversing lawless areas, in order to source its ingredients for the benefit of the consumer's product experience.

*3.4. b) Fever Tree consumers display an enduring bond of affection in brand love and brand following, providing a verification their acceptance of its noble mission, calling, or purpose*

When a brand successfully communicates the values of a mission, calling, or purpose an enduring bond of affection in brand love and brand following by consumers can be created.

At super brands, the connection feeling can be so strong that customers will gather for long periods outside of its stores or equivalent retail units, a consumer behaviour type also observable at Fever Tree. Logic dictates this quality is also representative of a brand's high success probability in penetrating adjacent geographic regions and markets.

**Figure 30: The qualities of super brands create unusual dedication in brand love and brand following by customers, qualities which are also indicative of the super brand's high success probability in penetrating both new geographic regions and adjacent markets<sup>108</sup>**



### 3.5 Finally, Fever Tree's brand also meets our fourth 'super brand' criteria: the potential for above average growth by a process of positive feedback

Whilst the conditions necessary for positive feedback in the cases of software network effect<sup>109</sup>, geographic density network effect<sup>110</sup> in business, or price-volume linked positive feedback in macro markets<sup>111</sup>, arise as the result of the laws of either mathematics or physics, the mode of action by which positive feedback occurs is different in the case of a super brand stimulating the same outcome through social constructs.

In most cases, the necessary condition will be a brand whose iconography retains high visibility at the timepoint of consumption, and as such, the act of consumption achieves an ongoing advertising action in promoting of the brand, and thereby encouraging, by social proof, interest in the brand by other consumers.

*"Would our brand appeal in Japan? We had been warned that, culturally, the Japanese refuse to carry to-go food or beverages on the street. Yet many customers were walking out the door proudly carrying their Starbucks cups – with the logo showing.*

*I stood there with Howard Behar, architect of our international expansion. He turned to me with tears in his eyes. The Starbucks brand had the same power in Tokyo that it had in New York and Seattle. [Through positive feedback] the Starbucks brand had taken on a life of its own."*

Starbucks founder Howard Schultz,  
1999 Autobiography, Pour Your Heart Into It<sup>112</sup>



For products such as the Starbucks coffee cup, the Apple iPhone, or the Fever Tree tonic bottle, the customer holds the product – with its brand both prominent and visible – directly in front of them at the point of consumption. Branded beverages such as Fever Tree naturally lend to this form of promotion by positive feedback: the consumer by their action is making a highly visible statement of confidence in the attributes of the product and brand.



*"It has been virtually impossible for any own label to be able to compete effectively with Fever Tree because when you have a drink at Christmas time with your friends, or at any time, you don't want to bring out a brand that is Sainsbury's own label even if it says 'Taste the Difference' –*

*It just isn't the real thing and that in the drinks industry is extremely valuable."*

Charles Rolls, co-founder of Fever Tree,  
speaking in May 2017<sup>113</sup>



## 4. Fever Tree's workforce is also evidenced as highly productive, heightening the company's potential pace of growth, including for the US market

### 4.1 Fever Tree's unique focus, producing the best tonic waters and mixers in the world, serves to attract highly productive employees to the workforce and orient its workforce around aligned goals

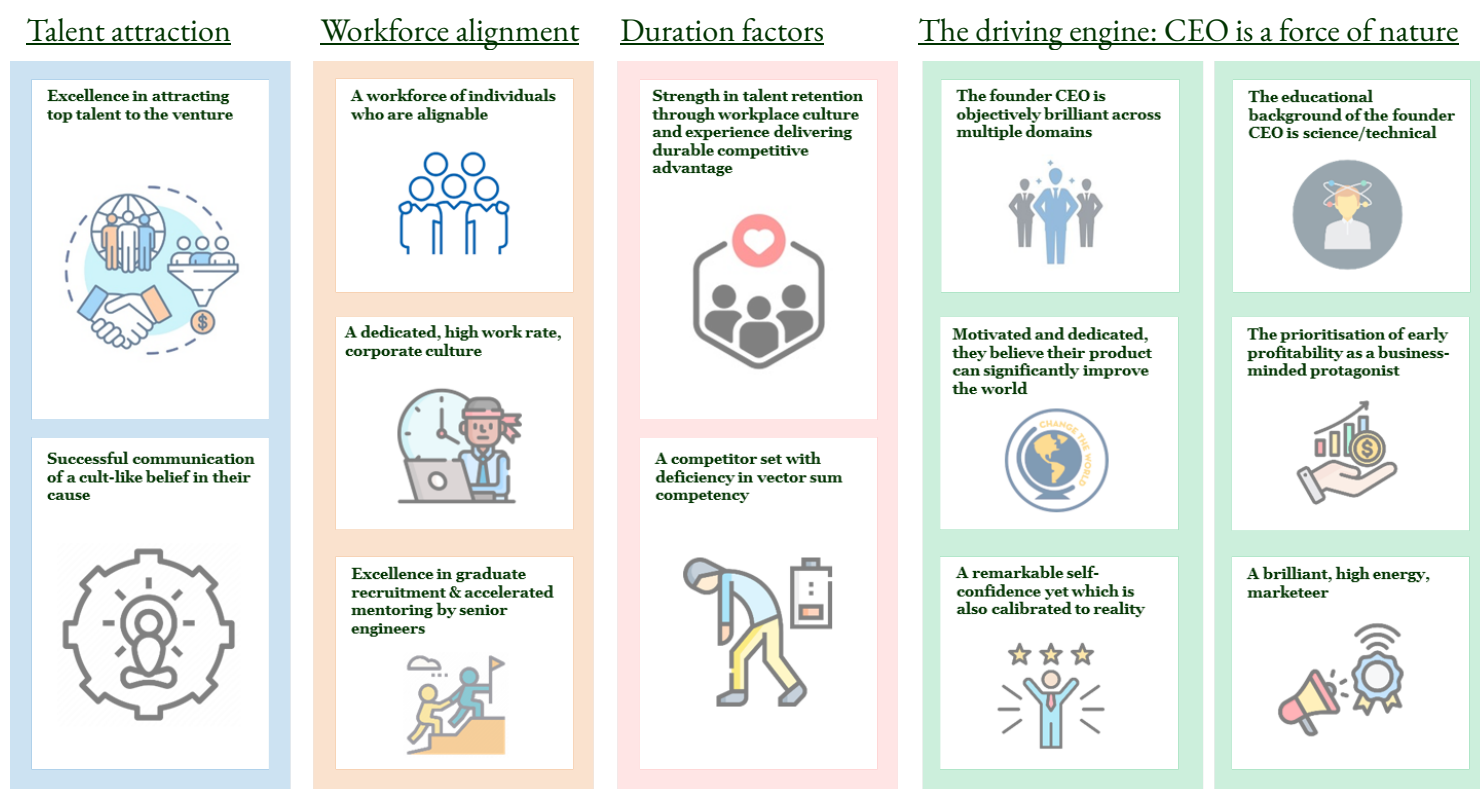
In judging workforce productivity, we have previously advocated for an assessment form as the vector sum of individual employee contributions<sup>114</sup>, where each worker represents a vector combining their individual output (magnitude) and alignment with corporate goals (direction).

In the AI era, the importance of a company optimising workforce productivity is becoming an important and in cases the dominant factor in determining competitive advantage. When highly productive individuals master AI tools, their output can increase exponentially. This may shift the Pareto principle from 20% of employees producing 80% of corporate output to an even smaller proportion of the most able workforce members becoming competent to deliver an even higher share.

This amplification of productivity differentials implies that modern investment analysis, particularly for growth companies, should prioritise variables beyond traditional metrics and examine how effectively companies build and maintain high-performing and aligned teams.

In appraising the workforce productivity of Fever Tree, we assess the company using the building blocks presented in Figure 31, which assume the vector sum framework outlined.

**Figure 31: The building blocks optimising workforce productivity, assuming a vector sum framework<sup>115</sup>**





Our analysis finds that it is the success with which Fever Tree has delivered on its founding orientation, and its unique position, to produce *the best tonic waters and mixers in the world*, sits at the fulcrum of its competitive advantage including its highest-in-sector workforce productivity, delivery of excellence in innovation and marketing, and astute business strategy.

Whilst of course, management talent, and in particular the ‘force of nature’ level excellence that our framework seeks, must initially precede the creation of the best product, it is then the possession of that product, and its in due course downstream derivatives, that both retains management and attracts newer high merit workforce members to the emerging venture.

An additional implication from the theory is that workforce alignment toward unified goals is as crucial as individual productivity, extending from the alignment of individual employees to the alignment of teams (including innovation and marketing) to overall organisational alignment with customer needs. As such, whilst we must examine the workforce merit of Fever Tree at the level of the individual, we must also assess alignment across the workforce. We also find that alignment is most efficiently achieved by the possession of a powerful, unifying and yet simple concept – and Fever Tree’s unique focus on producing *the best tonic waters and mixers in the world* serves this function extremely well.

#### 4.2 Fever Tree’s co-founders combine the qualities necessary for ‘force of nature’ level leadership: reputation, expertise, capital, experience, mentorship, and youthful ambition and energy

*4.2. a) Prior to Fever Tree, co-founder Charles Rolls had already established a reputation and expertise in the spirits sector through his highly successful turnaround of Plymouth Gin*

Fever Tree’s co-founder Charles Rolls begun his career at management consultants Bain & Company, but in 1996 led a management group to acquire Plymouth Gin for £9m from Allied Lyons, and became its managing director<sup>116</sup>. Plymouth was one of the oldest UK spirits brands, favoured by Winston Churchill and Franklin D. Roosevelt, Alfred Hitchcock and Ian Fleming<sup>117</sup>.

However, sales of the then 203 year old brand had significantly declined to as low as 7,000 cases a year and the company was losing £24,000 a month<sup>118</sup>.

In turning around Plymouth Gin, Rolls eliminated the tired-looking packaging design that Plymouth Gin at the time had under the ownership of Allied Lyons<sup>119</sup>. Its replacement involved a re-creation of the original bottle design and including a mock-engraving of its thirsty monk mascot positioned toward the bottom of the bottle, referencing the brand motto “*when his feet are dry it’s time to buy*.”<sup>120</sup>

Following years with weakened product quality under Allied Lyons, including with the alcoholic proof down to 37.5%, Rolls restored Plymouth Gin to its original high quality ingredients and its strength was increased to 41.2% proof<sup>121</sup>. A “Navy Strength” variant was also launched with proof at 57% to also remind drinkers of the historic status of the brand as the official gin of the British Royal Navy<sup>122</sup>.

By 2001 sales of Plymouth Gin had reached 100,000 cases a year and it had become the best selling premium gin in the UK with a 30% market share, and was also establishing a growing base of sales in 25 countries worldwide<sup>123</sup>. In 2001 Rolls sold Plymouth Gin for £40m to Absolut Vodka<sup>124</sup>. His ownership stake is reported to have been 25%<sup>125</sup>.

*"I did buy into Plymouth Gin and it was a great experience. That was taking on a really old brand of gin at a time when the gin market was not like it is now. We went to the British Library and I got did some research and we were looking at a gin market that had been declining a 1% per annum for the previous 10 years when I took on Plymouth Gin. And nothing really exciting had happened in that market apart from perhaps Bombay Sapphire and I took it on though with this absolutely burning belief that I was going to be able to do something, and I went to Trafalgar Square the first day and I read every book on cocktails and a book by an American guy called Barnaby Conrad on page 27 I will never forget it and he wrote in my opinion Plymouth Gin was the original dry martini gin. But it was completely wrong the Americans were going to insist that martini was an American thing and some Brit coming over saying that we had something to do with martini was never going fly but nonetheless it gave me great hope.*

*The things we did do well at Plymouth were slightly the wrong things initially. We were really losing a lot of money, we were desperately losing backers and I was the third person to come along and try and save this company in six months. The thing that saved us from cash flow point of view was I went to Asda and I got on really well with a young buyer there, we got talking about business school, and what he wanted to do next, and we just had a really good laugh together. He said I fine if you've got some old stock I'll take it off your hands. And that thousand cases literally saved the company's life because the cash came in straight away and gave us time whilst I then started to do some more sensible things.*

*And the sensible things were getting back to the Victorian roots of Plymouth Gin. It was a 1793 brand the time of the Napoleonic wars, a fabulous old brand that had got lost. And so I talked to the head distiller and I said look what can we do, and he said well the flavour is better if you take the alcoholic strength up slightly. And so I did some calculations and I had found a piece of parchment in this sort of attic at the headquarters, and one of these bits of parchment showed that in the old days we used to sell Plymouth gin 100 years ago a higher strength. But I knew that we couldn't afford to go to go to 45% alcohol so I did something that we could afford to do which was 41.2% and relaunched the brand at that proof.*

*And in terms of marketing we had no money for marketing, but we hired a husband and wife team and we talked to the journalists at length. Anybody who'd listen to us and they loved that story about the fact that we were doing just what the market wasn't doing. The market had gone from 40% down to 37.5% because they were allowed to do it because that was the definition of gin you couldn't go below 37.5%. And that was saving them five pounds of revenue to the Exchequer every year and they just thought well British consumers won't know the difference we will just make a 37.5% gin. But we did the opposite, we went up, and it was a tiny amount but it allowed us to talk about the botanicals that we used, the flavour that was in Plymouth Gin that was fundamentally better than any of our competitors. The journalists read very widely in the drinks industry and they talked about Plymouth Gin in glowing terms and it really started to catch on. Bars restaurants around the world started to say – this Plymouth Gin is doing the right thing, and it's a wonderful old brand, and they're talking about their heritage and they're talking about where they get the juniper berries and the coriander seed and all these things. And we were starting to really hit a very fertile marketing trend and you know – I was so thrilled, I mean the sales grew 14-fold over four years and we suddenly had two people bidding for the company and it was great.*

*We eventually sold it, but during that process we would take journalists down to England's oldest working distillery and we'd show them Plymouth Gin how we made it. And we would taste it next to our competitors Tanqueray, Plymouth, Beefeater, Bombay Sapphire and Gordons. And you could smell how incredibly different these gins were. And then of course somebody would say let's have a gin and tonic now. And you'd reach for the Schweppes, and you couldn't tell which gin was in which glass which fundamentally undermined everything that I was trying to do with Plymouth Gin about persuading people to pay more for a premium gin. If you mixed it with the same old Schweppes, saccharine-filled, and it is like eew god what is that. As a soft drink maybe it is fine, but as a mixer for gin it just kills them. And it didn't matter which gin was in there, you could not tell which gin it was.*

*And that actually gave me the idea for Fever Tree, and I took a young fantastic guy called Tim Warrillow and he said he wants to launch a gin and I said – I'm not doing another gin but I think we should do a tonic – I think that's the answer."*

Charles Rolls, discussing his turnaround of Plymouth Gin, 2018<sup>126</sup>

**Figure 32: Under Charles Rolls, Plymouth Gin was re-branded, its thirsty monk engraving re-established, and its product quality and marketing re-positioning the gin into the premium category. Sales volumes multiplied from 7,000 cases per annum in 1996 to 100,000 by 2001**



*"The new branding is in complete contrast to the outgoing design and truly reflects the premium nature of Plymouth Gin."*

*"One of the things we learned immediately was that without premium branding, our efforts would ultimately have failed. Today's consumer expects top quality from premium spirits and the quality has to be both inside the bottle and in the branding itself."*

Charles Rolls, then managing director of Plymouth Gin, speaking in 1998<sup>127</sup>

**Figure 33: Prior to co-founding Fever Tree, Tim Warrillow had shown entrepreneurial flair; by 2003, aged 28, he was an advertising executive looking for career change, and reached out to Charles Rolls**

*"My first attempt at a money making venture was an 'after hours' pizza delivery business whilst at Wellington School, it involved persuading the local pizza delivery company to deliver pizzas in the cover of darkness."*

*"Much to their surprise the instruction was that they had to approach the main gate quietly without turning headlights on and we would let them know which window to deliver to by flashing a torch. The first delivery was a great success and so word got round and the second order was an enormous one where they had to pull in some additional delivery cars, sadly word also got round to a few members of staff who caught us mid delivery, the result was a lot of very dissatisfied customers and an early lesson in handling customer complaints!"*

*"However my first real entrepreneurial experience came at University where a friend and I started a small waitering agency business, this got a bit of traction and also caught the interest of my lecturers and formed the basis of my dissertation, this early experience really whet my appetite for an entrepreneurial career."*

Tim Warrillow, interview in 2020<sup>128</sup>

*"Like most boys, I was desperate not to have to work in an office and spent my time dreaming about a sporting career, but sadly I haven't achieved either of these things, however I grew up in a very entrepreneurial family."*

*"My father and uncle started and ran a successful business, so business discussions were, and still are, an everyday conversation and so somewhere along the line I became indoctrinated and decided that I wanted to try it for myself."*

*"I started a small business at University which caught the interest of my lecturers and formed the basis of my dissertation. This experience really whet my appetite for an entrepreneurial career and whilst I went into advertising after leaving University, my desire to start a business had burned bright."*

*"Whilst I loved advertising, I gave it up after only a couple of years to pursue one of the many business plans I had been busy scribbling at nights and weekends. After a number of dead ends and a few twists and turns, this ultimately resulted in my making contact with my business partner Charles and the formation of Fever-Tree."*

Tim Warrillow, interview in 2019<sup>129</sup>

4.2. b) In 2003, Fever Tree co-founder Tim Warrillow, an energetic, 28-year-old advertising executive with entrepreneurial ambition, reached out to Charles Rolls and the Fever Tree leadership team was established

In 2003, Tim Warrillow – at the time a 28-year-old advertising executive – was looking for a career change. He had shown entrepreneurial flair as early as school and university, and he wanted to set up his own gin distillery. He contacted Charles Rolls, a veteran of the gin industry, and 18 years his senior, for advice. Within an hour or two they had decided to become business partners. But instead of forming a new gin company, they resolved to set up a premium tonic water brand<sup>130</sup>.

Being younger at the time of the founding of Fever Tree, Warrillow was yet to achieve entrepreneurial success at the level that Rolls had achieved with Plymouth Gin. However, Warrillow showed entrepreneurial flair early. At Wellington School, he established an ‘after hours’ pizza delivery business<sup>131</sup>. At Newcastle University, Warrillow started with a friend a waitering agency business, which had relatively higher success and formed the basis of his dissertation on food marketing<sup>132</sup>.

Warrillow’s early experiences also reveal a passion for entrepreneurship. Whilst working in the advertising industry in his 20s, he pursued business ideas on weekends<sup>133</sup>, and eventually quit the advertising industry to focus again on entrepreneurialism before having met Charles Rolls and determining the Fever Tree business plan.

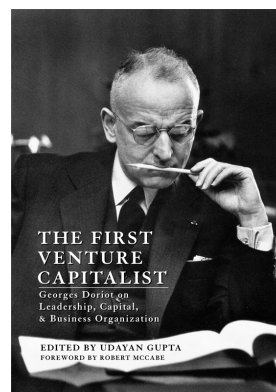
4.2. c) The combination of Charles Rolls in partnering with Tim Warrillow combined within one leadership team: reputation, expertise, experience, capital, mentorship, and youthful ambition and energy

The combination of Charles Rolls in partnering with Tim Warrillow combined within one leadership team brought a group of very attractive initial characteristics to Fever Tree’s founding team: reputation, expertise, experience, capital, mentorship, and youthful ambition and energy.

*“An idea itself is useless – the world is full of them. What is necessary is the combination of the idea, the need, the money and the timing.*

*What is desirable is capital and credit. One wants capital with a reputation. It is the most effective and least expensive.”*

Georges Doriot, Manufacturing Class Notes,  
Harvard Business School, 1955<sup>134</sup>



*“Tim Warrillow had everything that I did not – which was an enormous amount of energy.*

*He’s 20 years younger than me it’s been a very very good relationship.”*

Charles Rolls, Fever Tree,  
speaking in May 2017<sup>135</sup>



An additional advantage is captured by the type of managerial partnership that Charles Rolls and Tim Warrillow established. When a founder CEO themselves commences their career under an experienced mentor, it delivers for them as protégé a much higher efficiency in acquiring the necessary learning for business success than would be possible through trial and error.

In the case of Fever Tree's CEO today, Tim Warrillow, whilst a co-founder of the company it is also the fact that he started his career at Fever Tree under the greatly more experienced Charles Rolls, who led Fever Tree for the first ten years following its founding in 2003<sup>136</sup>, and was also initially its largest individual shareholder<sup>137</sup>.

*"A young person needs a mentor, and I think an older person in a way needs a protégé.*

*It's a mutually beneficial arrangement that has gone on for millennia and I think it will continue.*

*So you're lucky to have such older persons that are willing to devote a lot of energy and time to bringing along younger people. I've tried to do that.*

*Whether I'm as good as the ones I had I have no idea, but I've spent time, doing that.."*

Tom Perkins, co-founder of Kleiner Perkins, interviewed by John Hollar, 2011<sup>138</sup>



Such a path to knowledge acquisition from the perspective of the protégé also reduces the need for the social skill handicap that would otherwise result from the social withdrawal needed to attain a similar level of technical or business expertise. And, particularly in the soft drinks industry, it is in social interactions that the CEO must also excel at, demonstrating brilliant, high energy, skills as a marketer.

Furthermore, following excellence in mentorship the protégé is incentivised in favour of *rational workaholicism*, that is, accepting a perhaps even unreasonable workload yet with the sound assessment of a unreasonably impactful outcome.



*"I cannot stress enough what a fantastic colleague Tim is. And we've talked about great colleagues and how important they are.*

*But it really is the team, my god, the team is everything. The reason I am here tonight and relaxed is because Tim and the team are probably still working in the office right now."*

Charles Rolls, co-founder of Fever Tree, speaking in 2018<sup>139</sup>

Thereon, by the management team leading by example with high work ethic, they through their example communicate the high individual industriousness and merit characteristics that the optimised workforce must also take on.

### 4.3 Fever Tree's workforce is evidenced as a group with high individual merit

That Fever Tree possesses a high merit workforce is evidenced by several measures. Firstly, management commentary points to their workforce excellence as having been a critical driver of the company's success.

*"The most important thing for us is having great people in our business and actually as a successful entrepreneur you spend a lot of time recruiting it is a part of that you may not want to have to do but is that absolutely necessary part of the business.*

*And I was CEO for ten years and at a time of float I handed over the CEO role to Tim Warrillow, and he has been amazing, he has changed gear again and gain – it is extraordinarily what a competent person can do when they really given him the full step up.*

*So I've got that outstanding colleague who I started this with and we get on – we have been working together 13 years now so I'm very lucky with that.*

*And so that is the key thing, people are absolutely the key to see a that successful business is growing.*

Charles Rolls, co-founder of Fever Tree, speaking in May 2017<sup>140</sup>



*Our workforce is very efficient and lean and our focus is on how we stay efficient and lean. In revenue we're a 350 million pound business but we're just over 300 people so even the receptionist is a one million revenue person.*

*And we've always been lean because we believe that leanness leads to choicefulness, and choicefulness leads to focus on the best decisions.*

*So from day one we've always been lean, and we've never had debt. We allow ourselves to be net cash, to be able to make decisions, and to be able to be responsive so we're in a different situation.*

*The focus for us is about looking for efficiencies in manufacturing, in sourcing in partnering, and just how we constantly make sure that the choices we make have the best returns.*

*We always start with product, then channel with customer experience, and only then go to communication and marketing strategy last, not because we think it comes last but the way that our product set up is all about product differentiation and so we want to make sure that we do not stray from the things that we know are proven.*

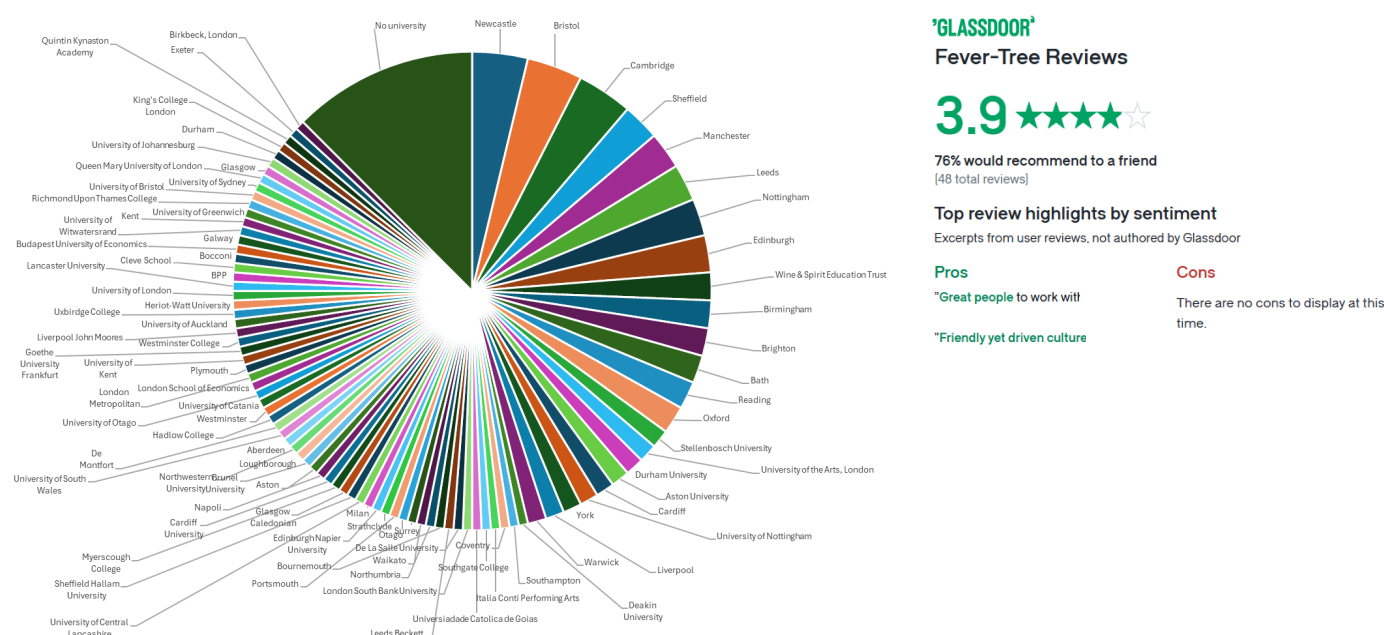
Jeremy Kanter, Chief Marketing Officer, Fever Tree, speaking in 2023<sup>141</sup>

An additional evidence point indicative of high workforce merit is revealed by analysis of publically available data from the social media site LinkedIn.

Data from the workforce platform indicates that 88% of the 370-strong workforce of Fever Tree are university educated, and at universities on a workforce headcount-weighted basis that score in the 85th percentile (i.e., in the top 15%) of the Times UK University Rankings 2025<sup>142</sup>.

In the UK, 35% of people attend university before starting a professional career<sup>145</sup>. Assuming – on average – a relationship between the Times UK University Rankings and employee merit, this puts Fever Tree in the top 6% of UK workforces (i.e. the top 15% of 35%), almost certainly delivering a significant competitive advantage relative to the scaled incumbent beverage companies whose workforces, as a result of their scale, will inevitably face greater handicaps in achieving the same level of merit.

As per Figure 34, the workplace culture at Fever Tree also scores favourably on workplace survey websites such as Glassdoor.com.





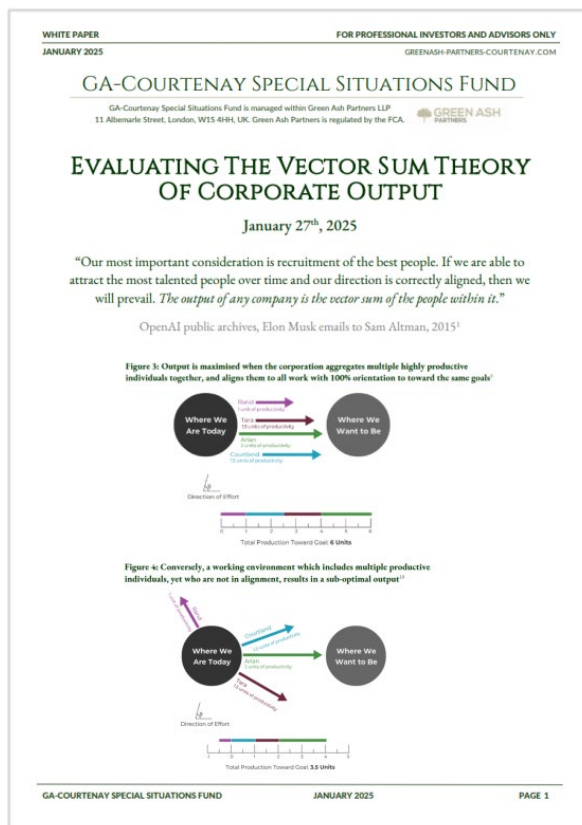
#### 4.4 Fever Tree's 'product first' ethos also serves as the simple yet powerful force aligning its high merit workforce toward unified corporate goals, outputting peer-group leading productivity

For Fever Tree's workforce to maximise productivity, and heightening the company's prospective pace of US market capture, workforce alignment toward unified goals is also as crucial as individual productivity.

The requirement for workforce alignment in this manner extends extending from the alignment of individual employees to the alignment of teams, including (as our next section reviews), the alignment that drives excellence in product innovation and marketing, accreting Fever Tree's potential to further penetrate current and adjacent mixer categories.

Comparable to the core driver that both retains management and attracts newer high merit workforce members to an emerging venture, we assess it as the unique position of Fever Tree in producing *the best tonic waters and mixers in the world*, when combined with the high quality management team of the company as an additional force, which also serves as strong guiderails aligning its workforce toward unified corporate goals.

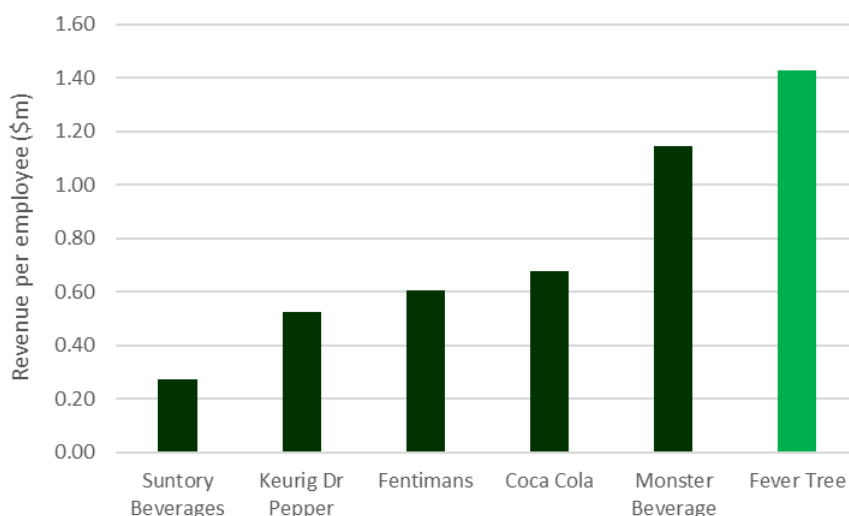
**Figure 35: The workforce of Fever Tree is aligned by the simplicity of the company's mission of producing *the best tonic waters and mixers in the world*<sup>146</sup>**



Verificatory evidence that not only does the workforce of Fever Tree possess high merit, but also must also be well aligned, is revealed when an overall measure of workforce productivity – revenue per employee – is calculated.

With 2024 consensus revenue estimates of \$524m and 370 employees, Fever Tree generates \$1.35m per employee. This significantly outperforms Fentimans, the largest UK boutique mixer specialist (though with less than 10% of Fever Tree's revenue), which reports \$0.60m per employee. Even larger niche beverage companies like Monster Beverage and Keurig Dr Pepper report lower figures at \$1.14m and \$0.52m respectively. Suntory, which owns Fever Tree's key competitor Schweppes, generates just \$0.27m per employee, while even industry giant Coca-Cola (excluding bottling operations) achieves only \$0.68m per employee.<sup>147</sup>

**Figure 36: When overall workforce productivity is measured by revenue per employee – Fever Tree has the most productive workforce relative to all peers, large or small<sup>148</sup>**



The significance of Fever Tree's workforce productivity leading its peer group average, and by some margin, is highly relevant when considering the company's potential pace of growth, including for incremental US market growth in combination with Molson Coors. When an investor assesses a workforce as highly productive, this is also a predictive indicator with which to assess the prospects of the business to succeed in its future scaling.

**Figure 37: Correctly assessing the possession of sector leading workforce productivity can also be put forward as a powerful route for investors to assess the scalability prospects of a business**

"People say, how do you write a business plan?"

My answer is, I can't tell you; I can only tell you how we read one. We start at the back, and if the numbers are big, we go to the front to see what kind of business it is. [laughter]

So, I'm answering your question by saying *opportunity is the thing you look for — scale*. In other words, there is a big difference between a good idea and a good idea that will make you a huge amount of money."

*Tom Perkins, co-founder of Kleiner Perkins, interview by Sally Smith Hughes, 2009<sup>149</sup>*



## 5. Fever Tree's 'product-first' ethos and leading workforce productivity thereon drives excellence in product innovation and marketing, further accreting US growth potential

### 5.1 Fever Tree's 'product-first' ethos combined with its leading workforce productivity thereon drives excellence in product innovation

#### 5.1. a) Fever Tree is already a successful innovator, with multiple new product launches over the last five years

Over the last five years, Fever Tree has purposely broadened its range beyond the original tonic water line to capture more drinking occasions. By 2023, non-tonic mixers (e.g. ginger ales, ginger beer, colas, flavoured sodas) accounted for 25% of Fever Tree's sales, up from just 10% in 2019<sup>150</sup>. The growth of these categories has resulted from both Fever Tree's innovative new product launches and rising demand for mixers tailored to spirits like whiskey, rum, tequila and vodka<sup>151</sup>.

For example, Fever Tree's ginger ales and flavoured sodas have gained significant worldwide distribution and are growing alongside the surge in premium rum and vodka consumption. In 2023 the company also pushed into adjacent product categories: ready-to-pour cocktail mixers (for drinks like Margaritas, Bloody Marys, Mojitos) and adult soft drinks, securing over 4,000 distribution points across major UK supermarkets and winning placement in leading bar/restaurant chains<sup>152</sup>.

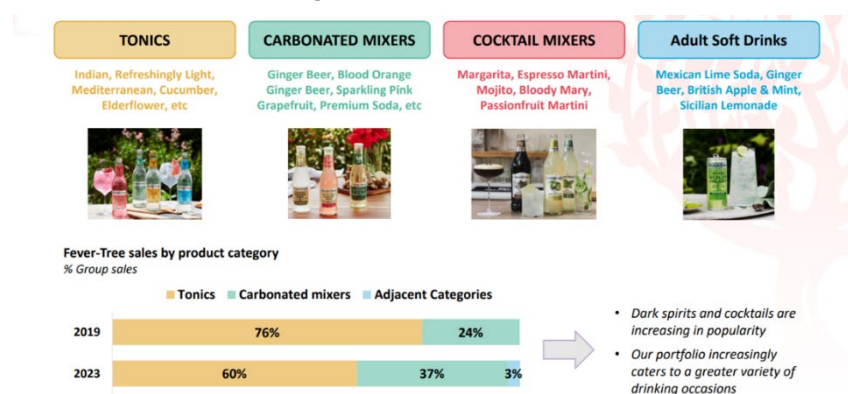
*"The pace of innovation, the innovation per unit of time, this is what matters. Not innovation absent time.*

*If you wanted to make 100% improvement in something and that took 100 years, or if took one year, well that's a radically different outcome. Most companies, the bigger they get, they tend to get less innovative."*

Elon Musk, speaking in 2024<sup>153</sup>

Fever Tree's concept – providing the world's best mixers – revolutionises the simplicity of creating high-quality cocktails. This attracts new consumers and enables on-trade customers beyond high-end bars to easily offer premium cocktails. These attributes thereon create a revenue tailwind supporting each new product innovation.

**Figure 38: Innovation, leading to category diversification, has also been a key growth driver for Fever Tree<sup>154</sup>**







*"We started off with the premium Indian tonic water and the whole game there was to use natural ingredients – to use the purest source of natural quinine in the world which comes from the Congo and wonderful orange oil that comes from Tanzania. So these are qualities that no one else was going to try and bring a really good quality tonic water to people.*

*So there's quality, but there's also choice. So one of the big bets and one of the most innovative things we did was to say look 50% of the UK market is what would have been called Slimline tonic water.*

*And the customers of Slimline, if you ask them why do you buy Slimline they'd say because it has got no calories. And it was usually women but not always, there was also a diabetic customer group, and they would say 'we know it doesn't taste very good but we'll take it because of the no calories.'*

*Now flip that on its head and say fine, everything Fever Tree does is going to be all natural, but how many people do you think we could attract to buy something where 'say let's make it delicious all-natural and as low calories as we can?'*

*And our 'Refreshingly Light' tonic is today a phenomenally successful product. It is now 50% of our tonic sales at retail. So that was a really good bit of innovative thinking saying 'come on let's flip this hierarchy and see what we get.'"*

Charles Rolls, co-founder of Fever Tree, speaking in May 2017<sup>155</sup>

*"We're always looking at innovation – it is the heart blood of our business and it's the most fun.*

*Innovation is easier when a company such as ours is really clear on our mission. Our mission is to make drinks taste better, and this also helps us guide our positioning, we're adult focused and we make the best tasting drinks, we use the best ingredients that nature has to offer, we're adult focused, so then we're constantly looking at how we can make adult premium drinks taste better.*

*And so we things like in America, tequila is booming, and tequila is most often served as the Paloma with grapefruit juice, or as a cocktail called Ranch Water which is with lime soda. And the grapefruit sodas on the market are quite poor in terms of their ingredients, so we brought out a brilliant pink grapefruit soda and it's absolutely flying off the shelves, and most limes are just lime squeezed so we brought out the lime soda and yuzu soda and it flies too."*

Jeremy Kanter, Chief Marketing Officer,  
Fever Tree, speaking in 2023<sup>156</sup>

## SPARKLING PALOMA

3 parts Fever-Tree  
Sparkling Pink Grapefruit  
1 part Tequila  
Garnish: Grapefruit Wedge

Fill a large glass to the top with fresh ice. Add tequila and top with Fever-Tree Sparkling Pink Grapefruit. Garnish with a juicy grapefruit wedge and enjoy.



## SPARKLING RANCH WATER

3 parts Fever-Tree  
Sparkling Lime & Yuzu  
1 part Tequila  
Garnish: Lime Wedge

Fill a highball glass to the top with ice. Add tequila and top with Fever-Tree Sparkling Lime & Yuzu. Stir & garnish with lime wedge and serve.



Simultaneously, Fever Tree has introduced an adult soft drinks range (e.g. premium lemonades, colas) to leverage its quality credentials in the sizable non-alcoholic segment. After launch, these soft drinks gained over 9,000 distribution points in UK retail and grew 30%+ during the year<sup>157</sup>.

Fever Tree also rolled out bottles of its soft drinks for on-trade venues (with its Sicilian Lemonade proving popular in bars) and began exploring on-the-go channels like train stations and convenience stores. This innovation pipeline – spanning mixers for every spirit, cocktail bases, and stand-alone sparkling drinks – has resulted in a growing addressable market for Fever Tree products.

*5.1. b) Fever Tree's unique focus, producing the best tonic waters and mixers in the world, combined with its astute targeting of market gaps where consumer need persists, raises innovation efficiency*

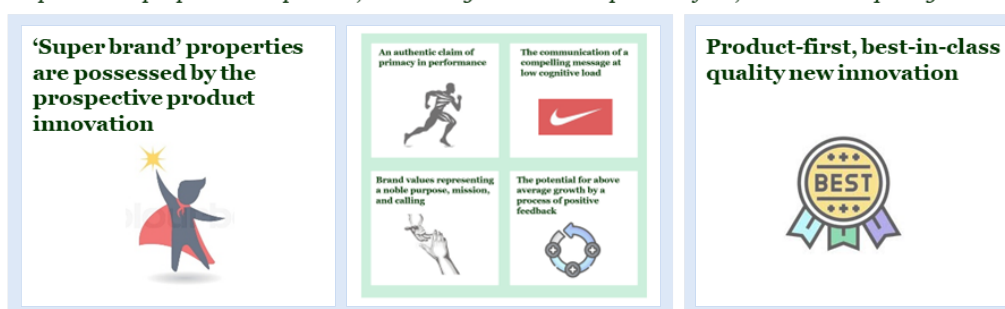
Fever Tree's unique focus, producing the best tonic waters and mixers in the world, combined with its astute targeting market gaps where consumer need persists, raises both its innovation efficiency and commercial success probability.

By possessing the 'product-first' ethos, Fever Tree is able to efficiently standardise its innovation process – new products must deliver exceptional taste through highest quality natural ingredients and authentic recipes, often requiring dozens of iterations (the Fever Tree mojito mixer reportedly underwent 48 versions before launch<sup>158</sup>). This standardisation builds innovation expertise, resulting in a repeatable innovation process.

Fever Tree also astutely targets its innovation toward specific consumer needs, such as developing pink grapefruit soda to capitalise on tequila's growth in the US market. This approach yields high commercial success probability, bolstered by both Fever Tree's ongoing product-first commitment and 'super brand' attributes delivering displacement of lower quality, incumbent products.

**Figure 39: The 'super brand' properties of Fever Tree empower it to follow a rational, efficient and high success probability product innovation model, allowing repeating successes<sup>159</sup>**

*'Super brand' properties are present, orientating innovation to product-first, best-in-class quality*

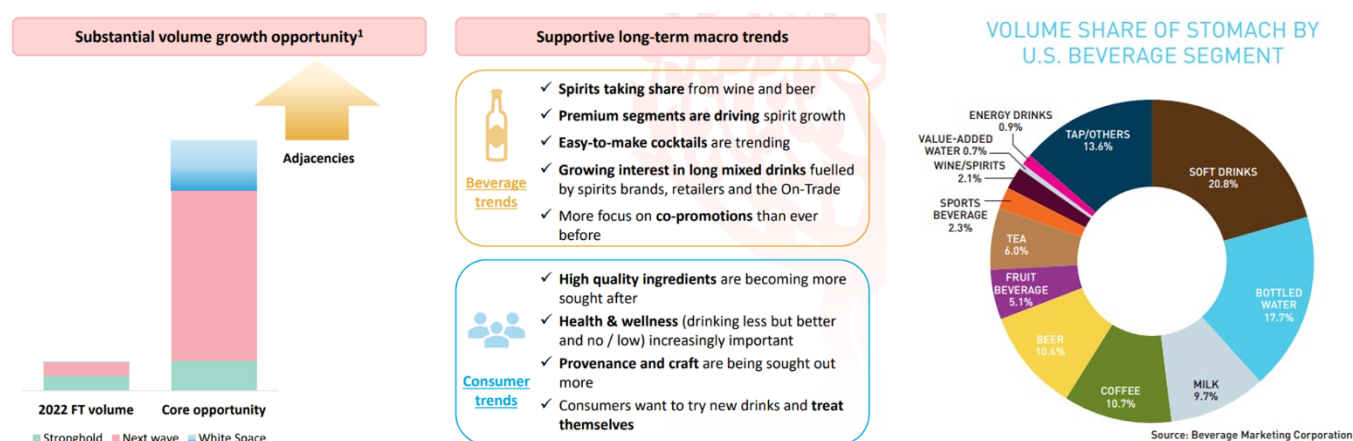


*Innovation is targeted to a specific customer need, and the innovation process is standardised, resulting in the development of expertise and resulting in consistent success trajectory in innovation*



The outcome is that the Fever Tree model is successful, through innovation, at consistently broadening its portfolio, including from tonics to ginger beers, ginger ales, sodas, cocktail mixers, and adult soft drinks, increasing their addressable market while maintaining brand coherence. And it is the extrapolation of this model that also accretes the ability of Fever Tree to accelerate US revenue growth by opportunity by further penetrating adjacent mixer categories.

**Figure 40: Fever Tree is positioned to capture a significant, growing opportunity by its successful pace of innovation allowing the company to expand its range into adjacent categories<sup>160</sup>**



Fever Tree disclosures indicate significant volume opportunity from expansion into adjacent categories including mixers for the dark spirits category which is an order of magnitude larger than the size of the gin category where Fever Tree mixers are currently mainly focused<sup>161</sup>. Other opportunities currently pursued include the tequila category, adult soft drinks, and potentially ready-to-drink beverages. Whilst these opportunities are worldwide, they are naturally also are a significant of the business path that is required by Fever Tree to capture its US opportunity in partnership with Molson Coors.

*"We are very excited because gin represents six percent of the premium spirits market, but dark spirits represents sixty percent of the premium spirits market.*

*So we are in the process of creating a whole new range of mixers to go with these dark spirits from rums, and we're obviously in cola is the really big one. We have had a lot of requests for cola from the trade and they were saying the same thing to us – 'can't you do for cola what you've done for tonic and ginger ale by putting fantastic ingredients in and also directing this product more at the adult audience?'*

*The problem with Coca-Cola is twofold: one is it's got phosphoric acid in it which is a very harsh acid it's the one that dissolves your teeth, and actually kills the taste of any good rum. And so the spirits companies don't want to work with Coca-Cola, and Coca-Cola does not want to work with the spirits companies because they are ethically focused on children etc so they don't want to do. Enter Fever Tree, with a much better cola product, and we're hoping that we win in the mixer area and we'll have a lot of room on that."*

Charles Rolls, co-founder of Fever Tree, speaking in May 2017, comments aggregated with Tim Warrillow, speaking in 2023<sup>162</sup>





*“What we’re so excited about is whilst the business has grown very well and very quickly over these last 15 years, our business in large part is still focused on gin. But, from a global perspective, gin only accounts for about six percent of global spirit sales.*

*Whereas if you take dark spirits it’s ten times that size and so that is why we have been developing over the last few years our range of mixes specifically to go with dark spirits. I’m talking about whiskies and rums, so we’ve been developing our range of ginger ales and also ginger beers but again in just the same way we did with our tonic waters. We’ve been developing them with ingredients that are specifically developed and designed to help complement and enhance those dark spirits that they’re mixed with.*

*So we’re working very hard with the bourbon producers in America which is a category which is growing very very strongly in many places around the world including Australia as well. Also the Irish whiskey producers, and of course the Scotch whisky producers – so you know there’s that whole world of whiskey that is growing and growing that we’re working with so we’re very excited about that.*

*Then also in North America our business with tequila is growing very quickly, we’ve got a couple of wonderful products to mix with tequila and a recent launch of ours is a pink grapefruit which makes this perfect Paloma drink and that’s growing very quickly for us and that’s not to mention the vermouth and obviously vodka and all these other categories that we’re also working hard with.”*

Tim Warrillow, Chief Executive Officer, Fever Tree, speaking in March 2022<sup>163</sup>

## THE ULTIMATE GIN & TONIC PAIRING GUIDE

Gin is only as good as the tonic it's paired with. That's why our award-winning tonics have been carefully crafted to complement the varied flavour profiles of gin. Find the perfect tonic for your favourite gin at [fever-tree.com](https://fever-tree.com)

**IF  $\frac{3}{4}$  OF YOUR DRINK IS THE MIXER, MIX WITH THE BEST™**

**FEVER-TREE**

## THE ULTIMATE SPIRITS & MIXERS PAIRING GUIDE

Our award winning mixers have been carefully crafted to enhance the complex flavours of the finest whiskies, rums, brandies and tequilas.

**IF  $\frac{3}{4}$  OF YOUR DRINK IS THE MIXER, MIX WITH THE BEST™**

**FEVER-TREE**

## 5.2 Fever Tree's relative advantage in innovation is also heightened by its the ossification characteristics of its incumbent competitor set

As per Figure 41, Fever Tree's competitor set, including in the US market, is characterised by existing large portfolios that require them focus on those current revenues, and this size handicap can also disincentivise their own innovative launch of smaller opportunities that would have initially matched Fever Tree's business position.

*"The secret of life is weak competition.. if you have an IQ of 100 and everybody else has an IQ of 80, you are way better off than if you have a 140 IQ and all the rest of them also have 140."*

Warren Buffett, Berkshire Hathaway annual meeting, 1998<sup>164</sup>

While the fiduciary responsibility of scaled, incumbent leadership dictates they should maximise workforce productivity, leadership is also incentivised to maximise personal gain during their limited tenure at what may have become a large scale corporation with outsized management remuneration potential. This incentive can lead to the exclusion of otherwise upcoming talent from senior positions to the extent to which such talent would thereon threaten current management tenure. The result – lower innovation and corporate ossification.

However, Fever Tree is all of a company with 'super brand' attributes, a 'product-first' ethos, and a highly productive company in terms of its workforce. The result is that Fever Tree achieves additional *relative* advantage from the nature of its competitor set – long-established, scaled incumbents, and each likely to be exhibiting a degree of corporate ossification.

**Figure 41: Fever Tree's competitor set is characterised by existing large portfolios that require them focus on those current revenues, and this size handicap can also disincentivise the launch of prospectively smaller opportunities that would have initially matched Fever Tree's business position.**

<p><i>"I was fortunate enough to work at Diageo for over 15 years – it is a wonderful company and which I still have huge affection for and we still actually collaborate with.</i></p> <p><i>Diageo, and the other great drinks companies such as Bacardi and Pernod-Ricard, they are phenomenal brand building businesses and they also have excellent trend forecasting teams.</i></p> <p><i>However, it's just they have already huge portfolios and huge commitments and they do focus on those."</i></p> <p>Jeremy Kanter, CMO, Fever Tree, speaking in July 2024<sup>165</sup></p>	<p><i>"I think it's not that the big incumbents do not see our opportunity, it is whether they can organise their priorities to commit with their full thrust to catch up with us.</i></p> <p><i>Sometimes the horse has run too far ahead."</i></p> <p>Jeremy Kanter, CMO, Fever Tree, speaking in July 2024<sup>166</sup></p>	<p><i>"If there is a very large dominant player then you have to ask yourself are they being complacent? Often with size can come complacency.</i></p> <p><i>The category benefit fundamentally about alcoholic mixed drinks is taste, and so each company in the market, if they are not complacent, should be asking themselves – 'well, is this truly as good as possible? It might be what's accepted but what's the possibility of how great it could be?' This is how it is done at Fever Tree."</i></p> <p>Jeremy Kanter, Fever Tree, speaking in July 2024<sup>167</sup></p>
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### 5.3 Fever Tree's product-first approach also sits at the fulcrum of its marketing and, inverting traditional marketing doctrine, raises both efficiency and delivers superior outcomes

#### *5.3. a) Fever Tree's product-first mission statement also sits advantageously at the fulcrum of its marketing, driving efficiency and success probability*

Fever Tree's ability to accelerate US revenue growth by further penetrating current and adjacent mixer categories additionally relies on its marketing model continuing to deliver advantaged outcomes. Fever Tree's marketing, much like the organisation as a whole, is orientated around its ethos to produce the best mixers in the world.

By possessing the *performance authentic*, best product, a standardisation of marketing campaigns is more straightforward. Such standardisation aligns the marketing workforce onto unified marketing guiderails, raising efficiency. Furthermore, Fever Tree's performance authentic product allows the company to select best-in-class marketing partners, opening doors that would typically be closed to challenger brands, and further empowering high performance results from the marketing process.

*"Our marketing model is 'product-first' – and that means making sure that whatever goes into the product is exceptional.*

*So we've just launched cocktail mixers for example which means the ability to make a mojito let's say with just rum and our cocktail mixer makes bar quality. And when we made that we would blind taste our product time and time again until it was better than a professionally made mojito. Our mojito was version 48, our martini was version 152, so we will keep going until we've achieved that quality.*

*So our marketing focus is product is everything, we don't go to market until we have a product that is excellent."*

Jeremy Kanter, Chief Marketing Officer, Fever Tree,  
speaking in July 2024<sup>168</sup>

*"If you don't have a story – don't spend anything on marketing.*

*But so long as you have a story that really resonates, and you tell it really well, then you are giving oxygen to your brand in a way that you cannot do otherwise."*

Charles Rolls, discussing  
his turnaround of  
Plymouth Gin, 2018<sup>169</sup>

The result is that Fever Tree is uniquely positioned to deliver a high performance marketing result, and this further drives their competitive advantage. For example, Fever Tree realised that to deliver well above average growth, they had to change perceptions of the category such that the size of the category grew, rather than solely to seek taking market share from existing, scaled companies. This meant high performance marketing was necessary, in order to convince prospective customers that the mixer is an equally important component of a cocktail or mixed drink, rather than a trivial add-on, as encapsulated by Fever Tree's - tagline *'if ¾ of your drink is the mixer, mix with the best.'*

However, as a result, Fever Tree has been able to standardise a marketing approach that is not only delivering on gaining market share but also expanding the premium mixer segment from zero to a multi-million-pound category. In academic terms, Fever Tree's marketing has achieved "category design," getting consumers to re-evaluate the value proposition of the entire category, much like how Apple redefined smartphones.



### 5.3. b) Fever Tree's product-first approach inverts traditional marketing doctrine, driving superior outcomes

To better characterise Fever Tree's marketing advantage, consider the traditional marketing role illustrated by the US Federal Trade Commission case blocking the Crisco-Wesson cooking oil merger in 2018. The FTC case identified a distinct 'premium branded' cooking oil market despite also admitting identical chemical composition to cheaper store brands. The proposed merger was abandoned the merger following the challenge<sup>170</sup>.

The case demonstrates that when product quality is identical to generic alternatives, the burden of justifying premium pricing falls entirely on brand marketing – essentially asking marketing undertake the high burden task of concealing reality. By comparison the far more cost efficient, and the truthful message 'this product is identical to a cheaper generic' would undermine the premium pricing objective and well as dissuade best-in-class advocates to partner with the brand.

In short, for products lacking *performance authenticity*, marketing must both conceal reality and fabricate a pseudo-reality, resulting in high expenses and reduced efficiency.

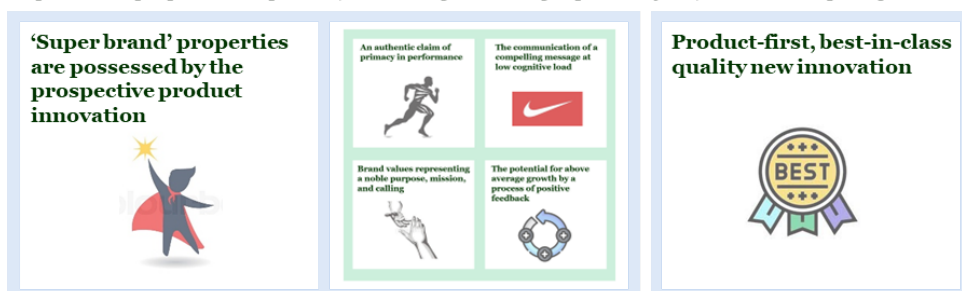
By contrast, Fever Tree's marketing, flowing from its ethos to produce the best mixers in the world, once designed and standardised, is both more efficient and more impactful.

Yet this is only possible because Fever Tree possesses genuine performance authenticity, super brand attributes, enabling a placing of these qualities at the core of its marketing. This allows Fever Tree's marketing to be honest yet inspiring, and to partner with the best, driving its competitive advantage.

As the only mixer brand with this level of performance authenticity, Fever Tree enjoys a durable marketing advantage relative to competitors, positioning it well to accelerate US revenue growth through further category penetration.

### Figure 42: Fever Tree's unique position as the *performance authentic* category leader allows it to pursue an advantaged marketing strategy that peer brands cannot replicate<sup>171</sup>

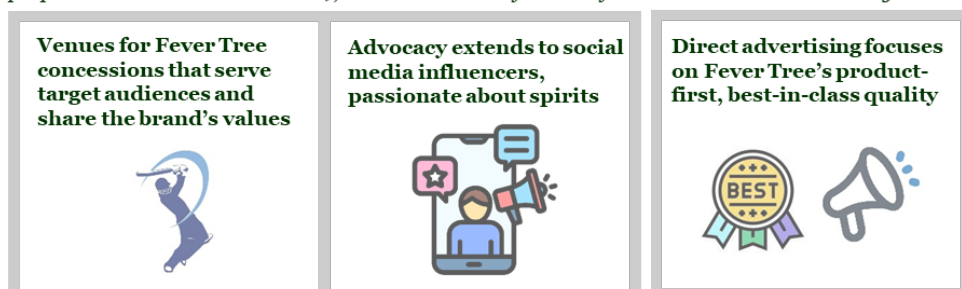
*'Super brand' properties are present, orientating marketing to product-first, best-in-class quality*



*The value uplift proposition of Fever Tree's product-first, best-in-class quality is shared with the vendor partner through 'rituals', resulting in a prioritisation by the vendor partner of Fever Tree products*



*Fever Tree's product-first, best-in-class quality is thereon used to achieve advocacy partners (places and people that recommend Fever Tree), and also sits at the fulcrum of Fever Tree's direct advertising*



5.3 c) By delivering on its ‘product-first’ ethos, Fever Tree is uniquely able uplift the margins of its vendor channels with customer-facing ‘rituals’, incentivising brand prioritisation by the channel owner

Fever Tree’s *performance authenticity* in mixers also empowers it with the unique prospect of uplifting the margins of its vendor channels using customer-facing ‘rituals’.

For the on trade, for example, Fever Tree collaborates with the vendor to design ‘rituals’ of the perfect serve with the glass and garnishes, and the bottle being presented alongside. Fever Tree goes further still, co-authoring with the on-trade venue bespoke menus, highlighting the higher quality aspect of the mixers, and thereby allowing the venue also to raise margins<sup>172</sup>.

In this manner, rituals powerfully incentivise the channel owner to prioritise the Fever Tree brand, relative to its peers, and thereby delivering to Fever Tree above average revenue growth potential.

**Figure 43: Fever Tree’s channel marketing focuses on and ‘rituals’ where Fever Tree can create a benefit to their vendor partners. Below – Fever Tree’s approach includes co-authoring bespoke menus with on trade venues, highlighting the higher quality aspect of the mixers, and thereby allowing the venue to raise profit margins on the mixer plus the spirit as a whole.**<sup>173</sup>



*“Before Fever Tree, you’d get your giant tonic in a half pint glass water glass with an excuse of ice and an excuse of a garnish and that’s it. The soda would be from a soda gun with artificial ingredients in it.*

*Compare that to venues that Fever Tree supplies. Your drink is presented to you in this wonderful glass with our bottle next to it as a side so you can personally get the dosage just right. And this created bar envy, people would pay more to sit down and add their own tonic, and the owners would suddenly be able to sell drinks for £7.50 rather than £5.00 they charged with a soda gun.*

*It’s a huge value increase for the venue owner. And so they would then get behind our product and brand, and we created with them gin menus. So now the customer turns up to their venue and is presented with a gin menu with of these wonderful cacophonies of ingredients.*

*What we are trying to do was helping to uplift the value of the businesses of our customers – and not a more narrow minded way of thinking to solely look to gain share from competitor brands.”*

Jeremy Kanter, Fever Tree, speaking in July 2024<sup>174</sup>

For the off trade, the corresponding rituals are how Fever Tree presents their product-first beverages in a manner to create excitement, and drive premium pricing, for the retail partner. Fever Tree frequently partners with premium spirit brands for co-promotions, reinforcing the complementary nature of a premium spirit and premium mixer. These partnerships range from in-store display, to joint events such as Gin & Tonic festivals<sup>175</sup>, to digital content which may for example promote cocktail recipes featuring both brands.

**Figure 44: Fever Tree's channel marketing focuses on 'rituals' – below, for the off trade, Fever Tree presents their product-first, innovative beverages in a manner to create excitement**



*"Fundamentally what we're trying to do is give our on trade, or retail partner, some of the value chain.*

*What our on trade or retail partners care about is that we have breathed margin back into the whole system that had been totally deflated all around the world, when you had one big company, owned by Suntory or Coca-Cola who would go into the retailer and squeeze them on margin.*

*Whereas now, all of a sudden, our on trade or retail partners they have a good quality product that their customer is willing to pay more for because their customer recognises it as good quality. And so now everybody in the value chain can start to make money. That's the key to it if we're in a capitalist world you better see a way for everybody in your value chain to make money or you're not going to succeed."*

Charles Rolls, Fever Tree, speaking May 2017<sup>176</sup>

**5.3. d) By delivering on its 'product-first' ethos, Fever Tree is also able to select best-in-class partners when it comes to advocacy, delivering Fever Tree an additional performance advantage in marketing**

Fever Tree's marketing also strategically targets advocacy, focusing on venues and influencers that recommend Fever Tree products. However, it is by Fever Tree possessing the performance authentic product that the company is uniquely to take select amongst best-in-class partners when it comes to advocacy, delivering Fever Tree an additional performance advantage in marketing.

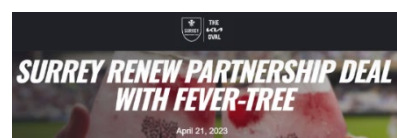
For example, in the UK, Fever Tree initially began a concession at the Oval cricket ground. However, Fever Tree's premium characteristics helped increase overall venue revenue as customers upgraded from beer and wine to premium spirits. This success led to a unique four-year exclusive soft drinks partnership with the Oval in 2023<sup>177</sup>.

Fever Tree's *performance authenticity* has also attracted partnerships with leading influencers including 'Breaking Bad' stars Bryan Cranston and Aaron Paul, and Kendall Jenner<sup>178</sup>. These influencers, each also launching their own spirits brands, recognise that delivering the best tasting experience for their premium spirits requires pairing with the best mixers, and that means Fever Tree exclusively.

*"We look for the audiences and find like minded people, and so another example is the Oval cricket in the UK and we took up a concession there and they loved it so much that we became their exclusive soft drink partner because we were trading people up from beer and wine to these wonderful premium spirits and mixers.*

*So we seek out those people or advocacy entities that share that same ethos and passion but also can help us grow our audiences."*

Jeremy Kanter, CMO, Fever Tree, speaking in July 2024<sup>179</sup>



Surrey CCC have today announced a four-year extension with premium soft-drink partner Fever-Tree, with the new deal lasting until December 2027.



Fever-Tree have been the exclusive soft-drink partner of The Oval since 2014, with pouring rights wherever roses are used at the venue, ensuring that fans at the iconic south London venue can enjoy their favourite drinks with the highest quality mixers at every game.

Fever-Tree will continue to operate their four existing premium bar locations around the ground at all major matchdays, allowing fans to enjoy the full range of Fever-Tree's delicious soft-drinks.

There will also be an increased in signage for existing Fever-Tree bars in the Jander Suite of the JAM Press stand. The partnership also includes exclusive experiences at The Oval Club for Fever-Tree staff and customers.

Charlie Buck, Commercial Director at Surrey CCC, said: "Fever-Tree provide a premium experience for their customers and that's something that we aim to offer to all fans who come through the gates at The Oval Club."



**Figure 45: Fever Tree's Advocacy also extends to social media influencers, including in the US market. In each case, the influencers are launching their own brands of spirits, and who understand that if they want to have the best premium spirit brand they need to partner with the best mixer<sup>180</sup>**



*"In the US tonic water is popular but gin isn't so popular.*

*But other drinks are hugely popular, and the tequila is massive in America and so our pink grapefruit soda that makes a Paloma and so we find people who share that passion, we call them taste makers.*

*Sometimes our taste makers may be celebrities in the food industry such as chefs, but they can even be for example the Breaking Bad guys Brian and Aaron, they have launched a mesclal, Dos Hombres. And so we sent them our Palomo and they loved it, and they will be doing all of their wonderful Instagram activities and using Fever Tree.*

*Or take Kendal Jenner with her 818 Tequila brand, these are people who are passionate about spirits, they know that if they want to have the best premium spirit brand they need to have the best tasting experience, and so they will use the best mixer."*

Jeremy Kanter, CMO, Fever Tree, in July 2024<sup>181</sup>

**Figure 46: Fever Tree also engages in advertising directly, with a focus around its core message of making customers aware of the quality of their product. The messaging is orientated in a way as to provoke the light bulb moment by the customer, and the communication will go on to emphasise that the company goes into the field to source the highest quality and natural ingredients.**

**WE GO TO THE ENDS OF THE EARTH FOR THE PERFECT G&T**

Gin is only as good as the tonic it's paired with. While most tonics mask the delicate flavours of gin with artificial sweeteners such as sickly saccharin, at Fever-Tree it's all about taste. In fact one might say our founders Charles and Tim are a little obsessed.

In their quest for the perfect tonic, Charles and Tim spent days in the British Library researching quinine sources before travelling to some of the most remote parts of the world in search of the finest natural ingredients, venturing as far as the Democratic Republic of the Congo to find the world's purest quinine. It's this unique ingredient that gives our tonic its essential bitter flavour, and when balanced with botanicals like natural orange oils, makes for a gin & tonic that's crisp, clean and like no other.

**IF  $\frac{3}{4}$  OF YOUR DRINK IS THE MIXER, MIX WITH THE BEST**

Photo taken by co-founder Tim. View from the quinine plantations in the Democratic Republic of the Congo.

**FEVER-TREE**

Named tonic of choice by the world's top bars and restaurants

5.3. e) Fever Tree also engages in advertising directly, with a focus on reinforcing its unique, and truthful message of producing the world's best mixers, and as such, standardising advertising and raising efficiency

Finally, Fever Tree will engage in advertising directly, with a focus on reinforcing its unique, and truthful message of producing the world's best mixers, with messaging such as '3/4 of your favourite Palomo is actually the grapefruit soda, so the mixer matters as much as the tequila'.

The messaging is orientated in a way as to provoke the light bulb moment by the customer, and this is followed by the Fever Tree communication going on to emphasising that the company goes into the field, the founders, its CEO, its buying teams, to go and find the producers and meet the producers and source the highest quality and natural ingredients.

*"When we go to communications, to make the consumers of our product aware and reveal what makes us different – it is all about the differentiation in the message that three quarters of the drink is the mixer, and so the consumer understands the value of a great mixer and then can relate to the importance of our ingredients story.*

*Our communications are focused around that truism. And there is a light bulb moment by the customer because that truism is so powerful. And then we reveal that we go into the fields, our founders, ourselves we go and meet the producers. So it is very authentic-driven, and very much a reveal strategy."*

Jeremy Kanter, Fever Tree, July 2024<sup>182</sup>

Fever Tree's advertisements therefore often double as content driving brand goodwill in general – showing the quinine plantations in Congo or the fields where lemons are grown, reinforcing its authenticity and sourcing ethos.

The efficiency of Fever Tree sticking to its core, yet powerful *performance authentic* message allows the company to also effectively use non-traditional routes to marketing. For example, Tim Warrillow recently highlighted the company using "the overlooked medium of radio"<sup>183</sup> in the UK to showcase the breadth of the portfolio, which proved very cost-efficient.

## 6. Fever Tree's multi-domain advantages, together with its astute strategy, has resulted in market leadership positions worldwide, providing further evidence that Fever Tree has the momentum to achieve additional US revenue capture

### 6.1 Fever Tree's multi-domain advantages, together with astute strategy has resulted in market leadership positions worldwide

*6.1 a) The barriers to entry in favour of Fever Tree relative to large competitors result from its first mover advantage, performance authenticity, higher pacing of innovation, and distribution partnerships*

Relative to Fever Tree, the largest soft drink firms such as Suntory via their Schweppes division, have obvious scale and distribution might. However, Fever Tree has so far both stayed ahead and grown its lead by benefiting from its multi-domain advantages that this white paper has outlined.

*"We feel we've been very well competed against. And I mean that in the sense that we've had everybody from Coca-Cola in Spain who have launched two successive products against us in that premium space, to Schweppes particularly and their Schweppes premium which owned by Suntory. These are massive companies, with our total turnover being ten minutes cash flows for most of them. And they have really tried to compete with us.*

*And at the other end we've had lots of small entrepreneurial companies in the UK, you will have heard of brands like Fentimans, and Bottlegreen, well they have tried incredibly hard to compete with us, and both in the on-trade (pubs clubs hotels) and also in retail.*

*And we are still six times the size of our nearest competitor which is Schweppes premium in Europe and compared to the likes of Fentiman's, we are 12x the size, and most of the others are just tiny.*

*So, what are we doing? First mover advantage is incredibly important. If you have an idea and you deliver it well, you've got quite a lot of consumers who will say, I remember 'they were the ones who started this' and there's a loyalty to that so that's been very helpful. And our barriers to entry are then raised by our innovation, we try and keep things fresh."*

Charles Rolls, co-founder of Fever Tree, speaking in May 2017<sup>184</sup>

Incumbents were initially caught off-guard by Fever Tree's niche, premium focus. Large companies have huge portfolio commitments and often do not react until a trend is proven, at which point it may be too late to catch up with a company such as Fever Tree which continues to evolve dynamically with a high pace of innovation.

This happened with premium mixers in the UK: Schweppes eventually rebranded with sleek packaging and new recipes, and Britvic introduced competing boutique brands<sup>185</sup>, but only after Fever Tree first established leadership, grew the category and demonstrated the demand. By then, Fever Tree had ingrained itself with top bars and retailers each of whom only have limited shelf space for a niche category such as premium mixers. The Molson Coors alliance in the US can also be seen as a pre-emptive move by Fever Tree to guard against any distribution muscle that its large US peers could wield; in the US Fever Tree now has a very powerful ally ensuring its ability to compete on cost of manufacturing and scaled distribution.



### 6.1 b) Relative to smaller, entrepreneurial companies, the barriers to entry are also in favour of Fever Tree

Against smaller entrepreneurial competitors, Fever Tree benefits from its head start and more extensive range. Smaller brands may target differentiation on specific angles (for instance, some U.S. craft mixers tout exotic flavourings), but Fever Tree's broad lineup spanning multiple mixer types, global brand and exclusive partnerships today give it a large edge in negotiations with retailers and on-trade vendors, who will naturally prefer a one-stop premium mixer solution.

*"There are more barriers to entry to get into this category than you might think. And particularly if you're going to do it well and properly. The ultimate barrier to entry is to make sure you're producing a great product which in our case took us 18 months to develop. And then the barrier within that is then achieving your sourcing in an efficient way as well as finding the people who produce the product for you. I do not know many CEOs who are in the field meeting producers normally it's procurement who are buying on an open market. But we go and meet the producers, we personally get to know the key producer families and this is part of our quality control for both taste and sustainability.*

*Another barrier to entry is then ultimately getting a consumer who is interested in your product, which takes time. We've been growing quickly for 15 or 16 years now, and developing our customer as we've gone. I think some people think you can dive in and of create that relationship quickly overnight but that is not the case.*

*At the last count we counted over a hundred – we describe them as – me too or copycat brands, that have come into this premium mixer category. So there have been no shortage of those attempting to enter the market, including from the biggest companies. And the smallest companies have been having a go at the category as well. In principle having more people engaged in the category is a positive thing because it creates interest and engagement on a wider scale.*

*But selfishly, I'm pleased to say that they haven't taken out much of a dent of our share. In the UK for example, and this is where the competition has been most intense, we currently have 35% of the category and all those other premiums together account for 2-3% of the category. So fortunately we're still staying well ahead of them."*

Tim Warrillow, Chief Executive Officer, Fever Tree, speaking in March 2022<sup>186</sup>

Overall, Fever Tree's advantages result from the relative disadvantages of each of its competitor groups: the scaled yet ossified incumbents struggling to get to innovation and the innovative yet sub scale smaller entrepreneurial entrants struggling to get to scale.

## 6.2 The outcome: Fever Tree has established market leadership positions across multiple geographic regions worldwide, including in the US prior to the Molson Coors partnership

The result of the multi-domain advantages possessed by Fever Tree has been its establishment as the market leader in premium mixers globally. Furthermore, its market leadership is decisive: in many markets Fever Tree volumes are 10x larger than the next premium mixer brand<sup>187</sup>.

**Figure 47: Fever Tree has established leadership positions across the UK, US, Europe and Rest of World regions<sup>188</sup>**



Since 2009, Fever Tree has realised 35% annualised revenue growth and notably with no equity dilution following its November 2014 IPO<sup>190</sup>. The company has successfully expanded globally, with the US surpassing the UK as its largest revenue contributor in 2023.

In the UK, Fever Tree commands nearly half of the total mixer market by value, dwarfing all premium mixer competitors and effectively maintaining a near-monopoly in the premium category it pioneered. Across Europe, Fever Tree has tailored its approach to local drinking preferences while strategically upgrading distribution partners in markets like France and Greece to accelerate growth. As a result, Fever Tree now holds 68% of Europe's premium mixer segment by value and 15% of the total mixer category<sup>191</sup>. The company is also capturing significant growth in the European ginger beer market with a 37% value share, driving 80% of the category's growth<sup>192</sup>.

Even in the U.S., where Fever Tree's expansion is more recent, it has established market leadership, reaching #1 in tonic water in 2023 while maintaining its already dominant position in ginger beer<sup>193</sup>. This market share provides Fever Tree significant leverage with distributors and on-trade venues, the brand is considered essential for establishments serving upscale consumers, and newly empowered by the Molson Coors partnership, speaks to the potential for further US growth.

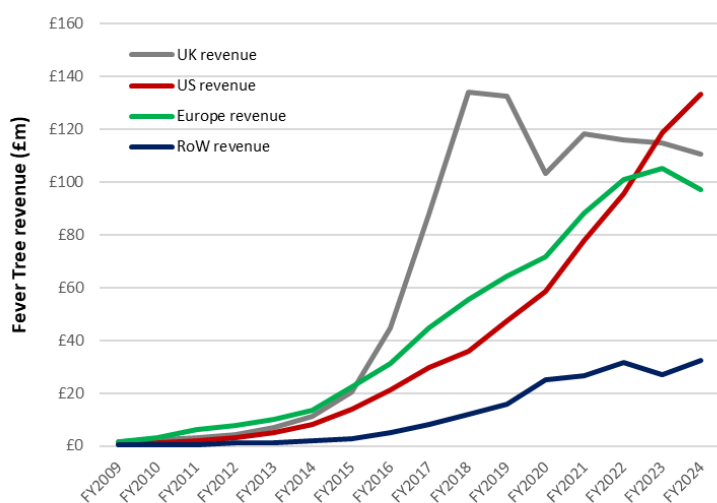
In Australia, another key market, Fever Tree transitioned to a subsidiary operation in 2023 to maximise growth potential, building on its already impressive 80% market share in the premium mixer retail segment<sup>194</sup>.

An additional strength in Fever Tree's revenue mix is its favourable channel distribution – with only one third of revenue derived from the on-trade sector (clubs, bars, hotels), which is at greater risk of stagnating revenue trends as younger consumers greater elect to replace physical interaction with social media. However, the remaining two-thirds of Fever Tree revenue is derived from the off-trade (home consumption) market, which continues to exhibit promising growth<sup>195</sup>.

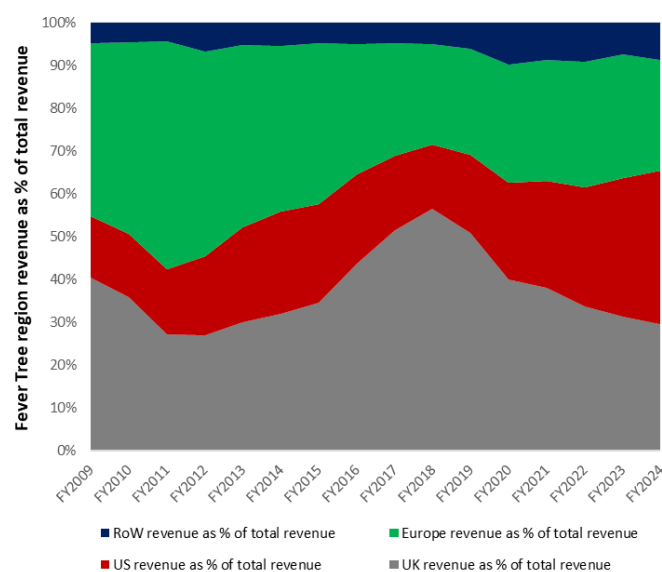
This positions Fever Tree in a strategic sweet spot within alcohol-adjacent beverages.

The company's core exposure is to spirits, the fastest-growing segment of the alcohol market, while its identity as a soft drink specialist creates opportunities to expand into both spirit-linked adjacencies and non-alcoholic categories like lemonade. And within this exposure, Fever Tree's revenues from the growing off-trade market are twice that it derives from the on-trade.

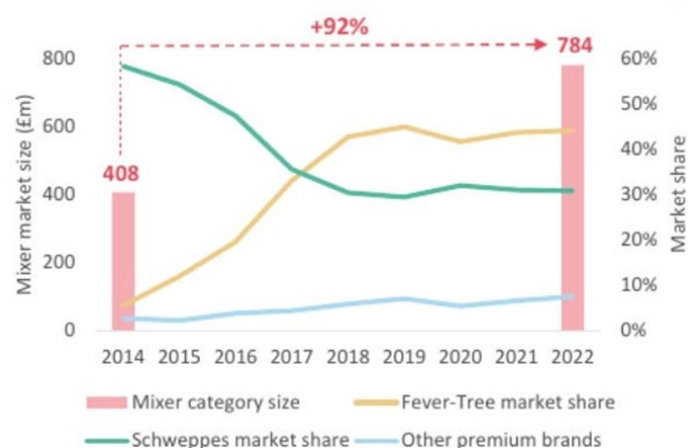
**Figure 48: Since 2009, Fever Tree has grown revenues at a 35% annualised rate, comprehensively penetrating multiple regions worldwide<sup>196</sup>**



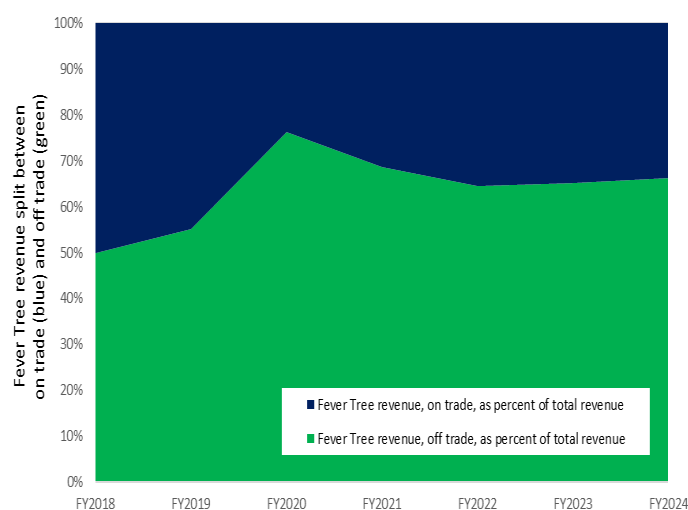
**Figure 49: In 2023 the US overtook the UK as the largest contributor to Fever Tree revenues<sup>197</sup>**



**Figure 50: In the UK, Fever Tree in 2017 displaced Schweppes to become market leader, at the same time as driving the growth of the category<sup>198</sup>**



**Figure 51: Fever Tree sits in the sweet spot in alcohol-linked beverages, including by having 2x the exposure to the off trade than the on trade<sup>199</sup>**



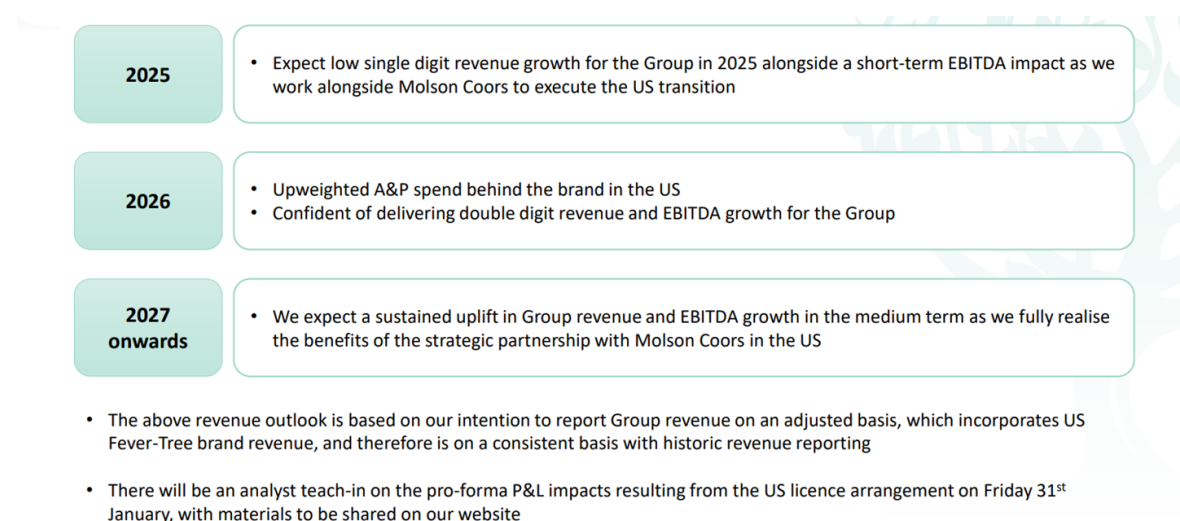


## 7. Illustrative scenarios of economic uplift potential from US revenue capture

Whilst Fever Tree has provided relatively comprehensive information relating to the deal that has been agreed with Molson Coors, a disclosure which is absent is the profit split terms of the joint venture<sup>200</sup>. Whilst, in due course, it is likely to be possible to derive this from the subsequent statements that the companies will make, an assumption is required at this stage. We assume that the joint venture is structured as a 50:50 profit split, although we also provide the sensitivities around this assumption as part of our scenario analysis in the next few pages.

Fever Tree has guided “*sustained uplift in group revenue and EBITDA growth in the medium term as the benefits of the strategic partnership with Molson Coors are realised*”<sup>201</sup>. We assume, in our base case, that the US business trajectory can ultimately achieve a profitability margin consistent with that of Fever Tree in 2017, that is, *prior to the period of margin decline* which was coincident with scaling US revenue, and associated higher shipping costs, before the partnership with Molson Coors.

**Figure 52: Fever Tree guides “sustained uplift in group revenue and EBITDA growth in the medium term as the benefits of the strategic partnership with Molson Coors are realised”<sup>202</sup>**



Our success scenario accepts Fever Tree’s guidance that its comparable US opportunity is 12x the same market definition in the UK, and assumes that Fever Tree, over the next four years, captures just over one third of this opportunity. For reference, from 2014 to 2018, the same four year time period, Fever Tree in the UK grew revenue by more than 10x and we estimate captured 70% of the comparable UK opportunity, and without an equivalently advantaged production and distribution partner such as the business now possesses in the US<sup>203</sup>.

Our success case scenario also assumes that the profit margins of Fever Tree recover to 34% EBIT margins, their level prior to 2017<sup>204</sup>, that is, before the company accelerated its US revenue growth with the associated significant increase in shipping costs which were commensurate with the trailing margin decline trajectory.

Under the success case scenario, Fever Tree’s net income reaches £140m by 2028, compared to its current £814m market capitalisation. The group’s projected net cash position also rises to £443m by 2028. The outcome is a 2028E P/E ratio of just 5.8x (or a mere 2.7x excluding cash).

For all regions outside of the US, our scenarios use consensus revenue estimates.

## FOR ILLUSTRATIVE PURPOSES ONLY

**Figure 53: A success case scenario for Fever Tree following its joint venture with Molson Coors. US revenue grows to £490m by FY2028, a capturing of one third of the equivalent US opportunity that the corresponding UK market represents for the company<sup>205</sup>**

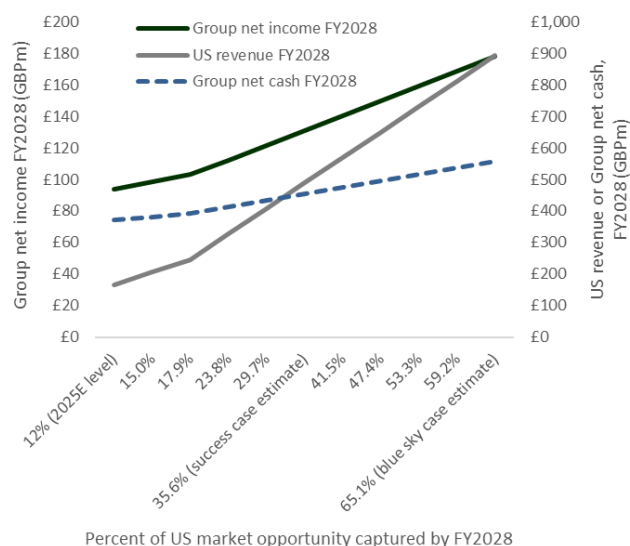
Fever Tree base case scenario (GBPm, illustrative only)		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024E	FY2025E	FY2026	FY2027	FY2028
UK revenue		87.8	134.2	132.6	103.3	118.3	116.2	114.8	110.5	110.5	111.8	113.0	114.3
UK revenue as % of total revenue		51.6%	56.5%	50.9%	41.0%	38.0%	33.8%	31.5%	29.6%	27.2%	21.2%	17.4%	14.7%
UK revenue - on trade (i.e. bars, restaurants)		0.0	67.1	66.3	26.4	42.0	53.7	53.1	49.1				
UK on trade market share		0.0%	0.0%	50.0%	25.6%	35.5%	46.2%	46.2%	44.4%				
UK revenue - off trade (i.e. supermarkets)		0.0	67.1	66.3	76.9	76.3	62.5	61.7	61.4				
US revenue		29.5	35.8	47.6	58.6	77.9	95.6	118.9	133.6	159.2	266.4	376.1	488.3
% of Fever Tree revenue derived from the US, RHS axis		17.4%	15.1%	18.3%	23.2%	25.0%	27.8%	32.6%	35.8%	39.2%	50.6%	57.8%	62.8%
US revenue - on trade (i.e. bars, restaurants)		0.0	0.0	14.3	5.9	16.5	23.1	28.7	32.2				
US revenue - off trade (i.e. supermarkets)		0.0	0.0	33.3	52.7	61.4	72.5	90.1	101.4				
Europe revenue		44.7	55.5	64.4	71.7	88.2	101.0	105.4	97.2	101.3	107.6	114.3	121.3
Europe revenue as % of total revenue		26.3%	23.4%	24.7%	28.5%	28.3%	29.3%	28.9%	26.0%	24.9%	20.4%	17.6%	15.6%
Europe revenue - on trade (i.e. bars, restaurants)		0.0	0.0	29.0	21.4	28.4	32.2	34.1	33.5				
Europe revenue - off trade (i.e. supermarkets)		0.0	0.0	35.4	43.9	50.3	57.0	60.4	59.2				
Europe revenue - other		0.0	0.0	0.0	6.4	9.4	11.8	10.8	4.5				
RoW revenue		8.1	12.0	15.9	25.0	26.7	31.5	27.2	32.2	35.5	40.8	46.9	53.9
RoW revenue as % of total revenue		4.8%	5.1%	6.1%	9.9%	8.6%	9.2%	7.5%	8.6%	8.7%	7.7%	7.2%	6.9%
RoW revenue - on trade (i.e. bars, restaurants)		0.0	0.0	7.1	6.3	7.8	9.2	8.0	9.5	10.4	12.0	13.8	15.9
RoW revenue - off trade (i.e. supermarkets)		0.0	0.0	8.7	18.7	18.9	22.3	19.2	22.8	25.0	28.8	33.1	38.1
Total gross profit (implied)		86.6	120.6	127.6	115.8	117.8	126.3	129.9	152.9				
Total gross profit (reported)		91.1	122.9	131.5	116.3	130.9	118.8	117.0					
Fever Tree group gross profit margin (implied), LHS axis		50.9%	50.8%	49.0%	45.9%	37.9%	36.7%	35.6%	40.9%				
Fever Tree group gross profit margin (reported), LHS axis		53.5%	51.8%	50.0%	46.2%	42.1%	34.5%	32.1%					
Total revenue		170.2	237.4	260.5	252.1	311.1	344.3	364.4	373.5	406.5	526.6	650.3	777.8
Total revenue - on trade (i.e. bars, restaurants)			67.1	116.7	60.0	94.7	118.2	123.9	124.2				
Fever Tree revenue, on trade, as percent of total revenue			28.3%	44.8%	23.8%	30.4%	34.3%	34.0%	33.3%				
Total revenue - off trade (i.e. supermarkets)			67.1	143.7	192.3	206.9	214.3	231.5	244.8				
Fever Tree revenue, off trade, as percent of total revenue			28.3%	55.2%	76.3%	66.5%	62.2%	63.5%	65.5%				
Total revenue - other			0.0	0.0	6.4	9.4	11.8	10.8	4.5				
Total revenue		170.2	237.4	260.5	252.1	311.1	344.3	364.4	373.5	406.5	526.6	650.3	777.8
Growth		66.4%	39.5%	9.7%	-3.2%	23.4%	10.7%	5.8%	2.5%	8.8%	29.5%	23.5%	19.6%
Cost of goods sold		-79.1	-114.5	-129.0	-135.8	-180.2	-225.5	-247.4	-232.4	-236.9	-286.2	-327.8	-361.4
Gross profit		91.1	122.9	131.5	116.3	130.9	118.8	117.0	141.1	169.6	240.4	322.5	416.4
Group gross margin		53.5%	51.8%	50.0%	46.2%	42.1%	34.5%	32.1%	37.8%	41.7%	45.7%	49.6%	53.5%
Administrative expenses		-34.7	-47.5	-59.3	-65.0	-75.3	-88.2	-96.2					
Administrative expenses as % of revenue		20.4%	20.0%	22.8%	25.8%	24.2%	25.6%	26.4%					
EBITDA		57.5	76.8	75.1	55.1	60.3	36.4	28.8	50.6	56.9	108.8	177.7	264.5
Group EBITDA Margin		33.8%	32.4%	28.8%	21.9%	19.4%	10.6%	7.9%	13.6%	14.0%	20.7%	27.3%	31.0%
D&A		-1.1	-1.4	-2.9	-3.8	-4.7	-5.8	-8.0	-13.3	-12.2	-15.8	-19.5	-23.3
EBIT		56.4	75.4	72.2	51.3	55.6	30.6	20.8	37.4	44.7	93.0	158.2	241.1
EBIT Margin		33.1%	31.8%	27.7%	20.3%	17.9%	8.9%	5.7%	10.0%	11.0%	17.7%	24.3%	31.0%
Net interest		0.2	0.2	0.3	0.3	0.0	0.4	1.4	1.2	2.0	2.7	9.1	13.9
Underlying PBT		56.6	75.6	72.5	51.6	55.6	31.0	22.2	38.6	46.7	95.7	167.3	255.0
Taxation		-10.9	-13.8	-14.0	-9.9	-11.0	-6.1	-6.8	-9.6	-11.7	-23.9	-41.8	-63.7
Tax Rate		19.3%	18.3%	19.3%	19.2%	19.8%	19.7%	30.6%	25.0%	25.0%	25.0%	25.0%	25.0%
Minority payments made to Molson Coors		0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.2	-6.9	-18.2	-36.3	-60.0
Net Income		45.7	61.8	58.5	41.7	44.6	24.9	15.4	23.7	28.2	53.6	89.2	131.2
Net cash (debt)		50.9	83.6	126.5	141.2	163.3	95.3	59.9	98.4	135.8	202.2	307.9	459.5

*Note, for the purposes of our illustration, US revenues are consolidated by Fever Tree and a minority charge is applied to account for the 50% profit share of the US business of Molson Coors. Fever Tree has guided that they will present pro-forma consolidated business figures for like-for-like comparison, although under UK accounting rules the US business will be consolidated by Molson Coors and Fever Tree economics realised through a royalty revenue entry and profit share associate entry<sup>206</sup>. Modelling assumes no dividends nor buybacks.*

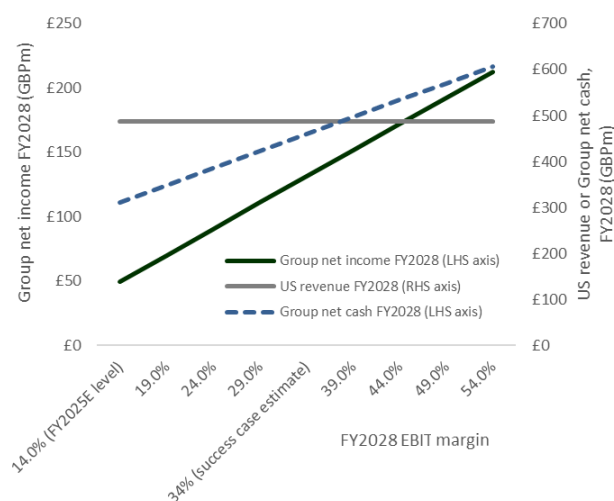
## FOR ILLUSTRATIVE PURPOSES ONLY

**Figure 54: Sensitivity of Fever Tree FY2028 Group net income, US revenue and Group net cash (assuming no dividends nor share buybacks), to percent of US market opportunity captured, to Group FY2028 EBIT margin, and to economic share of JV that is in favour of Fever Tree<sup>207</sup>**

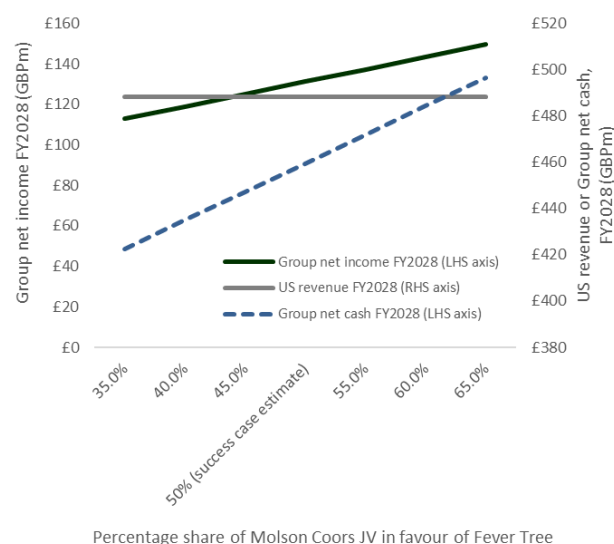
*Sensitivity to percent of US market opportunity captured by Fever Tree / Molson Coors JV by FY2028*



*Sensitivity to Group FY2028 EBIT margin*



*Sensitivity to percent share of net income of Molson Coors / Fever Tree JV, that is in favour of Fever Tree*





## 7. Conclusion

The white paper has examined the equity special situation opportunity presented by Fever Tree, the worldwide market leader in premium mixers such as the tonic waters and ginger beers that complement alcoholic spirits, and which has recently announced a transformational transaction with scaled US beverages peer, Molson Coors.

Prior to the January 2025 announcement of its US partnership with Molson Coors, Fever Tree's valuation had significantly declined, although, as this white paper lays out, due to what appears to be a market misinterpretation of its trajectory. The misreading of positive developments as negative however has created favourable valuation asymmetry, meeting our conditions for the optimal form of equity special situation opportunity.

Despite Fever Tree's market share gains and revenue growth, investors have fixated on margin declines, and have significantly re-priced the valuation multiple of the company down relative to its historical levels, comparable transactions, and industry peers. However, Fever Tree's true value is a function of its long term cashflows, themselves a function of the company's long-term revenue progression.

At its current £814m market capitalisation (the company also has a 2024E net cash position exceeding £78m), Fever Tree is priced as if its historic profitability will not be restored. Based on 2025 consensus revenue estimates, a return to historic margins would yield a P/E ratio of 7.9x – or just 7.1x excluding cash at year end 2024 – putting the company firmly in deep value territory.

Our research indicates that Fever Tree's profitability decline does not stem from market share loss or competitive threats. On the contrary, Fever Tree continues to grow and gain market share, becoming the competitive threat to incumbents. Instead, Fever Tree's margin compression coincides precisely with the scaling of Fever Tree's US business, which grew from £21m in 2016 to £119m in 2023, becoming its largest geographic segment at 35% of group revenue.

The reason is that prior to the Molson Coors partnership announcement, Fever Tree has produced US-bound products in the UK, exposing group profitability to burdensome transatlantic shipping costs. The implication is not only that Fever Tree's margin decline is temporary, but additionally that the margin decline trajectory is cured by the partnership agreement that has now been announced with Molson Coors.

In assessing in detail Fever Tree's US opportunity, the white paper has presented – for illustrative purposes only – what we believe is a conservative success case scenario for Fever Tree's US growth over the next four years.

Our success scenario accepts Fever Tree's guidance that its comparable US opportunity is 12x the same market definition in the UK, and assumes that Fever Tree, over the next four years, captures just over one third of this opportunity. For reference, for from 2014 to 2018, the same four year time period, Fever Tree in the UK grew revenue by more than 10x and we estimate captured 70% of the comparable UK opportunity, and without an equivalently advantaged production and distribution partner such as the business now possesses in the US.

Our success case scenario also assumes that the profit margins of Fever Tree recover to 34% EBIT margins, their level prior to 2017, that is, before the company accelerated its US revenue growth with the associated significant increase in shipping costs which were commensurate with the trailing margin decline trajectory.

Under the success case scenario, which is presented for illustrative purposes only, Fever Tree's net income reaches £140m by 2028, compared to its current £814m market capitalisation. The group's projected net cash position also rises to £443m by 2028. The outcome is a 2028E P/E ratio of just 5.8x (or a mere 2.7x excluding cash).

Critical from the perspective of our analysis, however, rather than embracing false precision, is that our overall judgement of the probability of US success is broadly correct, and indeed, that success is highly probable. The white paper undertakes this assessment through what we believe is a deeper analysis of Fever Tree's business position than may be typical – yet a depth of analysis justified by the potential investment reward.

A robust route to making this assessment in our view must recognise that companies, and their business trajectories, are not dead entities that can be entirely reduced to the forms of widely used formulaic appraisals that many market participants adopt. Instead, companies are very much alive, and the success of a business trajectory depends on the interplay between its product attributes, its leadership, the productivity of its workforce, the extent to which its innovation and marketing achieves excellence, and its strategic orientation and choices.

Our analysis finds that the success which Fever Tree has so far delivered stems from its founding orientation, to produce the best tonic waters and mixers in the world, and exclusively from naturally sourced ingredients, and that this is also the driver of its continuing competitive advantage. Its orientation in this manner also underpins its ascent to 'super brand' status and today is also the foundation of the company's highest-in-sector workforce productivity, delivery of excellence in innovation and marketing, and astute business strategy.

With these attributes in place, Fever Tree has established market leadership positions across multiple global regions, including the US prior to the Molson Coors partnership. And – to the extent these attributes endure – they inform our conclusion that our US success case probability, now enhanced through the company's favourable partnership with a scaled US-based manufacturer and distributor, is high.

*"We are still just getting started. The opportunity that is unfolding ahead of us in this category is as exciting now as it's always been, and that is our focus."*

Tim Warrillow, CEO, Fever Tree,  
speaking in March 2022<sup>208</sup>



The outcome is that Fever Tree's equity appears priced today at a deeply discounted level. Fever Tree's co-founders, Charles Rolls and Tim Warrillow, together control 9% of its equity<sup>209</sup>, and such, do not present a blocking stake. Whilst the shareholder agreement with Molson Coors, which has also seen the US beverage company acquire 8.5% of Fever Tree equity, may include standstill and co-voting provisions, in our view it is unlikely to rule out management buyout scenarios. As such Fever Tree not only exists as an *equity special situation opportunity* with attractive probability of transformation economic uplift, but additionally, it may also be categorised as a *pre-deal situation*, with reasonable probability of management appraising buyout scenarios.

As such, whilst minority shareholders should be optimistic as to rewarding long term outcomes, we also believe vigilant communication to the company is warranted that any takeover scenarios, absent premiums reflecting an accurate assessment of the long-term cash generation potential of the company, as this white paper has outlined, would be deeply unwelcome.

Footnotes

1. See, Fever Tree disclosures, Our Approach [\[link\]](#)
2. Charles Rolls, co-founder of Fever Tree, speaking in 2018 [\[link\]](#)
3. Jeremy Kanter, Chief Marketing Officer, Fever Tree, speaking in July 2024 [\[link\]](#)
4. Fever Tree, conference call on announcing the US partnership with Molson Coors, January 2025. Source: Capital IQ transcripts
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18. Figure source: GA-Courtenay research, Bloomberg consensus
19. Figure source: GA-Courtenay research, Fever Tree financial disclosures
20. Source: Fever Tree financial disclosures
21. Source: Fever Tree CEO, full year results 2023 conference call, 26<sup>th</sup> March 2024: “*When we stand back and look at our overall production mix, UK to US, it's skewed towards the UK*”
22. “*Starting February 1, 2025, Molson Coors will be responsible for production, marketing, sales and distribution of the brand in the US*” [\[link\]](#)
23. Fever Tree, conference call on announcing the US partnership with Molson Coors, January 2025. Source: Capital IQ transcripts
24. Figure source: GA-Courtenay research, Bloomberg consensus
25. See, Fever Tree presentation relating to Molson Coors partnership, slide 3 [\[link\]](#)
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27. Source: GA-Courtenay research, corporate disclosures
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33. Significant director buying at Fever Tree, Interactive Investor [\[link\]](#)
34. Molson Coors takes 8.5% stake in Fever Tree [\[link\]](#)
35. Fever Tree to launch share buyback as part of US distribution deal [\[link\]](#)
36. Source: Fever Tree financial disclosures
37. Source: Fever Tree CEO, full year results 2023 conference call, 26<sup>th</sup> March 2024: “*When we stand back and look at our overall production mix, UK to US, it's skewed towards the UK*”. Figure 7 source (opposite): Fever Tree interim results presentation, 2023 [\[link\]](#)
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- 41., 42. Fever Tree announces strategic partnership with Molson Coors [\[link\]](#)
43. See, Fever Tree analyst teach-in presentation relating to Molson Coors partnership [\[link\]](#)
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45. Charles Rolls, co-founder of Fever Tree, speaking in May 2017 [\[link\]](#)
46. See, Fever Tree presentation relating to Molson Coors partnership, slide 3 [\[link\]](#)
47. Fever Tree, conference call on announcing the US partnership with Molson Coors, January 2025. Source: Capital IQ transcripts
48. Figure source: corporate disclosures from Diageo, Pernod Ricard, Brown Forman. Quotation source: Pernod Ricard earnings transcript, February 6<sup>th</sup> 2025
49. Pricing sources: WalMart (US), Ocado (UK)
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66. Charles Rolls, co-founder of Fever Tree, speaking in 2018 [\[link\]](#)
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- 69., 70. Jeremy Kanter, Chief Marketing Officer, Fever Tree, speaking in July 2024 [\[link\]](#)
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87., 88., 89. Jeremy Kanter, Chief Marketing Officer, Fever Tree, speaking in July 2024 [\[link\]](#)

90. Steve Jobs, introducing Apple's Think Different campaign, September 1997 [\[link\]](#)

91. Public domain logo trade marks

92. Jeremy Kanter, Chief Marketing Officer, Fever Tree, speaking in July 2024 [\[link\]](#)

93. Public domain logo trade marks, slogans

94. The Miraculous Fever Tree by Fiammetta Rocco [\[link\]](#)

95. Charles Rolls, co-founder of Fever Tree, speaking in May 2017 [\[link\]](#)

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127. Charles Rolls, then managing director of Plymouth Gin, speaking in 1998 [\[link\]](#)

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