

## **ASX Release**

17 April 2020

### **COCA-COLA AMATIL COVID-19 AND TRADING UPDATE**

#### **OVERVIEW**

- 1. Strong foundation from which to navigate the immediate challenges of COVID-19:**
  - **Part of the Global Coca-Cola System and market leader in core categories**
  - **Diverse channels to market with adaptable infrastructure and broad product range**
  - **Strong balance sheet, ample liquidity and robust credit ratings**
- 2. Amatil's COVID-19 measures – market impact and response:**
  - **Protecting our people and supporting the resilience of our customers**
  - **Ensuring business continuity – no major disruption to operations or supply chains**
  - **Reinforcing financial strength and flexibility by:**
    - **Targeting \$140 million in cost savings and \$100 million reduction in Capex**
    - **Completed \$200 million 10-year Notes issue on 6 April 2020**
    - **Temporarily withdrawing the Company's dividend payout ratio guidance**
- 3. Group Trading Performance:**
  - **1Q2020:**
    - **Volume: Low single digit percentage growth on 1Q2019**
    - **EBIT: mid teen percentage decline on 1Q2019**
  - **March 2020 (start of COVID-19 impact):**
    - **Volume up mid single digit percentage on previous corresponding period (pcp) as consumers engaged in stockpiling – strong performance of Coca-Cola trademark**
    - **EBIT down low single digit percentage on pcp**
  - **First two weeks of 2Q2020:**
    - **Volume reductions of ~30% on pcp (predominantly in Indonesia) reflecting weaker sales in the lead up to Easter and Ramadan due to Government lockdown measures with large volatility in volumes across markets and channels**
- 4. Focus going forward:**
  - **Continued disciplined management of the near term impacts of COVID-19**
  - **Medium to longer term planning**

Coca-Cola Amatil Limited ('Amatil', 'the Company' or 'the Group') today provided a COVID-19 impact and trading update to the market.

## **1. Strong foundation from which to navigate COVID-19**

Group Managing Director Alison Watkins said, "We entered this crisis with a resilient business model and strong foundations that have enabled us to withstand the immediate challenges presented by the pandemic".

"Our strategic alignment with "The Coca-Cola Company", coupled with our market leading position, diverse channels to market, strong presence across developed markets - with approximately 80% of our Group EBIT generated in Australia and New Zealand – together with our robust balance sheet and liquidity provide solid foundations to weather the adverse impacts of lockdowns implemented by Governments in response to COVID-19."

As at 31 March 2020 the Group's debt was approximately \$1.8 billion with committed debt facilities totalling A\$2.6 billion with an average maturity of 5.4 years. Amatil has approximately \$500 million of committed undrawn bank facilities available and \$920 million in cash that it holds on bank deposit, providing financial flexibility in the current uncertain environment.

Adding to its financial strength the Group has strong credit ratings and successfully completed a A\$200 million 10-year European Medium Note placement on 6 April 2020 with the funds received and placed on bank deposit on 15 April 2020. This placement was in addition to the A\$133 million 10 year note issue that was successfully completed in August 2019.

Ms Watkins noted, "We have ample liquidity to serve debt maturities of around \$305 million which will be due for repayment in 2020, with additional flexibility to pursue strategic opportunities that arise."

## **2. Amatil's COVID-19 Measures –Market Impacts and Response**

At the first signs of the COVID-19 impact in early March, Amatil implemented cross functional business continuity and pandemic plans, to ensure the health and safety of its people, support its customers and maintain continuity of its operations.

Ms Watkins said, "As a result of these measures I am pleased to report that to date, we have continued to produce and distribute and protect jobs. We have however seen a pronounced impact on volumes and shift in our channel mix and are redeploying our people and resources to serve customers with high demand."

The Company is facilitating the ability of its customers to sell online through food aggregators and is working with customers to develop payment plans where appropriate.

From a financial perspective, management has stress tested the Group's balance sheet, P&L and liquidity across multiple scenarios and implemented a number of cost management programs designed to save over \$140 million in 2020 via initiatives such as significant reduction in incentives, recruitment freezes, reduced marketing expenditure and minimising discretionary spend. Non-critical projects have been deferred reducing Capital Expenditure for FY2020 from \$300 million to \$200 million.

Looking ahead, given the uncertainty as to the duration of the pandemic and the likelihood of a protracted economic recovery in at least some of the geographic markets in which Amatil operates, the Board has decided that it is prudent to temporarily withdraw Amatil's dividend payout ratio guidance. This will provide the Group with additional flexibility to address any future headwinds or further adverse economic conditions arising from the pandemic. In line with Amatil normal cadence, the Board will take a decision on the 2020 dividend at the time of the 1H2020 Financial Results.

The Company has withdrawn its expectation of dividend franking levels being above 50% in 2021 and its previous commentary in relation to its expectation that there will be no net non-trading item charges in FY2020.

### **3. Trading Update**

#### **Group**

Ms Watkins said, "Our first quarter of 2020 was highly unusual. We faced the challenges of the Australian bushfires in January and February and in March the adverse impacts of the COVID-19 pandemic started to take effect."

Within this environment the Group delivered low single digit percentage Volume and Revenue growth in 1Q2020 compared to 1Q2019, driven primarily by its Indonesian business.

Earnings Before Interest and Tax (**EBIT**) however was down by mid teens percentage for the quarter on the prior corresponding period reflecting the impact of the bushfires in January and February, planned additional marketing expenditure in Indonesia and margin erosion as a result of changes in channel mix in March when social distancing restrictions were introduced by governments in Amatil's major markets.

Ms Watkins said, "Looking specifically at March 2020 which was impacted by COVID-19, we experienced mid single digit percentage Volume growth versus March 2019 as consumers engaged in stockpiling.

"EBIT however was down by low single digit percentage compared to March 2019 due to the pronounced channel shift to Grocery across our markets.

"The first two weeks of April have included the lead up to Easter and Ramadan which are significant trading periods for our businesses. This period has been adversely impacted by the COVID-19 and government measures with many customers closed or in decline, and people staying at home across all of our markets. As a result, our Volumes have reduced by approximately 30% on the prior corresponding period, with Indonesia down close to 50% and Australia down approximately 15%."

#### **Australia**

For the NARTD categories, the first quarter was impacted by bushfires in January and February and COVID-19 in March. Despite this, revenues were flat on the prior year for the quarter with volumes only declining by ~1% reflecting the underlying momentum coming out of 2019.

Overall EBIT for the quarter declined by mid teens percentage driven by the impact of the bushfires in January and February and the impact of COVID-19 on channel mix in March.

Ms. Watkins said, "Whilst brand Coca-Cola volumes were flat in January and February we experienced mid-teen percentage growth in March when the COVID-19 impacts commenced and consumers started stockpiling."

In the first two weeks of April the NARTD business has experienced an approximately 15% reduction in Volumes on the pcp with reduced OTG Volumes being the main contributor (Volumes down around 50% in this channel). Alcohol volume declined by approximately 20% with On Premise outlets being severely impacted by the government's restrictions.

#### **New Zealand & Fiji**

Ms. Watkins said, "Our New Zealand business delivered good performance in the first quarter despite the majority of On-The-Go and licensed channels being shut-down starting in the last week of March. Revenues grew by a low single digit percentage in 1Q2020 compared to the respective prior corresponding periods and 1Q2020 EBIT was up on 1Q2019 delivering low teen percentage growth."

The first two weeks of 2Q2020 have weakened with an approximate 25% decline in Volumes on the pcp reflecting the majority of OTG and licensed customer outlets in lockdown.

In Fiji NARTD volumes were constrained reflecting the impact of COVID-19 on Resorts and RECA with hotel occupancy rates in mid-single digits in March.

## **Indonesia & Papua New Guinea**

Indonesia delivered mid single digit percentage Volume growth in 1Q2020 on the pcp.

Ms Watkins said, "Pleasingly our Indonesian business delivered volume growth for the 8th consecutive quarter. Mid single digit revenue growth for the quarter was not enough to offset wage inflation and increased marketing expenditure resulting in an EBIT loss for the quarter higher than the loss delivered in 1Q2019."

Volumes in the first two weeks of April 2020 were down approximately 50% due to the impact of social distancing measures and lockdowns on the traditionally heavy trading period during the lead in to Ramadan. Traditional Trade was severely impacted with Modern Trade tracking below the pcp as a result of the full or partial lockdown of many outlets. Additionally, the phasing differences in festive programs driven by the movement of festive year on year has also had an impact on performance in April.

In Papua New Guinea despite mid single digit percentage Volume declines on the pcp, disciplined cost control delivered mid-single digit percentage EBIT growth in 1Q2020 compared to the prior corresponding period.

The two first weeks of April 2020 have experienced an approximately 40% decline in Volume across categories reflecting the closure of major outlets in response to the Government's State of Emergency declaration.

## **4. Focus Going Forward and FY2020 Priorities**

Ms Watkins concluded, "The COVID-19 impacts are continuing to evolve with the situation fluid across all of our markets. We are experiencing large volatility in volumes across markets and channels making it premature to draw any conclusions about the trading impact of the pandemic at this stage. We will have a clearer view at our Annual General Meeting in May.

"Despite the prevailing challenges we have a clear path forward to weather the current conditions and we are considering our plans for the medium to long term.

"Our strong balance sheet, ample liquidity and solid credit ratings mean we are in a strong position financially and operationally not only to trade through the pandemic but to also emerge a stronger and better business."

### **For further information:**

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Authorised by the Board of Directors

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### **ABOUT COCA-COLA AMATIL**

Coca-Cola Amatil Limited (including subsidiaries, group entities and related bodies corporate) is one of the largest bottlers and distributors of ready-to-drink non-alcohol and alcohol beverages and coffee in the Asia Pacific region. Coca-Cola Amatil is also the authorised bottler and distributor of The Coca-Cola Company's beverage brands in Australia, New Zealand, Fiji, Indonesia, Papua New Guinea and Samoa. Coca-Cola Amatil directly employs around 12,000 people and indirectly creates thousands more jobs across the supply chain, partnering with key suppliers to bottle, package, sell and distribute its products. With access to around 270 million potential consumers through more than 630,000 active customers Coca-Cola Amatil is committed to leading through innovation, building a sustainable future and delivering long-term value, both to shareholders and to society.

**For more information, visit [www.ccamatil.com](http://www.ccamatil.com) or search for Coca-Cola Amatil on LinkedIn, Facebook or Twitter.**