

ASX Release

22 August 2019

COCA-COLA AMATIL 2019 HALF YEAR RESULTS

RESULTS OVERVIEW

- **Strong Group revenue growth of 5.2 per cent for the period reflecting the results of strategic initiatives across the Group.**
- **Statutory earnings before interest and tax (EBIT) of \$273.5 million, up 4.7 per cent, and statutory net profit after tax (NPAT) of \$168.0 million, up 6.3 per cent.**
- Statutory earnings per share (EPS) increased by 6.4 per cent while ongoing¹ EPS declined by 4.0 per cent.
- Ongoing¹ EBIT of \$289.9 million and ongoing NPAT of \$173.3 million representing declines of 3.8 per cent and 3.9 per cent respectively, in line with our expectations.
- Strong cash flow result with ongoing¹ free cashflow before lease accounting changes improving by \$86.2 million on the prior period plus \$40 million proceeds from the sale of SPC.
- Total unfranked dividend for the half of 25.0 cents per share comprising: interim dividend of 21.0 cents per share (1H18: 21.0 cents per share and 65 per cent franked per share), and special dividend of 4.0 cents per share, following the sale of SPC.
- **Australian Beverages** showed pleasing progress from the Accelerated Growth Plan. As expected, EBIT was impacted by container deposit schemes, additional investment in "Feet On The Street" and cycling HY18 EBIT benefit from \$10 million credit in relation to the NSW container deposit scheme.
- Excellent all-round performance in **New Zealand** and solid profit growth from Fiji; continuing the strong momentum from previous years.
- Strong sales growth in **Indonesia** from excellent execution and investment in marketing and in **Papua New Guinea** from operational improvements.
- **Alcohol & Coffee** achieved another period of double-digit profit growth, now representing 9 per cent of Group earnings.
- **Corporate & Services** result was in line with the FY19 earnings guidance for the segment.

ADDITIONAL DEVELOPMENTS

- **SPC:** On 29 June 2019 we announced the successful completion of the sale of the SPC business to Shepparton Partners Collective Pty Ltd. The business was sold for a consideration of \$40 million payable at completion. Taking into account working capital adjustments to the sale price, carrying amount of net assets sold and costs of disposal, a profit on sale of \$14 million was recorded upon completion.
- **Amatil X:** Launched into Indonesia, partnered with local accelerator in H1 (Digitaraya, powered by Google). Amatil X Academy in full swing in our Indonesian business, to identify and develop the best ideas in-house, and embed entrepreneurial capability in the business.
- **Sustainability:** Announced that from 2020, 7 out of 10 of our plastic bottles in Australia will be made from 100 per cent recycled materials. Ceased distribution of plastic straws.
- **Property:** Continued to progress the rationalisation of our property portfolio, including the sale of lots 2 and 3 of our former bottling facility site in Thebarton, South Australia.

1. Ongoing refers to continuing operations results adjusted to exclude non-trading items.

Coca-Cola Amatil today reported its half year results for 2019, with a 5.2 per cent rise in Group revenue, increased statutory earnings before interest and tax (EBIT) of \$273.5 million, (up 4.7 per cent), and increased statutory net profit after tax (NPAT) of \$168.0 million (up 6.3 per cent).

Group Managing Director Alison Watkins said the results were a solid performance for the Coca-Cola Amatil Group, with top-line revenue growth reflecting the impact of our business initiatives across each market.

The New Zealand, Papua New Guinea and Alcohol & Coffee businesses all performed well, in line with expectations.

"The end of 2019 will mark the completion of our two-year transition period," Ms Watkins said.

"We've set ourselves the target of a return to mid-single digit EPS growth from 2020. While there's more to be done, these results show good progress towards that goal.

"In particular, the Accelerated Australian Growth Plan and Indonesia's Accelerate to Transform Plan are delivering volume and route-to-market improvements in these major markets.

"We look forward to seeing the further benefit of the rollout of these strategies in the second half of 2019."

Australian Beverages

Ms Watkins said the Australian Beverages business had again delivered volume growth in diet and no-sugar colas, alongside double-digit growth in energy and dairy. While overall volumes declined by 1.2 per cent, Ms Watkins said this was largely driven by the Container Refund Scheme in Queensland, where net volumes fell by 3.8 per cent. Excluding Queensland, Australian Beverages volumes declined by 0.3 per cent for the half.

EBIT was impacted by additional investment in "Feet On The Street" and cycling a HY18 EBIT benefit of a one-off credit from the NSW container deposit scheme.

"The continued volume growth in diet and no-sugar Coca-Cola is a testament to consumer enthusiasm for healthier options, and a sign of the strength of our portfolio," Ms Watkins said.

"We've heard the message on consumer wellbeing, and we're delivering with reductions in sugar content across the portfolio of sales."

Underlying volumes in water were solid, given the cessation of sales of the low margin Peats Ridge brand in Officeworks from October 2018, and a further six months of rate realisation in grocery.

Ms Watkins said energy and dairy performed well in HY19, with the second half expected to benefit from the launches of Nutriboost and Coca-Cola Energy, both of which occurred late in half one.

The significantly improved volume trajectory in the On The Go Channel includes promising growth from Immediate Consumption markets in Sydney and Adelaide with the rollout of "Feet on the Street" almost doubling our face to face visits for these customers.

Indonesia & Papua New Guinea

Indonesia delivered robust single-digit volume and revenue growth, led by sparkling beverages and value added dairy, with effective promotions, outstanding Festive execution, new products and consumer marketing, and double-digit volume growth in Traditional Trade.

As expected, the EBIT result reflected additional marketing spend with The Coca-Cola Company, and unfavourable FX impacts on commodities.

Papua New Guinea delivered double digit volume and revenue growth in line with expectations and following the resolution of operational issues experienced in FY18.

New Zealand & Fiji

New Zealand delivered an excellent all-round performance, continuing robust momentum from previous years. All major channels generated revenue growth, underpinned by good performances across sparkling and still beverages. The business also reported strong volume and earnings growth.

Fiji delivered profit growth against a backdrop of challenging economic conditions.

Alcohol & Coffee

Alcohol & Coffee achieved modest revenue growth and double-digit EBIT growth. New Zealand returned a strong result, benefitting from the strength of the Beam Suntory Premix & Spirits portfolio. In Australia, the business grew share in bourbon, gin, rum and vodka. Canadian Club, Jim Beam White, Roku Gin and Maker's Mark all delivered increased volumes. Grinders coffee drove revenue and profit growth in its segment, primarily through increased grocery sales.

The business continued to work closely with all brand partners including Molson Coors International to drive the portfolio, including Miller, Coors and Blue Moon brands. Other developments included strong growth in the Feral craft portfolio and a new distribution agreement with New Zealand-based brewer Fortune Favours.

Corporate and Services

Corporate & Services recorded reduced earnings, in line with the outlook provided in FY18. This was a result of lower rental and services earnings, and investment in group capabilities and IT platforms.

In June 2019 the SPC business was sold to Shepparton Partners Collective Pty Ltd for a consideration of \$40 million. A profit on sale of \$14 million was recorded upon sale completion on 28 June 2019.

Outlook

Ms Watkins said the end of 2019 would mark completion of the two-year transition period for the Group.

"Australian Beverages is positioned for growth in 2020 with the completion of the additional investments in our Accelerated Australian Growth Plan and with container deposit schemes in NSW and QLD substantially embedded by the end of 2019," Ms Watkins said

"In Indonesia we are encouraged by the growth achieved since April 2018, and will continue to deliver our Accelerate to Transform strategy with additional marketing expenditure in 2019 as we navigate soft macroeconomic conditions, a weak Indonesian Rupiah and subdued market growth.

"New Zealand & Fiji, Papua New Guinea and Alcohol & Coffee are expected to deliver growth in line with our Shareholder Value Proposition.

"Corporate & Services is expected to record an EBIT loss of approximately \$12 million in line with the outlook previously provided.

“We anticipate one-off costs of up to \$30 million as part of the ongoing cost optimisation processes across the Group. We are pursuing opportunities to dispose of surplus properties which would result in one-off gains in 2019, partially offsetting these one-off costs.

“We remain committed to our Shareholder Value Proposition and target a return to delivery of mid-single digit earnings per share growth from 2020.

“And as we've said before, achieving this target will depend on the success of our revenue growth initiatives in Australia, Indonesian economic factors and the regulatory conditions in each of our markets.”

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ABOUT COCA-COLA AMATIL

Coca-Cola Amatil is one of the largest manufacturers 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 manufacturer 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 manufacture, package, sell and distribute its products. With access to around 270 million potential consumers through more than 950,000 active customers Coca-Cola Amatil is committed to leading through innovation and building a sustainable future and delivering long-term value to shareholders.

For more information, visit www.ccamatil.com