Q2 2020 Results

Refresco Group B.V.

Refresco

Press release

Refresco delivers robust Q2 2020 results

Rotterdam, the Netherlands – August 13, 2020. Refresco, the world's largest independent bottler for retailers and A-brands in Europe and North America, publishes the second quarter and half-year 2020 results of Refresco Group B.V.[1,2]

Q2 2020 Highlights

- Total volume was 2,983 million liters (Q2 2019: 3,005 million liters).
- Gross profit margin was €477 million (Q2 2019: €470 million).
- Adjusted EBITDA amounted to €138 million (Q2 2019: €134 million).
- Cash and cash equivalents at the end of Q2 2020 were €314 million (June 30, 2019: €168 million).
- Volume reduction at start of Q2, recovery during the quarter, and June volumes ahead of last year.
- Announced placement of new €400 million Term Loan B on July 21, 2020.

Half-year 2020 Highlights

- Total volume increased by 2.9% to 5,745 million liters (YTD 2019: 5,584 million liters).
- Gross profit margin increased by 5.8% to €925 million (YTD 2019: €874 million).
- Adjusted EBITDA increased by 12.0% to €241 million (YTD 2019: €215 million)

In millions of €, unless stated otherwise (unaudited)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Volume (millions of liters)	2,983	3,005	5,745	5,584
Gross profit margin	477	470	925	874
Adjusted EBITDA	138	134	241	215
Net profit / (loss)	(3)	10	(27)	(5)
Adjusted net profit / (loss)	11	13	(7)	(0)
Net debt			2,898	2,828

CEO Refresco, Hans Roelofs commented:

"With the impact of COVID-19 intensifying in the second quarter, we continued to prioritize the health and safety of our employees, combined with a strong focus on our customers. This allowed us to continue to operate with high service levels, and meet our customer demands without major production interruptions.

Thanks to the hard work of our employees, I am pleased to report robust Q2 results - underlining the resilience of our business once again. As expected, following the spike in demand in March 2020, volumes reduced in April. During the quarter however, volumes steadily recovered, with June volumes ending ahead of last year. Looking at the first six months of the year, I am proud to report solid growth across all our key indicators.

At the same time, we continued with the integration of the acquired businesses in the UK, Spain and the US and are well on track. On July 21, 2020, we announced the placement of a new €400 million Term Loan B to further facilitate our buy & build strategy and pursue accretive acquisition opportunities. Furthermore, we received approval from the French Competition Authority regarding the acquisition of Britvic's three juice bottling facilities in France on July 24, 2020. We expect to close the transaction in the fall, after which we will commence with the integration.

1 All values are rounded to the nearest million unless otherwise stated.
2 Net debt in Q2 2020 includes €117 million shareholder funding; IFRS 16 impact Leases is €404 million as at June, 30 2020.

While COVID-19 is not yet behind us, we have demonstrated that our agility, entrepreneurship, and well-diversified business model are the right foundation for sustainable performance. Looking ahead, we are confident that we are able to further strengthen our business in the second half of the year, and continue to provide beverage solutions to the world's most respected A-brands and retailers."

Response to COVID-19

Refresco has continuously monitored the rapidly changing developments since the outbreak of COVID-19 and the potential impact on its business across Europe and North America. The Company implemented a broad range of measures to keep its employees safe across all 61 manufacturing facilities and offices, in line with guidance from governments and health authorities.

Operational developments

The vast majority of our manufacturing sites were fully operational and continued to produce beverages for our customers. Overall, there have been no major production interruptions. During the quarter, we have applied some changes to our operations in a number of our facilities, including changes in shift schedules and operating lines, to match the fluctuating demand from our customers.

To support employees in our manufacturing sites we have implemented various safety measures, such as social distancing, strict quarantine procedures and provision of extensive personal protection equipment. For staff in our offices across Europe and North America, we have implemented large scale home working and have been working diligently to enable office workers to return back safely, when and where applicable.

Market developments

As expected, there was a significant decline in Retail volume in April 2020, following stockpiling of consumers at the end of the first quarter of 2020. However, during the quarter, demand in Retail quickly recovered. The product mix changed though, with a shift towards larger packaging formats as a result of lockdowns. Volumes in Contract manufacturing were also impacted by government restrictions, which resulted in lower demand from branded customers for out-of-home products.

Volume and revenue by location of sales

In Q2 2020 total Group volume was 2,983 million liters, largely in line with the same period last year (Q2 2019: 3,005 million liters). North America continued to grow and increased its volume by 9.2%, with specifically Contract Manufacturing showing strong growth, primarily driven by the acquired businesses.

This was offset by less demand in volumes in Europe, where a decrease of 6.2% versus the same quarter last year was mainly caused by COVID-19 related measures. The strong volumes at the end of Q1, partially caused by consumers stockpiling, resulted in a significant volume reduction at the start of Q2. However, volumes steadily recovered during the quarter with June volumes higher than the same month last year.

Looking at the first half of the year, total volume increased by 2.9%, driven by additional volumes from acquired businesses as well as organic growth.

Volume in million liters (unaudited)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Europe	1,815	1,935	3,436	3,529
North America	1,168	1,069	2,310	2,055
Total Group	**2,983**	**3,005**	**5,745**	**5,584**

Retailer brands volume in Q2 2020 was 1,984 million liters, a 2.9% decrease compared to Q2 2019, primarily due to a reduction in volume at the start of the second quarter, as expected. Over the first half of the year volumes in Retailer brands remained flat. Retailer brands now represent 66.4% of our total volume (YTD 2019: 68.3%).

Volume in Contract manufacturing grew by 3.9% to 999 million liters (Q2 2019: 962 million liters) and is largely driven by last year's incorporation of two plants of PepsiCo in Spain and the plant of Coca-Cola European Partners in Milton Keynes, UK, as well as the recently acquired AZPACK business in Arizona, US. As a percentage of total volume, Contract manufacturing for the quarter increased to 33.6% of total Group volume (YTD 2019: 31.7%).

Retailer brands and contract manufacturing as a % of total volume (unaudited)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Retailer brands	66.5%	68.0%	66.4%	68.3%
Contract manufacturing	33.5%	32.0%	33.6%	31.7%
	100%	**100%**	**100%**	**100%**

Despite all uncertainties surrounding COVID-19, revenue generation was stable in Q2 2020 and amounted to €1,044 million (Q2 2019: €1,064 million). Revenues can fluctuate significantly due to changes in input costs, which are directly passed through to customers. As such, revenue is not a representative indicator for the development of our business.

Revenue in millions of € (unaudited)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Europe	613	675	1,180	1,245
North America	431	390	843	745
Total Group	**1,044**	**1,064**	**2,023**	**1,990**

Gross profit margin

Gross profit margin in Q2 2020 increased by 1.5% to €477 million, compared to €470 million in Q2 2019. In the first half of the year, gross profit margin increased by 5.8% to €925 million (YTD 2019:€874 million). Particularly in North America, increase in gross profit margin was driven by a combination of positive impact from acquisitions, provision of value-add services, and favorable product mix effect. This is partially offset by the negative effect of lower-margin product mix in Europe, as COVID-19 led to a shift towards larger packaging formats and decrease in demand for out-of-home products.

Gross profit margin in millions of € (unaudited)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Europe	274	301	529	551
North America	203	170	396	323
Total Group	**477**	**470**	**925**	**874**

Reconciliation of operating profit to adjusted EBITDA

Operating profit in Q2 2020 was €47 million compared to €59 million in Q2 2019. The decrease in operating profit is mainly due to the costs associated with the closing of the facility in Wrexham, UK, as announced on April 17, 2020.

Adjusted EBITDA was €138 million in Q2 2020 (Q2 2019: €134 million), and increased by 12.0% for the first half of the year to €241 million, compared to €215 million in the same period in 2019.

As of the first quarter of 2020, no costs or benefits related to COVID-19 have been reported. We now report exceptional costs related to COVID-19 of €4 million for the second quarter and a total of €8 million YTD 2020. One-off items of €5 million in Q2 2020 include costs related to the start-up of our new sustainable facility in Le Quesnoy, France.

In millions of € (unaudited)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Operating profit / (loss)	**47**	**59**	**66**	**70**
Depreciation and impairment	49	42	92	81
Amortization of intangible assets	13	12	26	25
Depreciation - IFRS 16	20	16	39	32
EBITDA	**129**	**130**	**223**	**209**
COVID-19	4	-	8	-
Other one-off costs/(benefits)	5	4	10	6
Adjusted EBITDA	**138**	**134**	**241**	**215**

Finance expenses and tax

Net finance costs for Q2 2020 were €40 million compared to €39 million in the same period last year, due to an increase in existing Term Loan B.

Income tax expense in Q2 2020 amounted to €10 million compared to an expense of €11 million in Q2 2019.

Reconciliation of net profit to adjusted net profit

Net loss in Q2 2020 amounted to €3 million compared to a net profit of €10 million in Q2 2019. Adjusted for the net effect of acquisition / integration costs, COVID-19, Wrexham impairment and tax effect, net profit stood at €11 million in Q2 2020 (Q2 2019: €13 million).

In millions of € (unaudited)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Profit / (Loss)	(3)	**10**	(27)	**(5)**
Acquisition / Integration cost / Other	5	4	10	6
COVID-19	4	-	8	-
Wrexham impairment	8	-	8	-
Tax effect	(4)	(1)	(5)	(2)
Adjusted net profit / (loss)	**11**	**13**	**(7)**	**(0)**

Balance sheet and financial position

Balance sheet total assets amounted to €5,178 million at June 30, 2020 (June 30, 2019: €4,986 million). This increase is mainly due to the increase in cash position and the acquisition of AZPACK. Cash and cash equivalents at the end of Q2 2020 were €314 million, compared to €168 million (net of overdrafts) at the end of Q2 2019. Our cash position remains strong, even in volatile quarters such as this one, enabling us to keep executing on our long-term strategy.

Total non-current assets amounted to €3,825 million at June 30, 2020 (June 30, 2019: €3,628 million). Total intangible assets amounted to €2,256 million at June 30, 2020 (June 30, 2019: €2,214 million).

Net debt at the end of Q2 2020 amounted to €2,898 million (Q2 2019: €2,828 million) consisting of €2,723 million in loans and borrowings, €32 million capitalized finance costs, a €404 million impact of IFRS 16 Leases, €117 million shareholder funding and €314 million in cash and cash equivalents.

Capex and working capital

Total capital expenditure for Q2 2020 was €36 million (Q2 2019: €43 million), with the decrease mainly related to changes in certain capital expenditure projects as a result of COVID-19.

At the end of Q2 2020 working capital was €65 million (Q2 2019: €167 million). The significantly lower level of working capital is the result of strong cash collection and an increased focus on working capital management. In addition, working capital is impacted by stock levels that are slightly below normal and COVID-related extended tax payments, predominantly in the UK.

Subsequent events

New €400 million Term Loan B

On July 21, 2020, Refresco announced the placement of a new €400 million Term Loan B by Refresco Holding B.V. in order to facilitate executing Refresco's long-term growth strategy focused on strengthening its offering to retailers and A-brands through accretive acquisition opportunities. In the same press release, Refresco announced that the existing Revolving Credit Facility is expected to increase by €100 million to €300 million.

French Competition Authority approves acquisition of Britvic's three juice bottling facilities in France

On July 24, 2020, the French Competition Authority announced the approval of the acquisition of Britvic's three juice bottling facilities in France by Refresco. The acquisition was announced on November 12, 2019 and is expected to close in the fall.

Bondholder call & webcast

Today at 10:00 am CET, Refresco will host a call and audio webcast for bondholders.

The dial-in numbers are as follows:

NL +31 (0)20 703 8261

UK +44 (0)330 336 9411

US +1 720 543 0214

Confirmation code: 4057878

You can access the audio webcast via https://www.refresco.com/en/investors/reports-and-presentations.

A replay of the call will be available by the end of the day.

Financial calendar 2020

Publication Q3 2020 results: November 12, 2020

For more information, please contact:

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About Refresco

Refresco is the world's largest independent bottler of beverages for retailers and A-brands with production in Europe and North America. The company has full year volumes and revenue of circa 11 billion liters and circa €3.9 billion, respectively. Refresco offers an extensive range of product and packaging combinations from 100% fruit juices to carbonated soft drinks and mineral waters in carton, PET, Aseptic PET, cans and glass. Focused on innovation, Refresco continuously searches for new and alternative ways to improve the quality of its products and packaging combinations in line with consumer and customer demand, environmental responsibilities and market demand. Refresco is headquartered in Rotterdam, the Netherlands and has more than 10,000 employees. www.refresco.com

Notes to the press release

Unless otherwise stated, the consolidated financial information in this document comprise the consolidated financial information of Refresco Group B.V.

This press release has not been audited.

The consolidated financial statements are presented in millions of euros and all values are rounded to the nearest million unless otherwise stated. As a consequence, rounded amounts may not add up to the rounded total in all cases. Change percentages and totals are calculated before rounding.

Refresco Group B.V. prepares its financial reports in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS). For the principles of financial reporting reference is made to the 2019 financial statements of Refresco Group B.V.

This report was prepared in accordance with the indenture dated April 23, 2018 governing the Senior Notes.

Tables section:

Consolidated income statement

In millions of €	Q2 2020 (unaudited)	Q2 2019 (unaudited)	YTD 2020 (unaudited)	YTD 2019 (unaudited)
Revenue	**1,044**	**1,064**	**2,023**	**1,990**
Other income	(0)	-	(0)	-
Raw materials and consumables used	(566)	(594)	(1,098)	(1,117)
Gross Profit Margin	**477**	**470**	**925**	**874**
Gross Profit Margin %	*45.7%*	*44.2%*	*45.7%*	*43.9%*
Gross Profit Margin per liter, euro cents	16.0	15.6	16.1	15.6
Employee benefits expenses	(156)	(139)	(304)	(273)
Depreciation, amortization and impairment	(82)	(70)	(157)	(138)
Other operating expenses	(192)	(201)	(398)	(392)
Operating costs	**(430)**	**(411)**	**(859)**	**(803)**
Operating profit / (loss)	**47**	**59**	**66**	**70**
Finance income	0	-	0	-
Finance expense	(40)	(39)	(80)	(76)
Net finance costs	**(40)**	**(39)**	**(80)**	**(76)**
Profit / (loss) before income tax	**7**	**21**	**(15)**	**(5)**
Income tax (expense) / benefit	(11)	(11)	(12)	1
Profit / (loss)	**(3)**	**10**	**(27)**	**(4)**
Profit / (loss) attributable to:				
Owners of the Company	(5)	8	(31)	(7)
Non-controlling interest	2	2	4	3
Profit / (loss)	**(3)**	**10**	**(27)**	**(5)**

Consolidated balance sheet

In millions of €[1]	30 June 2020 (unaudited)	31 December 2019 (audited)	30 June 2019 (unaudited)
Non-current assets			
Property, plant & equipment	1,167	1,180	1,133
Right-of-use asset	389	370	321
Intangible assets	2,256	2,211	2,214
Non-current financial assets	10	14	13
Deferred income tax	3	0	-
Total non-current assets	**3,825**	**3,775**	**3,682**
Current assets			
Inventories	397	384	452
Derivative financial instruments	3	-	2
Current income tax receivable	1	5	13
Trade and other receivables	638	525	667
Cash and cash equivalents	314	283	168
Total current assets	**1,353**	**1,197**	**1,301**
Asset classified as held for sale	**0**	**0**	**3**
Total assets	**5,178**	**4,972**	**4,986**
Equity attributable to equity holders of the Company	**739**	**799**	**820**
Non-controlling interests	6	6	7
Total equity	**745**	**805**	**827**
Non-current liabilities			
Loans and borrowings	2,805	2,685	2,665
Lease liability	329	319	266
Derivative financial instruments	62	26	31
Provisions and deferred tax	182	196	168
Total non-current liabilities	**3,378**	**3,226**	**3,129**
Current liabilities			
Loans and borrowings	3	3	4
Lease liability	75	66	61
Derivative financial instruments	0	4	2
Trade and other payables	950	814	936
Deferred payments acquisition	5	29	-
Current income tax liabilities	12	14	23
Provisions	9	11	4
Total current liabilities	**1,054**	**941**	**1,029**
Total equity and liabilities	**5,178**	**4,972**	**4,986**

[1] Preliminary Purchase Price Allocation (PPA) included in the figures.

Consolidated cash flow statement

In millions of €	Q2 2020 (unaudited)	Q2 2019 (unaudited)	YTD 2020 (unaudited)	YTD 2019 (unaudited)
Cash flows from operating activities				
Net profit / (loss)	**(3)**	**10**	**(27)**	**(5)**
Adjustments for:				
Depreciation, Amortization and impairments	82	71	157	138
Net change in fair value derivative financial instruments	(0)	(1)	(2)	(1)
Other net finance costs	40	39	81	76
(Gain) / loss on sale of property, plant and equipment	-	-	0	(0)
Income tax expense / (benefit)	10	11	12	(1)
Movement in employee benefit provisions and other provisions	-	1	(1)	-
Cash flow from operating activities before changes in working capital	**129**	**130**	**220**	**209**
Changes in inventories	(4)	9	(15)	(41)
Changes in trade and other receivables	(17)	(20)	(120)	(105)
Changes in trade and other payables	37	25	161	57
Total change in working capital	**16**	**14**	**26**	**(89)**
Interest received	1	-	1	1
Interest paid (including capitalized finance costs)	(40)	(39)	(66)	(62)
Payments interest portion leases	(3)	(3)	(7)	(6)
Income taxes paid	(15)	(1)	(11)	(7)
Net cash generated from operating activities	**88**	**102**	**163**	**45**
Cash flows from investing an acquisition activities				
Purchase of property, plant and equipment	(44)	(44)	(92)	(114)
Proceeds from disposals of property, plant and equipment	0	2	1	2
Purchase of intangible assets	-	-	(4)	(1)
Proceeds non-current financial assets	1	-	1	-
Acquisition of subsidiary, net of cash acquired	(6)	-	(118)	(9)
Disinvestment of branded activities Columbus	-	-	-	-
Net cash used in investing and acquisition activities	**(49)**	**(42)**	**(212)**	**(122)**
Cash flows from financing activities				
Dividend payment	(2)	(2)	(4)	(4)
Proceeds from loans and borrowings	0	-	135	150
Repayment of loans and borrowings	(8)	(1)	(9)	(7)
Payments principal portion leases	(19)	(13)	(38)	(33)
Net cash (used in) / from financing activities	**(29)**	**(16)**	**85**	**106**
Movement in cash and cash equivalents	**10**	**44**	**38**	**29**
Translation adjustment	(3)	(9)	(7)	(1)
Cash movement	**7**	**35**	**31**	**28**
Cash and cash equivalents beginning period	307	186	283	226
Bank overdraft at beginning	-	(54)	-	(87)
Cash and cash equivalents ending period	314	168	314	168
Bank overdraft at end	-	-	-	-
Cash movement	**7**	**35**	**31**	**28**

Information about Sunshine Mid B.V. ("the Issuer")

Sunshine Mid B.V. was incorporated on October 20, 2017 and it is domiciled in Amsterdam, the Netherlands. For the acquisition of Refresco Group the Issuer has received the following funds:

- Share capital contribution of €882 million
- Shareholder loan was increased from €108 million to €117 million in Q2 2020.