



# Q2 Results 2019

Sunshine Top B.V.



Press release

# Refresco reports step-up in Q2 2019 results

**Rotterdam, the Netherlands – August 15, 2019.** Refresco publishes second quarter and half-year 2019 results of Sunshine Top B.V., the entity owning Refresco Holding B.V.

## Q2 2019 Highlights

- Total volume was 3,005 million liters (Q2 2018: 3,040 million liters).
- Gross profit margin per liter was 15.6 euro cents (Q2 2018: 14.1 euro cents).
- Adjusted EBITDA amounted to €134 million (Q2 2018: €99 million).
- Pro-forma synergies adjusted EBITDA amounted to €383 million.
- Term Loan B add-on of €150 million completed on July 24, 2019.

## Key figures<sup>1,2,3,4</sup>

In millions of €, unless stated otherwise (unaudited)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Volume (millions of liters)	3,005	3,040	5,584	5,313
Gross profit margin	470	428	874	755
Gross profit margin per liter (euro cents)	15.6	14.1	15.6	14.2
Adjusted EBITDA	134	99	215	143
Net profit / (loss)	8	(24)	(7)	(64)
Adjusted net profit / (loss)	11	15	(3)	17
Net debt			2,828	2,436

## CEO Refresco, Hans Roelofs commented:

"We are pleased to report a solid step-up in the second quarter results. However, weather conditions in the month of June were unfavorable across our key markets compared to the same period last year, which was reflected in our volume development for the quarter. Year-to-date volume increased both organically and on a reported basis reflecting our investments in production capabilities and new business opportunities which we have been able to scoop up thanks to our improved coverage especially in North America.

Our gross profit margin per liter increased to 15.6 euro cent per liter, a combined effect of synergies from the acquisition of the former Cott's bottling business, a positive currency impact related primarily to the strengthening of the USD as well as a continued shift towards smaller packaging formats, value-added products and services for our customers.

Following close to 19 months of integration of Cott's bottling business in North America and the UK, we are pleased to see the synergies flowing into our results and we see many opportunities to continue to execute our buy & build strategy in our existing markets."

<sup>1</sup> All values are rounded to the nearest million unless otherwise stated. YTD 2018 figures relate to Refresco Group N.V. for the period January 1, 2018 - March 31, 2018 and to Sunshine Top B.V. for the period April 1, 2018 - June 30, 2018.

<sup>2</sup> Cott's bottling business in North America and the UK was consolidated in Refresco's financial information as of January 30, 2018.

<sup>3</sup> Q2 2019 and YTD 2019 figures include IFRS 16 effect. Preliminary estimate of the IFRS 16 related EBITDA improvement is in a range of €74 million (+/-10%) for the full year 2019.

<sup>4</sup> Net debt in Q2 2019 includes €108 million shareholder funding. Preliminary impact of the IFRS 16 Leases is €333 million (+/-10%) for the full year 2019.

## Volume and revenue by location of sales

In Q2 2019 total Group volume was 3,005 million liters (Q2 2018: 3,040 million liters), a decrease of 1.2% reflecting mainly the poor weather conditions in June 2019 across our key markets compared to the same period last year.

In the first half of the year, volume increased by 5.1%. The volumes of Cott's bottling business in North America and the UK were consolidated to Refresco's results as of January 30, 2018. When taking into account Cott's volumes in January 2018, like-for-like increase in volume for the Group was 0.2% in the first half of 2019 compared to the first half of 2018.

Volume in million liters (unaudited)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Europe	1,935	1,984	3,529	3,527
North America	1,069	1,056	2,055	1,786
<b>Total Group</b>	<b>3,005</b>	<b>3,040</b>	<b>5,584</b>	<b>5,313</b>

Retailer brands volume in Q2 2019 was 2,043 million liters, a 3.0% decrease compared to Q2 2018, reflecting the adverse weather conditions in June 2019 compared to June 2018.

Total contract manufacturing volume increased to 962 million liters, up 3.0% from Q2 2018 reflecting new and additional volumes especially in North America and our continued focus to rapidly grow the contract manufacturing part of our business. As a percentage of total volume, contract manufacturing was 32.0% of total Group volume (Q2 2018: 30.7%).

Retailer brands and contract manufacturing as a % of total volume (unaudited)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Retailer brands	68.0%	69.3%	68.3%	68.8%
Contract manufacturing	32.0%	30.7%	31.7%	31.2%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Revenue in the second quarter of 2019 increased 2.6% to €1,064 million compared to €1,037 million in Q2 2018, reflecting a positive currency translation effect and more value-added products and services for our customers. Revenues can fluctuate significantly due to changes in input costs and, as such, revenue is not a representative indicator for the development of our business.

Revenue in millions of € (unaudited)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Europe	675	701	1,245	1,259
North America	390	336	745	552
<b>Total Group</b>	<b>1,064</b>	<b>1,037</b>	<b>1,990</b>	<b>1,810</b>

## Gross profit margin and gross profit margin per liter

Gross profit margin in the second quarter of 2019 was €470 million, compared to €428 million in Q2 2018, an increase of 9.8%. The step-up was driven by synergies from the acquisition of Cott's bottling business, positive currency translation effect and a continued shift in our customer offering.

Our customer offering is moving towards smaller packaging formats and more complex and innovative products and packaging solutions. Furthermore, we see added-value services, such as warehousing and procurement to third parties, steadily increasing in line with our strategy to transform the company from bottler to beverage solutions provider.

Gross profit margin per liter in Q2 2019 was 15.6 euro cents, compared to 14.1 euro cents in Q2 2018.

Gross profit margin in millions of € (unaudited)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Europe	301	293	551	526
North America	170	135	323	229
<b>Total Group</b>	<b>470</b>	<b>428</b>	<b>874</b>	<b>755</b>

## Reconciliation of operating profit to adjusted EBITDA

Operating profit in Q2 2019 was €59 million, compared to operating profit of €6 million in Q2 2018. Operating costs decreased by €11 million from €422 million to €411 million. Adjusted EBITDA was €134 million in Q2 2019 compared to €99 million in Q2 2018, an increase of €35 million. The depreciation, amortization (D&A) and impairment costs are up from €38 million in Q2 2018, to €70 million in Q2 2019 reflecting the Cott acquisition and an IFRS 16 impact of €16 million in a shift from other operating expenses to depreciation, amortization and impairment.

One-off items of €4 million in the second quarter of 2019 include transaction and integration costs.

Pro-forma synergies adjusted EBITDA for the half year totalled €383 million.

In millions of € (unaudited)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Operating profit / (loss)	59	6	70	9
Depreciation	42	34	81	63
Amortization of intangible assets	12	4	25	7
Depreciation - IFRS 16	16	-	32	-
<b>EBITDA</b>	<b>130</b>	<b>44</b>	<b>209</b>	<b>78</b>
One-off costs/(benefits)	4	55	6	65
<b>Adjusted EBITDA</b>	<b>134</b>	<b>99</b>	<b>215</b>	<b>143</b>

## Finance expenses and tax

Net finance costs for the second quarter of 2019 were €39 million compared to €33 million in the same period last year. For the half year 2019, net finance costs decreased by €15 million: from €91 million in 2018 to €76 million in 2019.

Income tax expense in Q2 2019 amounted to €11 million compared to income tax benefit of €6 million in Q2 2018.

In millions of € (unaudited)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Net finance costs	(39)	(33)	(76)	(91)
Finance expense - IFRS 16	(3)	-	(7)	-
<b>Net finance costs excl. IFRS 16</b>	<b>(35)</b>	<b>(33)</b>	<b>(69)</b>	<b>(91)</b>

## Reconciliation of net profit to adjusted net profit

Net profit in Q2 2019 amounted to €8 million compared to a net loss of €24 million in Q2 2018. Taking into account tax effect and costs related to the acquisition and integration, adjusted net profit was €11 million for the second quarter of 2019 (Q2 2018: adjusted net profit of €15 million).

In millions of € (unaudited)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
<b>Profit / (Loss)</b>	<b>8</b>	<b>(24)</b>	<b>(7)</b>	<b>(64)</b>
Acquisition / Integration cost / Other	4	55	6	65
Financing cost	-	(3)	-	42
Tax effect	(1)	(13)	(2)	(27)
<b>Adjusted net profit / (loss)</b>	<b>11</b>	<b>15</b>	<b>(3)</b>	<b>17</b>

## Balance sheet and financial position

Balance sheet total assets amounted to €4,986 million at June 30, 2019 (June 30, 2018: €4,510 million). Total non-current assets amounted to €3,682 million compared to €3,237 million on June 30, 2018. Preliminary goodwill arising on acquisitions totaled €1,676 million and is derived mainly from the acquisition of Refresco Group N.V. by Sunshine Investments B.V in 2018. Total intangible fixed assets amounted to €2,214 million (Q2 2018: €2,251 million). The decrease is a result of amortization.

Cash and cash equivalents at the end of the second quarter of 2019 were €168 million compared to €160 million at the end of Q2 2018.

Net debt at the end of Q2 2019 amounted to €2,828 million (Q2 2018: €2,436 million) consisting of €2,597 million in loans and borrowings, €36 million capitalized finance costs, a €327 million impact of IFRS 16 Leases, €108 million shareholder funding and €168 million in cash and cash equivalents.

## Capex and working capital

Total capital expenditure spending was €43 million (Q2 2018: €29 million). The increase in capex is related to further optimization of existing manufacturing sites and warehousing facilities in Europe and North America. Integration-related capex was €8 million and is part of the total expenditure of €43 million in Q2 2019.

Working capital at the end of Q2 2019 was €168 million compared to €156 million at the end of Q2 2018.

## Subsequent events

On July 24, Refresco completed a €150 million add-on to its existing €1,979 million Term Loan B. The proceeds were used to free up the company's RCF. Refresco has identified a handful of potential bolt-on acquisition targets to be assessed across North America and Europe to help further diversify its contract manufacturing exposure.

### 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 +1 323-994-2093

Confirmation code: 8505431

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

Publication of Q3 2019 results: November 14, 2019

### For more information, please contact:

Refresco Corporate Communications

Minna Lyijynen

+31 10 440 5165

[minna.lyijynen@refresco.com](mailto:minna.lyijynen@refresco.com)

## 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 €3.7 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 9,500 employees. [www.refresco.com](http://www.refresco.com)

## Notes to the press release

Unless otherwise stated, the consolidated financial information in this document comprise the consolidated financial information of Sunshine Top B.V., an entity owning Refresco Holding B.V. YTD 2018 figures relate to Refresco Group N.V. for the period January 1, 2018 - March 31, 2018 and to Sunshine Top B.V. for the period April 1, 2018 - June 30, 2018.

Cott's bottling business in North America and the UK was consolidated in Refresco's financial information as of January 30, 2018. In this document, where reference is made to 'like-for-like' volumes, the numbers for the former Cott bottling business and those of Refresco were combined and compared 'as if' they were one prior to this date.

The 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.

Sunshine Top 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 2018 financial statements of Sunshine Top B.V.

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

## Tables section:

<b>Consolidated income statement</b>	<b>9</b>
<b>Consolidated balance sheet</b>	<b>10</b>
<b>Consolidated cash flow statement</b>	<b>11</b>
<b>Information about Sunshine Mid B.V. ("the Issuer")</b>	<b>12</b>



## Consolidated income statement

In millions of €	Q2 2019 (unaudited) <sup>5</sup>	Q2 2018 (unaudited) <sup>6</sup>	YTD 2019 (unaudited)	YTD 2018 (unaudited)
<b>Revenue</b>	<b>1,064</b>	<b>1,037</b>	<b>1,990</b>	<b>1,810</b>
Other income	-	-	0	-
Raw materials and consumables used	(594)	(610)	(1,117)	(1,056)
<b>Gross Profit Margin</b>	<b>470</b>	<b>428</b>	<b>874</b>	<b>755</b>
Gross Profit Margin %	44.2%	41.2%	43.9%	41.7%
Gross Profit Margin per liter, euro cents	15.6	14.1	15.6	14.2
Employee benefits expenses	(139)	(134)	(273)	(245)
Depreciation, amortization and impairment	(70)	(38)	(138)	(70)
Other operating expenses	(201)	(250)	(392)	(432)
<b>Operating costs</b>	<b>(411)</b>	<b>(422)</b>	<b>(803)</b>	<b>(746)</b>
<b>Operating profit / (loss)</b>	<b>59</b>	<b>6</b>	<b>70</b>	<b>9</b>
Finance income	-	-	-	-
Finance expense	(39)	(33)	(76)	(91)
<b>Net finance costs</b>	<b>(39)</b>	<b>(33)</b>	<b>(76)</b>	<b>(91)</b>
<b>Profit / (loss) before income tax</b>	<b>21</b>	<b>(27)</b>	<b>(5)</b>	<b>(82)</b>
Income tax (expense) / benefit	(11)	6	1	21
Minority interest	(2)	(2)	(3)	(3)
<b>Profit / (loss)</b>	<b>8</b>	<b>(24)</b>	<b>(7)</b>	<b>(64)</b>
<b>Profit / (loss) attributable to:</b>				
Owners of the Company	10	(22)	(5)	(61)
Non-controlling interest	(2)	(2)	(3)	(3)
<b>Profit / (loss)</b>	<b>8</b>	<b>(24)</b>	<b>(7)</b>	<b>(64)</b>

<sup>5</sup> The figures relate to Sunshine Top B.V. Preliminary Purchase Price Allocation (PPA) included in the figures.

<sup>6</sup> The figures relate to Refresco Group B.V. before the Preliminary Purchase Price Allocation (PPA).

## Consolidated balance sheet

In millions of €	30 June 2019 (unaudited) <sup>7</sup>	31 December 2018 (audited) <sup>7</sup>	30 June 2018 (unaudited) <sup>8</sup>
<b>Non-current assets</b>			
Property, plant & equipment	1,133	1,139	932
Right-of-Use asset	321	-	-
Intangible assets	2,214	2,228	2,251
Financial fixed assets	13	13	29
Deferred tax	0	-	24
<b>Total non-current assets</b>	<b>3,682</b>	<b>3,379</b>	<b>3,237</b>
<b>Current assets</b>			
Inventories	452	397	388
Derivative financial instruments	2	3	4
Current income tax receivable	13	26	30
Other current assets	667	548	676
Cash and cash equivalents	168	226	160
<b>Total current assets</b>	<b>1,301</b>	<b>1,200</b>	<b>1,258</b>
<b>Asset classified as held for sale</b>	<b>3</b>	<b>-</b>	<b>15</b>
<b>Total assets</b>	<b>4,986</b>	<b>4,579</b>	<b>4,510</b>
<b>Equity</b>	<b>820</b>	<b>840</b>	<b>857</b>
Non-controlling interest	7	7	21
<b>Total equity</b>	<b>827</b>	<b>847</b>	<b>878</b>
<b>Non-current liabilities</b>			
Lease liability	266	-	-
Loans and borrowings	2,665	2,509	2,592
Derivatives	31	11	6
Provisions and deferred tax	168	190	89
<b>Total non-current liabilities</b>	<b>3,129</b>	<b>2,710</b>	<b>2,686</b>
<b>Current liabilities</b>			
Lease liability	61	-	-
Loans and borrowings	4	90	4
Derivative financial instruments	2	2	-
Trade and other payables	936	897	923
Current income tax liabilities	23	26	13
Provisions	4	8	5
<b>Total current liabilities</b>	<b>1,029</b>	<b>1,023</b>	<b>945</b>
<b>Total equity and liabilities</b>	<b>4,986</b>	<b>4,579</b>	<b>4,509</b>

<sup>7</sup> The figures relate to Sunshine Top B.V. Preliminary Purchase Price Allocation (PPA) included in the figures.

<sup>8</sup> The figures relate to Refresco Group B.V. before the Preliminary Purchase Price Allocation (PPA).

## Consolidated cash flow statement

In millions of € (unaudited)	Q2 2019 <sup>9</sup>	YTD 2019	YTD 2018
<b>Cash flows from operating activities</b>			
<b>Profit / (loss) after tax</b>	<b>10</b>	<b>(5)</b>	<b>(61)</b>
Adjustments for:			
Depreciation, Amortization and impairments	71	138	70
Net change in fair value derivative financial instruments	(1)	(1)	(2)
Net finance costs	39	76	91
Income tax expense / (benefit)	11	(1)	(21)
Movement in employee benefit provisions and other provisions and payables	1	-	(7)
<b>Cash flows from operating activities before changes in working capital</b>	<b>130</b>	<b>209</b>	<b>70</b>
Change in:			
Inventories	9	(41)	(3)
Trade and other receivables	(20)	(105)	(190)
Trade and other payables	25	57	181
<b>Total change in working capital</b>	<b>14</b>	<b>(89)</b>	<b>(12)</b>
Interest received	-	1	-
Interest paid	(39)	(62)	(27)
Income taxes paid	(1)	(7)	(13)
<b>Net cash generated from operating activities</b>	<b>105</b>	<b>51</b>	<b>19</b>
<b>Cash flows from investing and acquisition activities</b>			
Proceeds from sale of property, plant and equipment	2	2	1
Purchase of property, plant and equipment	(44)	(114)	(45)
Purchase of intangible assets	-	(1)	(1)
Acquisition of subsidiary, net of cash acquired	-	(9)	(2,630)
<b>Net cash used in investing and acquisition activities</b>	<b>(42)</b>	<b>(122)</b>	<b>(2,675)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings	-	150	4,400
Repayment of loans and borrowings	(1)	(7)	(2,532)
Lease payments <sup>10</sup>	(16)	(39)	-
Finance costs	-	-	(83)
Paid in share premium	-	-	882
Dividend payment	(2)	(4)	-
<b>Net cash (used in) / from financing activities</b>	<b>(19)</b>	<b>101</b>	<b>2,667</b>
<b>Movement in cash and cash equivalents</b>	<b>44</b>	<b>29</b>	<b>10</b>
Translation adjustment	(9)	(1)	4
<b>Movement in cash and cash equivalents</b>	<b>35</b>	<b>28</b>	<b>14</b>
Cash and cash equivalents at beginning	186	226	146
Bank overdraft at beginning	(54)	(87)	-
<b>Cash and cash equivalents at end</b>	<b>168</b>	<b>168</b>	<b>160</b>
<b>Bank overdraft at end</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Movement in cash and cash equivalents</b>	<b>35</b>	<b>28</b>	<b>14</b>

<sup>9</sup> The figures relate to Sunshine Top B.V. Preliminary Purchase Price Allocation (PPA) included in the figures.

<sup>10</sup> Payments related to lease contracts under IFRS 16

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

Sunshine Mid B.V. was incorporated on 20 October 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 €100 million to €108 million in Q2 2019.
- Bridge finance of €445 million which has been replaced by the Senior Notes on 3 May 2018