



Q1 2020 Results

Refresco Group B.V.



Press release

Refresco reports strong Q1 2020 results - more challenging Q2 ahead

Rotterdam, the Netherlands – May 14, 2020. Refresco, the world's largest independent bottler for retailers and A-brands in Europe and North America, publishes the first quarter 2020 results of Refresco Group B.V.^{1,2}

Q1 2020 Highlights

- Total volume was 2,763 million liters (Q1 2019: 2,579 million liters).
- Gross profit margin was €448 million (Q1 2019: €404 million).
- Adjusted EBITDA increased and amounted to €98 million (Q1 2019: €81 million).
- Cash and cash equivalents at the end of Q1 2020 were €307 million (March 31, 2019: €132 million).
- Funding of \$150 million add-on to existing Term Loan B completed early January 2020.
- Completed acquisition of AZPACK in Tempe, Arizona, US, on January 2, 2020 and have commenced integration.
- Integration of two former PepsiCo plants in Spain and former Coca-Cola European Partners plant in the UK well on track.
- COVID-19 caused exceptionally high demand, specifically in March, but increases volatility in Q2.

In millions of €, unless stated otherwise (unaudited)	Q1 2020	Q1 2019
Volume (millions of liters)	2,763	2,579
Gross profit margin	448	404
Adjusted EBITDA	98	81
Net profit / (loss)	(24)	(14)
Adjusted net profit / (loss)	(20)	(13)
Net debt	2,928	2,880

CEO Refresco, Hans Roelofs commented:

"With COVID-19 quickly spreading during the first quarter of 2020, our first priority was to keep our employees safe, while continuing to serve our customers. I am proud of our employees for their commitment, resilience and agility during these unprecedented times.

We have worked closely with our customers to meet the increased demand for our products, specifically as COVID-19 hit Europe and North America in March. As we look ahead, uncertainty surrounding the impact of COVID-19 continues and demand becomes even more irregular - already showing soft order volumes at the start of the second quarter.

While we continue to take actions to respond to immediate customer requirements, we also actively pursue our long-term growth strategy focused on strengthening our offering to retailers and A-brands, providing additional services such as warehousing and procurement, and we are pursuing accretive acquisition opportunities.

In January, we completed the acquisition of AZPACK, immediately strengthening our position to service customers in the Southwestern US and expanding our contract manufacturing business in important growth categories. AZPACK, as well as the former plants of PepsiCo and Coca-Cola European Partners we incorporated in the previous quarter, have already contributed to volume growth across Europe and North America this quarter. With the proposed acquisition of three Britvic bottling activities in France still expected to close in the course of this year, we continue to strengthen our capabilities in key markets.

Our solid overall financial position, strong corporate culture of agility and entrepreneurship, and resilient strategy, enable us to further grow as we continue our journey of becoming a full-service beverage solutions provider."

¹ All values are rounded to the nearest million unless otherwise stated.

² Net debt in Q1 2020 includes €108 million shareholder funding; IFRS 16 impact Leases is €409 million as at March, 31 2020.

Response to COVID-19

Refresco has continuously monitored the rapidly changing developments since the outbreak of COVID-19 and its potential impact on all areas of our business across Europe and North America.

As an essential and critical beverage manufacturer and supplier in the food and beverage industry, Refresco has implemented a broad range of measures to keep our employees safe across all of our 61 manufacturing facilities and offices, in line with guidance from governments and health authorities. This includes large scale home working and various safety measures to support employees in manufacturing sites, such as social distancing, strict quarantine procedures and provision of extensive personal protection equipment.

Operational developments

Despite elevated levels of absenteeism in certain facilities, the vast majority of our manufacturing sites were fully operational and continued to produce beverages for our customers. We have applied some changes to our operations in a number of our facilities, to match the demand from our customers. We have not seen any material issues in our supply chain over the first quarter, in which we have taken several actions to mitigate risks, such as increasing remote support from our technical suppliers.

In our update to the market on April 17, 2020, we mentioned that we start to see some operational challenges due to shortages in the workforce in a number of our facilities. We continue to try to resolve these challenges by implementing alternative solutions.

Market developments

In the first quarter of 2020, demand across our customer base has been irregular due to COVID-19, with volume growth in Europe and specifically North America compared to the same period last year.

Especially in March when COVID-19 accelerated across all our geographies, the increased demand from Retail brands was partially driven by consumers stockpiling - which has an effect on future orders. In addition, there is lower demand from our branded customers, following continued government restrictions that affect out-of-home channels.

Subsequently, order volumes for the beginning of the second quarter are very soft. Overall, we expect Q2 2020 to be more challenging with limited predictability of demand, due to increased uncertainty.

Volume and revenue by location of sales

In Q1 2020 total Group volume was 2,763 million liters, up 7.1% versus the same period last year (Q1 2019: 2,579 million liters). North America significantly increased its volume by 15.9%, with double-digit growth in both Retailer brands and Contract Manufacturing. Volumes in Europe reacted differently from country to country and, combined, went up slightly.

The strong volume growth in the first quarter of 2020 was predominantly driven by increased demand of our products in March, partially due to customers stockpiling because of COVID-19, and by the recently acquired businesses, which are delivering volumes in line with our plan.

Volume in million liters (unaudited)	Q1 2020	Q1 2019
Europe	1,621	1,594
North America	1,142	986
Total Group	2,763	2,579

Retail brands volume in Q1 2020 was 1,834 million liters, a 3.7% increase compared to Q1 2019, primarily due to increased sales in March as a result of COVID-19 and strong customer relationships. Retail brands now represent 66.4% of our total volume (Q1 2019: 68.5%).

Volume in Contract manufacturing grew by 14.5% to 929 million liters (Q1 2019: 811 million liters) and is largely driven by last year's incorporation of two plants of PepsiCo in Spain and the plant of Coca-Cola plant 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 (Q1 2019: 31.5%).

Retailer brands and contract manufacturing as a % of total volume (unaudited)	Q1 2020	Q1 2019
Retailer brands	66.4%	68.5%
Contract manufacturing	33.6%	31.5%
	100%	100%

Revenue in Q1 2020 increased to €980 million (Q1 2019: €926 million), predominantly due to higher volumes. 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)	Q1 2020	Q1 2019
Europe	567	571
North America	413	355
Total Group	980	926

Gross profit margin

Gross profit margin in Q1 2020 increased by 10.9% to €448 million, compared to €404 million in Q1 2019, driven by additional volume, positive currency translation effects, and favorable product mix in North America. 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 lower demand for out-of-home products.

Gross profit margin in millions of € (unaudited)	Q1 2020	Q1 2019
Europe	255	251
North America	193	153
Total Group	448	404

Reconciliation of operating profit to adjusted EBITDA

Operating profit in Q1 2020 was €19 million compared to €11 million in Q4 2018. The increase in operating profit was mainly related to higher volumes.

Adjusted EBITDA showed an increase to €98 million in Q1 2020 (Q1 2019: €81 million).

One-off items of €4 million in Q1 2020 include costs related to the start-up of our new sustainable facility in Le Quesnoy, France. Costs and benefits related to COVID-19 have not been reported as exceptional in Q1 2020.

In millions of € (unaudited)	Q1 2020	Q1 2019
Operating profit / (loss)	19	11
Depreciation and impairment	43	40
Amortization of intangible assets	13	12
Depreciation - IFRS 16	19	16
EBITDA	94	79
One-off costs/(benefits)	4	2
Adjusted EBITDA	98	81

Finance expenses and tax

Net finance costs for Q1 2020 were €41 million compared to €37 million in the same period last year, mainly due to an increase in existing Term Loan B.

The increase in tax with an expense of €2 million in Q1 2020 compared to a tax benefit of €12 million in Q1 2019 is due to change of interest deductibility rules and tax rates over the year. In addition, Q1 2019 included a tax benefit as a result of the final Purchase Price Allocation adjustment for 2018.

Reconciliation of net profit to adjusted net profit

Net loss in Q1 2020 amounted to €24 million compared to a net loss of €14 million in Q1 2019. Adjusted for the net effect of acquisition / integration costs and tax effect, net loss stood at €20 million in Q1 2020 (Q1 2019: net loss of €13 million).

In millions of € (unaudited)	Q1 2020	Q1 2019
Profit / (Loss)	(24)	(14)
Acquisition / Integration cost / Other	4	2
Tax effect	(1)	(1)
Adjusted net profit / (loss)	(20)	(13)

Balance sheet and financial position

Balance sheet total assets amounted to €5,204 million at March 31, 2020 (March 31, 2019: €5,037 million). This increase is mainly due to the increase in cash position, the addition of a \$150 million add-on to existing Term Loan B, and the acquisition of AZPACK. Cash and cash equivalents at the end of Q1 2020 were €307 million, compared to €132 million (net of overdrafts) at the end of Q1 2019. With our cash position being strong, our business remains resilient, allowing us to keep executing on our long-term strategy.

Total non-current assets amounted to €3,870 million at March 31, 2020 (March 31, 2019: €3,727 million). Total intangible assets amounted to €2,276 million at March 31, 2020 (March 31, 2019: €2,230 million).

Net debt at the end of Q1 2020 amounted to €2,928 million (Q1 2019: €2,880 million) consisting of €2,752 million in loans and borrowings, €34 million capitalized finance costs, a €409 million impact of IFRS 16 Leases, €108 million shareholder funding and €307 million in cash and cash equivalents.

Capex and working capital

Total capital expenditure spending for Q1 2020 was €47 million (Q1 2019: €42 million).

At the end of Q1 2020 working capital was €55 million (Q1 2019: €172 million). The significantly lower level of working capital is due to the high demand of products at the end of Q1 2020 resulting in lower stock levels, combined with extended VAT payment in the UK.

Subsequent events

Wrexham, United Kingdom

Refresco has announced on April 17, 2020, that it will be entering into consultation with its employees at its drinks production facility at Wrexham, United Kingdom, regarding the potential permanent closure of the site. The plant's viability has been significantly impacted by a long-term reduction in demand for the small-format beverages for the out-of-home market produced at this site and has been compounded by COVID-19.

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: 8110150

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 Q2/H1 2020 results: August 13, 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.

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Consolidated income statement

In millions of €	Q1 2020 (unaudited)	Q1 2019 (unaudited)
Revenue	980	926
Other income	0	0
Raw materials and consumables used	(532)	(523)
Gross Profit Margin	448	404
Gross Profit Margin %	45.7%	43.6%
Gross Profit Margin per liter, euro cents	16.2	15.6
Employee benefits expenses	(148)	(134)
Depreciation, amortization and impairment	(75)	(68)
Other operating expenses	(206)	(191)
Operating costs	(429)	(393)
Operating profit / (loss)	19	11
Finance income	0	0
Finance expense	(41)	(37)
Net finance costs	(41)	(37)
Profit / (loss) before income tax	(22)	(26)
Income tax (expense) / benefit	(2)	12
Profit / (loss)	(24)	(14)
Profit / (loss) attributable to:		
Owners of the Company	(26)	(15)
Non-controlling interest	2	1
Profit / (loss)	(24)	(14)

Consolidated balance sheet

In millions of € ¹	31 March 2020 (unaudited)	31 December 2019 (audited)	31 March 2019 (unaudited)
Non-current assets			
Property, plant & equipment	1,187	1,180	1,160
Right-of-use asset	396	370	330
Intangible assets	2,276	2,211	2,230
Non-current financial assets	11	14	8
Deferred income tax	0	0	-
Total non-current assets	3,870	3,775	3,727
Current assets			
Inventories	394	384	461
Derivative financial instruments	4	-	-
Current income tax receivable	2	5	16
Trade and other receivables	627	525	645
Cash and cash equivalents	307	283	186
Total current assets	1,334	1,197	1,309
Asset classified as held for sale	0	0	1
Total assets	5,204	4,972	5,037
Equity attributable to equity holders of the Company	757	799	817
Non-controlling interests	7	6	7
Total equity	764	805	824
Non-current liabilities			
Loans and borrowings	2,823	2,685	2,676
Lease liability	338	319	270
Derivative financial instruments	44	26	18
Provisions and deferred tax	186	196	178
Total non-current liabilities	3,391	3,226	3,142
Current liabilities			
Loans and borrowings	3	3	57
Lease liability	71	66	63
Derivative financial instruments	0	4	2
Trade and other payables	943	814	926
Deferred payments acquisition	6	29	-
Current income tax liabilities	14	14	17
Provisions	12	11	6
Total current liabilities	1,049	941	1,071
Total equity and liabilities	5,204	4,972	5,037

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

Consolidated cash flow statement

In millions of €	Q1 2020 (unaudited)	Q1 2019 (unaudited)
Cash flows from operating activities		
Net profit / (loss)	(24)	(14)
Adjustments for:		
Depreciation, Amortization and impairments	75	68
Net change in fair value derivative financial instruments	(2)	-
Other net finance costs	41	37
(Gain) / loss on sale of property, plant and equipment	0	-
Income tax expense / (benefit)	2	(12)
Movement in employee benefit provisions and other provisions	(1)	(1)
Cash flow from operating activities before changes in working capital	91	78
Changes in inventories	(11)	(50)
Changes in trade and other receivables	(102)	(85)
Changes in trade and other payables	124	31
Total change in working capital	11	(103)
Interest received	0	-
Interest paid (including capitalized finance costs)	(26)	(23)
Payments interest portion leases	(4)	-
Income taxes paid	4	(6)
Net cash generated from operating activities	76	(54)
Cash flows from investing and acquisition activities		
Purchase of property, plant and equipment	(48)	(70)
Proceeds from disposals of property, plant and equipment	0	-
Purchase of intangible assets	(3)	(1)
Proceeds non-current financial assets	1	-
Acquisition of subsidiary, net of cash acquired	(112)	(9)
Disinvestment of branded activities Columbus	-	-
Net cash used in investing and acquisition activities	(162)	(80)
Cash flows from financing activities		
Dividend payment	(1)	(2)
Proceeds from loans and borrowings	135	150
Repayment of loans and borrowings	(1)	(7)
Payments principal portion leases	(19)	(22)
Net cash (used in) / from financing activities	114	120
Movement in cash and cash equivalents	28	(15)
Translation adjustment	(4)	7
Cash movement	24	(7)
Cash and cash equivalents beginning period	283	226
Bank overdraft at beginning	-	(87)
Cash and cash equivalents ending period	307	186
Bank overdraft at end	-	(54)
Cash movement	24	(7)

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 €100 million to €108 million in Q2 2019.