



Q2 2021 results

Refresco Group B.V.



Press release

Refresco reports strong Q2 2021 results

Rotterdam, the Netherlands – August 5, 2021. Refresco, the world's largest independent bottler for retailers and A-brands in Europe and North America, publishes the second quarter and half-year 2021 results of Refresco Group B.V.¹

Q2 2021 Highlights

- Total volume was 3,204 million liters (Q2 2020: 2,983 million liters).
- Gross profit margin was €531 million (Q2 2020: €477 million).
- Adjusted EBITDA amounted to €159 million (Q2 2020: €138 million).
- Cash and cash equivalents at the end of Q2 2021 were €504 million (June 30, 2020: €314 million).
- Announced acquisition of HANSA-HEEMANN, a major German mineral water and CSD company, on July 8, 2021.
- Announced agreement with The Coca-Cola Company to acquire three of its production locations in the US, on August 3, 2021.

Half-year 2021 Highlights

- Total volume was 5,986 million liters (YTD 2020: 5,745 million liters).
- Gross profit margin was €1,009 million (YTD 2020: €925 million).
- Adjusted EBITDA amounted to €278 million (YTD 2020: €241 million).

In millions of €, unless stated otherwise (unaudited)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Volume (millions of liters)	3,204	2,983	5,986	5,745
Gross profit margin	531	477	1,009	925
Adjusted EBITDA	159	138	278	241
Net profit / (loss)	27	(3)	28	(27)
Adjusted net profit / (loss)	30	11	39	(7)
Net debt ²			2,568	2,896

CEO Refresco, Hans Roelofs commented:

"We are pleased to report a strong performance in the second quarter of 2021. We have been able to accelerate our growth in volume and profitability this quarter, ending the first six months of 2021 with good results. We have strengthened the business organically by growing along with our customers, specifically in Contract Manufacturing. As we move into the second half of the year, we are facing increasing cost pressure on commodities and transportation, with higher inflation levels across all regions in which we operate.

On July 8, 2021, we announced the acquisition of HANSA-HEEMANN, a major German mineral water and CSD company. This acquisition will allow us to further improve our operational excellence, diversify our business and product offering, and will enable us to offer nationwide coverage to German retailers. With its five production sites spread across Germany, this acquisition is highly complementary. We look forward to welcoming HANSA-HEEMANN to Refresco, pending regulatory approval.

On August 2, 2021, we closed the acquisition of SEBB with one production site in Dade City, Florida, US. The acquisition expands our incubation capabilities for Contract Manufacturing customers looking for flexibility as they launch new, complex and innovative products. As their need for production capacity increases, customers will be able to leverage our existing footprint across North America.

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

² Net debt as at June 30, 2020 includes €117 million shareholder funding; in Q4 2020, the shareholder loan plus accrued interest have been converted into equity.

On August 3, 2021, we announced that we have entered into an agreement with The Coca-Cola Company to acquire three of its production facilities in the United States, pending regulatory approval. The ongoing trend of A-brands outsourcing their production capabilities continues to provide opportunities for us as an independent beverage solution provider. With manufacturing and supply chain being at the heart of our business, the acquisition of three Coca-Cola facilities in the US is another step forward in our growth strategy.

With these strong financial results, our well-balanced customer base across Europe and North America, and our robust M&A approach, we continue to pursue our ambition of Our Drinks On Every Table."

Accelerating action in ESG

Our long-term success will be determined by the way we anticipate change as a business, the way we drive new and innovative solutions with and for our customers, and how we meet the changing needs of society. For Refresco, being a sustainable business means helping our customers meet and exceed their targets at every step. We aim to provide our customers with sustainable solutions, by bringing together the skills and capabilities of our own platform and our suppliers.

Towards 50% recycled content in PET bottles in 2025

Our customers are moving towards higher levels of recycled content in plastic PET bottles. To support them in this transition, we have developed further access to recycled PET (rPET) in Europe and North America and we have secured long-term purchasing agreements. We target 50% rPET content across all PET bottles by 2025, with the transition taking place in line with customer demand. While for some of our markets we might already reach 50% rPET this year, in other markets it will take more time to reach this target. Increasing the use of rPET is fully in line with our "Reduce & Recycle" strategy, aimed at reducing unnecessary packaging, increasing usage of recycled materials, and offering circular solutions to our customers.

Refresco joins The Consumer Goods Forum (CGF) and its Plastic Waste Coalition of Action

We aim to accelerate action by working together with our customers, suppliers, and industry associations to drive positive change. By becoming a member of the global Consumer Goods Forum (CGF), we will be able to advance the Refresco sustainability agenda on sustainable sourcing and producing responsibly. It is a logical next step for us, as the CGF drives the adoption of industry-wide commitments, and its members focus on making changes that have a real impact.

Volume and revenue by location of sales

In Q2 2021 total Group volume was 3,204 million liters, an increase of 7.4% compared to the same period last year (Q2 2020: 2,983 million liters). Developments in volumes for Retailer brands and Contract Manufacturing are similar for Europe and North America. Looking at the first half of the year, total volume increased by 4.2%, driven by volume growth in Contract Manufacturing.

Volume in million liters (unaudited)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Europe	1,992	1,815	3,642	3,436
North America	1,211	1,168	2,344	2,310
Total Group	3,204	2,983	5,986	5,745

Retailer brands volume in Q2 2021 was 1,988 million liters, the same level as last year (Q2 2020: 1,984 million liters). During Q2 2021, the market was still affected by Covid-19 but the impact is decreasing following market recovery and fewer lockdown restrictions.

Volume in Contract Manufacturing increased by 21.7% to 1,216 million liters, compared to 999 million liters in the same period last year. The continued growth is driven by organic growth with customers, combined with additional volumes from acquired businesses, namely Britvic's former juice bottling facilities in France (acquired in September 2020) and the facility in Evansville, Indiana, US (acquired in January 2021).

Retailer brands represent 62.0% of our total volume (Q2 2020: 66.5%) and Contract Manufacturing represents 38.0% of our total volume (Q2 2020: 33.5%). We continue to build on our track record of successfully combining volumes in Retailer brands and Contract Manufacturing through organic and acquisitive growth.

Retailer brands and contract manufacturing as a % of total volume (unaudited)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Retailer brands	62.0%	66.5%	62.5%	66.4%
Contract manufacturing	38.0%	33.5%	37.5%	33.6%
	100%	100%	100%	100%

Revenue in Q2 2021 increased by 9.1% to €1,139 million compared to €1,044 million in Q2 2020. 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 2021	Q2 2020	YTD 2021	YTD 2020
Europe	702	613	1,291	1,180
North America	437	431	848	843
Total Group	1,139	1,044	2,139	2,023

Gross profit margin

Gross profit margin in Q2 2021 increased by 11.3% to €531 million, compared to €477 million in Q2 2020. In the first half of the year, gross profit margin increased by 9.0% to €1,009 million (YTD 2020: €925 million). The growth in gross profit margin is predominantly driven by a combination of increase in volume and a favorable product mix, supported by pricing effects. Rising inflationary pressure across all regions in which we operate might temporarily affect the development of gross profit margin over the remainder of 2021.

Gross profit margin in millions of € (unaudited)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Europe	316	274	586	529
North America	215	203	423	396
Total Group	531	477	1,009	925

Reconciliation of operating profit to adjusted EBITDA

Operating profit in Q2 2021 was €79 million compared to €47 million in Q2 2020. The increase in operating profit is mainly the result of the increased gross profit margin.

Adjusted EBITDA increased by 15.4% to €159 million in Q2 2021 compared to €138 million in Q2 2020, driven by increased gross profit margin. Adjusted EBITDA increased by 15.5% for the first half of the year to €278 million, compared to €241 million in the same period in 2020.

One-off items in the second quarter of 2021 are primarily due to an intended restructuring in France and M&A related costs.

In millions of € (unaudited)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Operating profit / (loss)	79	47	114	66
Depreciation and impairment	43	49	86	92
Amortization of intangible assets	11	13	23	26
Depreciation and impairment - IFRS 16	22	20	42	39
EBITDA	155	129	264	223
Covid-19	1	4	2	8
Other one-off costs and gains	4	5	12	10
Adjusted EBITDA	159	138	278	241

Finance expenses and tax

Net finance costs for the second quarter of 2021 were €36 million compared to €40 million in the same period last year. This decrease was mainly due to currency translation effects and the conversion of the shareholder loan, as well as the lower margin on the Term Loan B due to the lower net debt ratio. Net finance costs, excluding IFRS 16 effects, for the second quarter 2021 amounted to €33 million (Q2 2020: €36 million).

Income tax expense in Q2 2021 amounted to €16 million compared to an expense of €10 million in Q2 2020, primarily as a result of the increase in the United Kingdom's statutory corporate income tax rate.

In millions of € (unaudited)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Net finance costs	(36)	(40)	(64)	(80)
Finance expense - IFRS 16	(3)	(3)	(7)	(7)
Net finance costs excl. IFRS 16	(33)	(36)	(57)	(73)

Reconciliation of net profit to adjusted net profit

Net profit in Q2 2021 amounted to €27 million compared to a loss of €3 million in Q2 2020. Adjusted for the effect of Covid-19, other one-off costs and gains, and tax effect, net profit stood at €30 million in Q2 2021 (Q2 2020: adjusted net profit of €11 million).

In millions of € (unaudited)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Profit / (Loss)	27	(3)	28	(27)
Covid-19	1	4	2	8
Other one-off costs and gains	4	5	12	10
Impairments	-	8	-	8
Tax effect	(1)	(4)	(3)	(5)
Adjusted net profit / (loss)	30	11	39	(7)

Balance sheet and financial position

Balance sheet total assets amounted to €5,376 million as at June 30, 2021 (June 30, 2020: €5,178 million). This increase is primarily due to the increase in cash position. Total non-current assets amounted to €3,867 million as at June 30, 2021 (June 30, 2020: €3,825 million). Total intangible assets amounted to €2,212 million (June 30, 2020: €2,256 million).

Cash and cash equivalents at the end of Q2 2021 were €504 million, compared to €314 million at the end of Q2 2020. Our strong cash position and resilient business enables us to execute our long-term strategy and continue to invest in our business.

Net debt at the end of Q2 2021 amounted to €2,568 million (Q2 2020: €2,896 million) consisting of €2,691 million in loans and borrowings, €26 million capitalized finance costs, a €408 million impact of IFRS 16 Leases, and €504 million in cash and cash equivalents.

Capex and working capital

Total capital expenditure was €85 million (Q2 2020: €36 million).

At the end of Q2 2021 working capital was €142 million negative (Q2 2020: €65 million positive). The significant improvement in working capital includes the Company's off-balance factoring facility as entered into on April 1, 2021, combined with EBITDA growth and increased focus on working capital management.

Subsequent events

Refresco announces acquisition of HANSA-HEEMANN, a major German mineral water and CSD company

On July 8, 2021, Refresco announced it has entered into an agreement to acquire HANSA-HEEMANN. With this acquisition, Refresco further enhances its position in terms of product and brand portfolio, and geographical coverage. This transaction is subject to regulatory approval.

Refresco acquires SEBB in North America

On August 2, 2021, Refresco acquired SEBB (SouthEast Bottling & Beverage) with one production site in Dade City, Florida, US. The acquisition expands our incubation capabilities for Contract Manufacturing customers looking for flexibility as they launch new, complex and innovative products.

Refresco to acquire three production facilities in the US from The Coca-Cola Company

On August 3, 2021, Refresco announced it has entered into an agreement with The Coca-Cola Company to acquire three of its production facilities in the United States. This transaction is subject to regulatory approval.

Refresco Germany impacted by floods

Refresco Germany's facility in Erftstadt was hit by the recent flooding. We are pleased to report that all our employees are safe. The production facility was temporarily closed and we are currently in the process of analyzing the impact of the flooding.

Bondholder call & webcast

Today at 15:00 CET, Refresco will host a call and audio webcast for bondholders.

The dial-in numbers are as follows:

NL +31 20 703 8259

UK +44 330 336 9434

US +1 646 828 8144

Confirmation code: 5953726

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 2021

Publication Q3 2021 results: November 11, 2021

For more information, please contact:

Refresco Corporate Communications

Hendrik de Wit

+31 6 1586 1311

hendrik.dewit@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 12 billion liters and circa €4 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 2020 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 €	Q2 2021 (unaudited)	Q2 2020 (unaudited)	YTD 2021 (unaudited)	YTD 2020 (unaudited)
Revenue	1,139	1,044	2,139	2,023
Other income	0	0	0	(0)
Raw materials and consumables used	(608)	(566)	(1,130)	(1,098)
Gross Profit Margin	531	477	1,009	925
Gross Profit Margin %	46.7%	45.7%	47.2%	45.7%
Gross Profit Margin per liter, euro cents	16.6	16.0	16.8	16.1
Employee benefits expenses	(165)	(156)	(328)	(304)
Depreciation, amortization and impairment	(76)	(82)	(151)	(157)
Other operating expenses	(211)	(192)	(416)	(398)
Operating costs	(452)	(430)	(895)	(859)
Operating profit / (loss)	79	47	114	66
Finance income	0	0	0	0
Finance expense	(36)	(40)	(64)	(80)
Net finance costs	(36)	(40)	(64)	(80)
Profit / (loss) before income tax	43	7	50	(15)
Income tax (expense) / benefit	(16)	(11)	(22)	(12)
Profit / (loss)	27	(3)	28	(27)
Profit / (loss) attributable to:				
Owners of the Company	24	(5)	23	(31)
Non-controlling interest	3	2	5	4
Profit / (loss)	27	(3)	28	(27)

Consolidated balance sheet

In millions of € ³	30 June 2021 (unaudited)	31 December 2020 (audited)	30 June 2020 (unaudited)
Non-current assets			
Property, plant and equipment	1,257	1,177	1,167
Right-of-use assets	389	402	389
Goodwill	1,787	1,783	1,758
Brands and customer contracts	409	421	485
Other intangible assets	16	14	13
Non-current financial assets	10	9	10
Deferred income tax	0	0	3
Total non-current assets	3,867	3,806	3,825
Current assets			
Inventories	435	363	397
Derivative financial instruments	3	1	3
Current income tax receivable	2	3	1
Trade and other receivables	565	574	638
Cash and cash equivalents	504	412	314
Assets classified as held for sale	0	0	0
Total current assets	1,509	1,353	1,353
Total assets	5,376	5,159	5,178
Equity attributable to equity holders of the Company	908	868	739
Non-controlling interests	6	6	6
Total equity	914	874	745
Non-current liabilities			
Loans and borrowings	2,660	2,637	2,805
Lease liability	302	318	329
Derivative financial instruments	28	39	62
Contract liability	10	10	-
Employee benefits provisions	65	65	60
Other provisions	24	26	32
Deferred income tax	115	94	90
Total non-current liabilities	3,205	3,189	3,378
Current liabilities			
Loans and borrowings	5	3	3
Lease liability	106	103	75
Derivative financial instruments	3	4	0
Trade and other payables	1,114	961	950
Deferred payments acquisition	-	-	5
Current income tax liabilities	7	16	12
Provisions	22	9	9
Total current liabilities	1,256	1,096	1,054
Total equity and liabilities	5,376	5,159	5,178

³ Preliminary Purchase Price Allocation (PPA) included in the figures.

Consolidated cash flow statement

In millions of €	Q2 2021 (unaudited)	Q2 2020 (unaudited)	YTD 2021 (unaudited)	YTD 2020 (unaudited)
Profit/(loss) after tax	27	(3)	28	(27)
Adjustments for:				
Depreciation, amortization and impairments	76	82	151	157
Net change in fair value derivative financial instruments	(0)	(0)	(0)	(2)
Other net finance costs	36	40	64	81
Other income	(0)	0	(0)	0
Income tax expense / (benefit)	16	10	22	12
Movement in employee benefit provisions and other provisions	(2)	-	(2)	(1)
Cash flow from operating activities before changes in working capital	153	129	262	220
Changes in inventories	(24)	(4)	(64)	(15)
Changes in trade and other receivables	54	(17)	22	(120)
Changes in trade and other payables	51	37	120	161
Move provision in working capital	7	-	13	0
Total change in working capital	89	16	90	26
Prepayments received from customers	(0)	-	0	-
Interest received	0	1	0	1
Income taxes received / (paid)	(2)	(15)	(14)	(11)
Net cash generated from operating activities	239	131	338	236
Cash flows from investing and acquisition activities				
Purchase of property, plant and equipment	(79)	(44)	(124)	(92)
Proceeds from disposals of property, plant and equipment	2	0	2	1
Purchase of intangible assets	(3)	-	(4)	(4)
Purchase of other non-current financial assets	(0)	-	(0)	(0)
Proceeds non-current financial assets	0	1	1	1
Acquisition of subsidiary, net of cash acquired	-	(6)	(9)	(118)
Net cash (used in) / from investing and acquisition activities	(80)	(49)	(135)	(212)
Cash flows from financing activities				
Dividend payment	(2)	(2)	(5)	(4)
Proceeds from loans and borrowings	-	0	-	135
Interest paid (including capitalized finance costs)	(37)	(40)	(61)	(66)
Repayment of loans and borrowings	(8)	(8)	(8)	(9)
Payments interest portion leases	(3)	(3)	(7)	(7)
Payments principal portion leases	(21)	(19)	(42)	(38)
Net cash (used in) / from financing activities	(71)	(72)	(123)	11
Movement in cash and cash equivalents	88	10	81	38
Translation adjustment	(4)	(3)	11	(7)
Cash movement	84	7	92	31
Cash and cash equivalents beginning period	420	307	412	283
Bank overdraft at beginning	-	-	-	-
Cash and cash equivalents ending period	504	314	504	314
Bank overdraft at end	-	-	-	-
Cash movement	84	7	92	31

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 a share capital contribution of €1,006 million (2019: €882 million).