3rd Quarter Results

25 Oct 2018

Strong Performance Year-to-Date, Maintaining Full-Year 2018 Outlook

LONDON--(BUSINESS WIRE)--

Coca-Cola European Partners plc (CCEP) (ticker symbol: CCE) today announces its interim results for the third-quarter ended 28 September 2018 and maintains full-year 2018 outlook.

Highlights

- Nine months diluted earnings per share were €1.58 on a reported basis or €1.76 on a comparable basis, including a negligible impact from currency translation.
- Nine months revenue totalled €8.7 billion, up 4.0 percent, or up 4.5 percent on a comparable and fx-neutral basis. Volume decreased 0.5 percent on a comparable basis, partly reflecting the impact of recent strategic portfolio and pricing decisions.
- Nine months reported operating profit was €1.1 billion, up 4.0 percent; comparable operating profit was €1.2 billion, up 7.5 percent on a comparable basis, or up 8.0 percent on a comparable and fx-neutral basis.
- Third-quarter diluted earnings per share were €0.73 on a reported basis or €0.76 on a comparable basis, including a negligible impact from currency translation.
- CCEP affirms full-year guidance for 2018 including comparable diluted earnings per share in a range of €2.27 to €2.29 including currency translation at recent rates and the impact of share buybacks.
- CCEP declares fourth-quarter interim dividend of €0.28 per share implying an annualised dividend payout ratio of approximately 50 percent.

Damian Gammell, Chief Executive Officer, said:

"Our year-to-date results reflect our ongoing focus on driving profitable revenue growth through continued strong price and mix realisation and solid in-market execution. I am particularly pleased with how our teams across Great Britain, Germany and Northern Europe have embraced the positive challenges brought by great summer weather, although partially offset by softer trading in Spain and France.

"It is a fantastic time to be leading Coca-Cola European Partners, soon with a new CCEP ticker, and the world's largest independent Coca-Cola bottler by net revenue. As we laid out at our recent Capital Markets Day, we have an exciting but realistic long-term view of the growth opportunity across our portfolio of markets. We continue to make the right strategic decisions for the long-term alongside investing now in core capabilities that will support our growth and set us apart to win.

"Given our solid performance year-to-date, we are reaffirming our 2018 profit outlook. We are on track to return up to €500 million to shareholders in 2018 as part of the recently announced €1.5 billion share buyback programme, which alongside moving to an annualised payout ratio of approximately 50 percent in Q4 2018, collectively demonstrate our ultimate goal of delivering sustainable value for our shareholders."

	Third-Quarter ended 28 September 2018						
Key Financial Measures	€ million			% change			
Unaudited, fx impact calculated by recasting current year results at prior year rates	As Reported	Comparable	Fx-Impact	As Reported	Comparable	Fx-Impact	Comparable Fx-Neutral
Revenue	3,289	3,289	(9)	11.0%	11.0%	(0.5)%	11.5%
Cost of sales	1,985	1,989	(5)	12.0%	12.5%	—%	12.5%
Operating expenses	803	779	(1)	5.0%	7.5%	—%	7.5%
Operating profit	501	521	(3)	17.5%	11.0%	(0.5)%	11.5%
Profit after taxes	358	371	(2)	18.0%	11.5%	(1.0)%	12.5%
Diluted earnings per share (€)	0.73	0.76	—	18.0%	11.5%	—%	11.5%

	Nine months ended 28 September 2018						
Key Financial Measures	€ million			% change			
Unaudited, fx impact calculated by recasting current year results at prior year rates	As Reported	Comparable	Fx-Impact	As Reported	Comparable	Fx-Impact	Comparable Fx-Neutral

Revenue	8,724	8,724	(53)	4.0%	4.0%	(0.5)%	4.5%
Cost of sales	5,326	5,302	(33)	4.5%	3.5%	(0.5)%	4.0%
Operating expenses	2,292	2,202	(14)	2.0%	3.0%	(1.0)%	4.0%
Operating profit	1,106	1,220	(6)	4.0%	7.5%	(0.5)%	8.0%
Profit after taxes	775	860	(4)	3.5%	8.0%	(0.5)%	8.5%
Diluted earnings per share (€)	1.58	1.76	—	3.5%	8.0%	—%	8.0%

Operational Review

Nine months 2018 diluted earnings per share were €1.58 on a reported basis, or €1.76 on a comparable basis. Currency translation had a negligible impact on nine months 2018 comparable diluted earnings per share. Nine months 2018 reported operating profit totalled €1.1 billion, up 4.0 percent versus prior year. Comparable operating profit was €1.2 billion, up 7.5 percent on a comparable basis, or up 8.0 percent on a comparable and fx-neutral basis.

Third-quarter 2018 diluted earnings per share were €0.73 on a reported basis, or €0.76 on a comparable basis. Currency translation had a negligible impact on third-quarter 2018 comparable diluted earnings per share. Third-quarter 2018 reported operating profit totalled €501 million, up 17.5 percent versus prior year. Comparable operating profit was €521 million, up 11.0 percent on a comparable basis, or up 11.5 percent on a comparable and fx-neutral basis.

Key operating profit factors during the nine months 2018 include solid revenue growth on a comparable and fx-neutral basis driven by strong revenue per unit case growth. This was partially offset by a 0.5 percent decline in volume as favourable weather in Great Britain, Germany and Northern Europe over the summer months was not enough to compensate for softer trading in Spain and France; the previously announced strategic portfolio and pricing initiatives; as well as the impact of new soft drinks taxes, notably in Great Britain. Operating margins improved as we maintained our gross margin and continued to realise post-merger synergy benefits.

Revenue

Nine months 2018 revenue totalled €8.7 billion, up 4.0 percent versus prior year, or up 4.5 percent on a comparable and fx-neutral basis. Nine months 2018 revenue per unit case grew 5.0 percent on a comparable and fx-neutral basis benefiting approximately 2.0 percent from the impact of incremental soft drinks industry taxes. Volume decreased 0.5 percent on a comparable basis.

Third-quarter 2018 revenue totalled €3.3 billion, up 11.0 percent versus prior year. Comparable revenue was up 11.0 percent, or up 11.5 percent on a comparable and fx-neutral basis. Revenue per unit case was up 6.0 percent on a comparable and fx-neutral basis benefiting from favourable underlying price, promotion, and package mix, as well as approximately 3.0 percent from the accounting impact of incremental soft drinks industry taxes. Third-quarter volume increased 5.0 percent on a comparable basis, reflecting favourable weather in Great Britain, Germany and Northern Europe as well as easy comparables, partially offset by softer trading in France and Spain.

On a territory basis for the third-quarter, Iberia revenues were up 3.5 percent, led by strong volume growth in Portugal while volumes in Spain were negatively impacted by weaker tourism trends over the peak summer months. Revenue per unit case grew moderately in Iberia as a result of channel and package mix. Revenue in Germany was up 11.5 percent, driven by strong volume given favourable weather trends, as well as solid revenue per unit case growth reflecting positive price and product mix effects. Revenue in Great Britain grew 21.0 percent, supported by underlying gains in revenue per unit case reflecting improved promotional effectiveness as well as the impact of the new soft drinks industry tax. Robust volume growth in Great Britain was supported by favourable weather and strong execution. Revenue in France was up 10.5 percent, mainly driven by solid growth in revenue per unit case as a result of positive package and brand mix, as well as the impact of recent soft drinks tax changes. Revenue in the Northern European territories (Belgium, Luxembourg, the Netherlands, Norway, Sweden, and Iceland) was up 12.0 percent mainly driven by strong volume gains given favourable weather trends over the summer months. Revenue growth was mainly led by Belgium/Luxembourg and the Netherlands due to highly favourable weather trends.

On a brand basis for the third-quarter, sparkling brands increased 5.5 percent. Coca-Cola trademark brands grew by 3.5 percent, with over 18.0 percent growth in Coca-Cola Zero Sugar. Coca-Cola Classic volume declined by approximately 1.0 percent mainly due to the impact of new soft drinks industry taxes. Sparkling flavours and energy grew 9.5 percent supported by solid performances from Fanta, Schweppes, Sprite and energy brands. Still brands increased 4.0 percent underpinned by 9.0 percent growth in water as a result of favourable weather in most markets, and a decline of 1.0 percent in juices, isotonics and other. This reflects portfolio decisions in the ready-to-drink tea category, as well as a decline in juices. Fuze Tea, Vio, Chaudfontaine and Smartwater all saw solid volume growth in the third quarter.

Cost of Sales

Nine months 2018 reported cost of sales were €5.3 billion, up 4.5 percent. Comparable cost of sales were €5.3 billion, up 3.5 percent, or up 4.0 percent on a comparable and fx-neutral basis. Nine months cost of sales per unit case increased 5.0 percent on a comparable and fx-neutral basis, including approximately 3.5 percent from the impact of incremental soft drinks industry taxes.

Third-quarter 2018 reported cost of sales were €2.0 billion, up 12.0 percent versus prior year. Cost of sales were €2.0 billion, up 12.5 percent on both a comparable basis and comparable and fx-neutral basis. Third-quarter cost of sales per unit case increased 7.0 percent on a comparable and fx-neutral basis, including approximately 5.0 percent from the impact of incremental soft drinks industry taxes.

Operating Expenses

Nine months 2018 reported operating expenses were €2.3 billion, up 2.0 percent. Comparable operating expenses were €2.2 billion, up 3.0 percent on a comparable basis, or up 4.0 percent on a comparable and fx-neutral basis.

Third-quarter 2018 reported operating expenses were €803 million, up 5.0 percent. Comparable operating expenses were €779 million, up 7.5 percent on both a comparable basis and comparable and fx-neutral basis. This reflects volume growth, expense timing and select investments partially offset by synergy benefits and a continued focus on managing expenses.

Restructuring Charges

During the nine months, we recognised restructuring charges totalling €118 million. These charges relate to restructuring activities under the CCEP Integration and Synergy programme, supply chain site consolidation in Great Britain and other restructuring programmes.

Outlook

For 2018, CCEP continues to expect revenue growth of approximately 2 percent to 2.5 percent and operating profit growth at the top end of the 6 percent to 7 percent range. Each of these growth figures is on a comparable and fx-neutral basis when compared to 2017 comparable results. This excludes the impact of incremental soft drinks industry taxes, which are expected to add approximately 2 percent to 2.5 percent to revenue growth and approximately 3.5 percent to 4 percent to cost of goods growth.

CCEP remains on track to achieve pre-tax run rate merger synergies of €315 million to €340 million by mid-2019. Further, CCEP expects to have realised at least 80 percent of the target by year-end 2018 and a run rate of approximately 100 percent of the target.

The comparable effective tax rate for 2018 is expected to be approximately 25 percent. Weighted average cost of debt is expected to be approximately 2 percent.

CCEP also expects diluted earnings per share in the range of €2.27 to €2.29 including currency translation and the impact of up to €500 million in share buybacks. At recent rates, currency translation has a slight negative impact on 2018 full-year diluted earnings per share.

CCEP expects 2018 free cash flow of approximately €1 billion, including the expected benefit from improved working capital of approximately €200 million, offset by the impact of restructuring and integration costs. Capital expenditures are expected to be at the top end of the €525 million to €575 million range, including approximately €75 million of capital expenditures related to synergies.

Restructuring cash costs to achieve the aforementioned merger synergies are expected to be approximately 2.25 times expected savings and include cash costs associated with pre-transaction close accruals. Given these factors, currency exchange rates, our outlook for 2018 and the share buyback of up to €500 million in 2018, CCEP expects year-end net debt to adjusted EBITDA* for 2018 to be towards the low-end of our target range of 2.5 to 3 times. Further, CCEP expects return on invested capital (ROIC) to improve by approximately 80 basis points.

* *Refer to 'Note Regarding the Presentation of Alternative Performance Measures' for further details about these measures.*

Dividends

The CCEP Board of Directors declared a regular quarterly interim dividend of €0.28 per share. The interim dividend is payable on 20 November 2018 to those shareholders of record on 9 November 2018. The Company is pursuing arrangements to pay the interim dividend in euros to shares held within Euroclear Netherlands. Other publicly held shares will be converted into an equivalent US dollar amount using exchange rates issued by WM/Reuters taken at 16:00 BST on 25 October 2018. This translated amount will be posted on our website, www.ccep.com, under the Investor/Shareowner Information section.

Conference Call

CCEP will host a conference call with investors and analysts today at 13:00 BST, 14:00 CEST and 8:00 a.m. EDT. The call can be accessed through the Company's website at www.ccep.com. A replay and transcript of the conference call will be available at www.ccep.com as soon as possible.

Change Of Ticker Symbol From "CCE" to "CCEP"

CCEP today announces its intention to change the Company's ticker symbol from "CCE" to "CCEP" to better reflect its identity. All other details remain the same.

Trading of the Company's shares under the new ticker symbol CCEP will commence simultaneously in Amsterdam, New York, Spain and London from 7 November 2018.

Appointment Of Joint House Brokers

CCEP is pleased to announce the appointment of Deutsche Bank and Credit Suisse as joint equity advisers with immediate effect.

Financial Details and Upcoming Announcements

Financial details can be found in our third-quarter 2018 filing, available within the next 24 hours at www.morningstar.co.uk/uk/NSM (located under effective date 28 September 2018) and available immediately on our website, www.ccep.com, under the Investors tab.

Our next announcement will be our full-year 2018 results which will be released at 07:00 GMT, 08:00 CET, and 2:00 a.m. EST on 14 February 2019. A conference call will be hosted with investors and analysts on this day at 13:00 GMT, 14:00 CET, and 8:00 a.m. EST.

About CCEP

Coca-Cola European Partners plc is a leading consumer goods company in Western Europe, selling, making and distributing an extensive range of nonalcoholic ready-to-drink beverages and is the world's largest independent Coca-Cola bottler based on revenue. Coca-Cola European Partners serves a consumer population of over 300 million across Western Europe, including Andorra, Belgium, continental France, Germany, Great Britain, Iceland, Luxembourg, Monaco, the Netherlands, Norway, Portugal, Spain and Sweden. The Company is listed on Euronext Amsterdam, the New York Stock Exchange, Euronext London and on the Spanish stock exchanges, currently trading under the symbol CCE, and will trade under the symbol CCEP effective 7 November 2018. For more information about CCEP, please visit our website at www.ccep.com and follow CCEP on Twitter at @CocaColaEP.

Forward-Looking Statements

This document may contain statements, estimates or projections that constitute "forward-looking statements" concerning the financial condition, performance, results, strategy and objectives of Coca-Cola European Partners plc and its subsidiaries (together "CCEP" or the "Group"). Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "plan," "seek," "may," "could," "would," "should," "might," "will," "forecast," "outlook," "guidance," "possible," "potential," "predict" and similar expressions identify forward-looking statements, which generally are not historical in nature.

Forward-looking statements are subject to certain risks that could cause actual results to differ materially from CCEP's historical experience and present expectations or projections. As a result, undue reliance should not be placed on forward-looking statements, which speak only as of the date on which they are made. These risks include but are not limited to those set forth in the "Risk Factors" section of the 2017 Annual Report on Form 20-F, including the statements under the following headings: Risks Relating to Consumer Preferences and the Health Impact of Soft Drinks (such as sweeteners); Risks Relating to Legal and Regulatory Intervention (such as the development of regulations regarding packaging); Risks Relating to Business Integration and Synergy Savings; Risks Relating to Cyber and Social Engineering Attacks; Risks Relating to the Market (such as customer consolidation); Risks Relating to Economic and Political Conditions (such as continuing developments in relation to the UK's exit from the EU); Risks Relating to the Relationship with TCCC and Other Franchisors; Risks Relating to Product Quality (such as shortages of raw materials); and Other Risks.

Due to these risks, CCEP's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, expectations and guidance set out in CCEP's forward-looking statements. Additional risks that may impact CCEP's future financial condition and performance are identified in filings with the SEC which are available on the SEC's website at www.sec.gov. CCEP does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required under applicable rules, laws and regulations. CCEP assumes no responsibility for the accuracy and completeness of any forward-looking statements. Any or all of the forward-looking statements contained in this filing and in any other of CCEP's respective public statements may prove to be incorrect.

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