Coca-Cola European Partners Reports Interim Results for the First Quarter Ended 31 March 2017

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Solid Start to 2017 and On-Track to Deliver Full-Year Outlook

LONDON--(BUSINESS WIRE)--

Coca-Cola European Partners plc (CCEP) (ticker symbol: CCE) today announces its interim results for the first quarter ended 31 March 2017, and affirms its full-year 2017 outlook.

Highlights

- First-quarter diluted earnings per share were €0.30 on a reported basis or €0.31 on a comparable basis, including a negative currency translation impact of €0.01.
- First-quarter reported revenue totalled €2.4 billion, down 0.5 percent on a comparable basis or up 1.5 percent on a comparable and fx-neutral basis. Volume grew 0.5 percent on a comparable basis.
- First-quarter reported operating profit was €219 million; comparable operating profit was €228 million, up 11.0 percent on a comparable basis, or up 15.0 percent on a comparable and fx-neutral basis.
- CCEP affirms its full-year guidance for 2017 including comparable and fx-neutral diluted earnings per share growth in a high single-digit range when compared to the 2016 comparable results; at recent rates, currency translation would reduce diluted earnings per share by approximately 1.0 percent.
- CCEP remains on track to achieve pre-tax savings of €315 million to €340 million through synergies by mid-2019.
- CCEP declares quarterly dividend of €0.21 per share.

“Our first-quarter results are a solid start to the year, reflecting our focus on improving field level execution while winning with customers through increasing the value proposition of our portfolio for consumers,” said Damian Gammell, Chief Executive Officer. “While we are pleased with these results and our continued progress in the integration of our business, the first quarter is our smallest, and to reach our full-year targets we must execute our marketing and operating plans in the key summer selling season.

“In addition, we must continue to achieve operating synergies, creating a platform for core business growth and long-term value creation,” Mr. Gammell said. “Ultimately, our goal remains to drive stakeholder and importantly, shareowner value.”

Key Financial Measures	First-Quarter Ended 31 March 2017						
	€ 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	2,382	2,382	(42)	73.0%	(0.5)%	(2.0)%	1.5%
Cost of sales	1,468	1,479	(25)	69.5%	1.0%	(2.0)%	3.0%
Operating expenses	695	675	(9)	72.5%	(6.5)%	(1.5)%	(5.0)%
Operating profit	219	228	(8)	108.5%	11.0%	(4.0)%	15.0%
Profit after taxes	147	152	(6)	149.0%	15.0%	(4.5)%	19.5%
Diluted earnings per share (€)	0.30	0.31	(0.01)	20.0%	15.0%	(3.5)%	18.5%

Operational Review

CCEP reported first-quarter 2017 diluted earnings per share of €0.30 or €0.31 on a comparable basis. Currency translation had a negative impact of approximately €0.01 on first-quarter comparable diluted earnings per share. Reported operating profit totalled €219 million, up 108.5 percent versus prior year driven by the inclusion of Germany, Iberia and Iceland. Comparable operating profit was €228 million, up 11.0 percent on a comparable basis, or up 15.0 percent on a comparable and fx-neutral basis.

Key operating profit factors in the quarter included modest revenue growth compared to prior year revenue declines, modest gross margin declines as revenue per unit case partially offset increases in costs of sales per unit case driven in-part by one-time items, ongoing operating expense management, post-merger synergy benefits, and one fewer selling day in the first quarter versus prior year.

Revenue

First-quarter 2017 reported revenue totalled €2.4 billion, up 73.0 percent, driven by the inclusion of Germany, Iberia and Iceland versus prior year. Comparable revenue was down 0.5 percent, or up 1.5 percent on a comparable and fx-neutral basis. Revenue per unit case was up 2.5 percent on a comparable and fx-neutral basis driven by promotional timing, price increases, and favourable mix.

On a territory basis, all revenue growth figures for the first quarter of 2017 reflect one less selling day when compared to the first quarter of 2016. Iberia revenues were flat, benefiting from strong growth of Coca-Cola Zero Sugar and the addition of Monster brands, with revenue per unit case growth offsetting volume declines as improvements in local market conditions led to favourable channel mix. Revenue in Germany declined 2.5 percent, with revenue per unit case growth driven by the impact of pricing and promotional plans and favourable package mix, all partially offset by volume declines. Great Britain revenues were down 6.5 percent, driven by an almost 11.0 percent decline of the British pound versus the Euro, partially offset by modest gains in revenue per unit case and solid volume growth driven in part by volume recovery when compared to prior year when there was an adverse supply chain challenge. Revenue in France was down 0.5 percent, with favourable price/mix and modest volume declines driven by promotional timing. Revenue in the Northern European territories (Belgium, Luxembourg, the Netherlands, Norway, Sweden, and Iceland) was up 7.0 percent, benefiting 3.5 percent from the inclusion of Iceland, 1.5 percent from currency translation, and 2.0 percent growth in previously existing territories.

After adjusting for one fewer selling day, first-quarter volume grew 0.5 percent versus prior year. This was driven in part by the benefits of brand innovation, including 16.0 percent growth in Coca-Cola Zero Sugar and 21.0 percent growth in energy brands led by Monster through new flavours and territory expansion. Sparkling brands were flat. Coca-Cola trademark brands declined 0.5 percent, as growth in Coca-Cola Zero Sugar was offset by declines in other trademark brands. Sparkling flavours and energy grew 1.5 percent led by strong growth in Monster. Still brands grew 3.5 percent, with water brands up 1.0 percent and juices, isotonics and other up 5.0 percent driven in part by the inclusion of Iceland.

Cost of Sales

First-quarter 2017 reported cost of sales were €1.5 billion, up 69.5 percent, driven by the inclusion of Germany, Iberia and Iceland versus prior year. Comparable cost of sales were €1.5 billion, up 1.0 percent on a comparable basis, or up 3.0 percent on a comparable and fx-neutral basis.

First-quarter cost of sales per unit case increased 3.5 percent on a comparable and fx-neutral basis. This was driven primarily by one-time factors that were adverse in the first quarter of 2017 and favourable in first-quarter 2016. On a full-year comparable and fx-neutral basis for 2017, we now expect cost of sales per unit case to be at the high end of the previously stated range of 1.0 percent to 1.5 percent, driven by year-over-year cost increases in key inputs, principally concentrate, PET, and sugar, partially offset by benefits from our cost reduction programmes.

Operating Expense

First-quarter 2017 reported operating expenses were €695 million, up 72.5 percent, driven by the inclusion of Germany, Iberia and Iceland versus prior year. Comparable operating expenses were €675 million, down 6.5 percent on a comparable basis, or down 5.0 percent on a comparable and fx-neutral basis. This decline was driven by synergy benefits, a continued focus on managing operating expenses, the impact of a modest decline in reported volume in the quarter as a result of one fewer selling day, and cycling last year's increased costs associated with the supply chain disruption in Great Britain.

Outlook

For 2017, CCEP affirms prior guidance, including expectations of modest low single-digit revenue growth, with operating profit and diluted earnings per share growth to be up high single-digits. Excluding synergies, CCEP expects core operating profit growth to modestly exceed revenue growth. Each of these growth figures are on a comparable and fx-neutral basis when compared to the 2016 comparable results. At recent rates, currency translation would reduce 2017 full-year diluted earnings per share by approximately 1.0 percent.

CCEP expects 2017 free cash flow in a range of €700 million to €800 million, including the expected benefit from improved working capital offset by the impact of restructuring and integration costs (note: free cash flow is defined as net cash flows from operations, less capital expenditures and interest paid, plus proceeds from capital disposals). Capital expenditures are expected to be in a range of €575 million to €625 million, including €75 million to €100 million of capital expenditures related to synergies. Weighted-average cost of debt is expected to be approximately 2.0 percent. The comparable effective tax rate for 2017 is expected to be in a range of 24 percent to 26 percent. CCEP does not expect to repurchase shares in 2017.

CCEP remains on track to achieve pre-tax run-rate savings of €315 million to €340 million through synergies by mid-2019. Further, CCEP expects to exit 2017 with run-rate savings of approximately one-half of the target. Restructuring cash costs to achieve these synergies are expected to be approximately 2 1/4 times expected savings and includes cash costs associated with pre-transaction close accruals. Given these factors, currency exchange rates, and our outlook for 2017, CCEP expects year-end net debt to EBITDA for 2017 to be under 3 times.

Dividends

The CCEP Board of Directors declared a regular quarterly dividend of €0.21 per share. The dividend is payable 5 June 2017 to those shareholders of record on 22 May 2017. The Company is pursuing arrangements to pay the 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 5 May 2017. 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 15:00 BST, 16:00 CEST and 10:00 a.m. EDT. The call can be accessed through the Company's website at www.ccep.com.

Financial Details

Financial details can be found in our full first-quarter 2017 filing, available within the next 24 hours at www.morningstar.co.uk/uk/NSM (located under effective date 31 March 2017) and available immediately on our website, www.ccep.com, under the Investors tab.

About CCEP

Coca-Cola European Partners plc (CCEP) is a leading consumer goods company in 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, and trades under the symbol CCE. 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". 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 and uncertainties that could cause actual results to differ materially from Coca-Cola European Partners plc's ("CCEP") historical experience and its present expectations or projections. These risks include, but are not limited to, obesity concerns; water scarcity and poor quality; evolving consumer preferences; increased competition and capabilities in the marketplace; product safety and quality concerns; perceived negative health consequences of certain ingredients, such as non-nutritive sweeteners and biotechnology-derived substances, and of other substances present in their beverage products or packaging materials; increased demand for food products and decreased agricultural productivity; changes in the retail landscape or the loss of key retail or foodservice customers; fluctuations in foreign currency exchange rates; interest rate increases; an inability to maintain good relationships with its partners; a deterioration in its partners' financial condition; increases in income tax rates, changes in income tax laws or unfavourable resolution of tax matters; increased or new indirect taxes in its tax jurisdictions; increased cost, disruption of supply or shortage of energy or fuels; increased cost, disruption of supply or shortage of ingredients, other raw materials or packaging materials; changes in laws and regulations relating to beverage containers and packaging; significant additional labeling or warning requirements or limitations on the availability of its respective products; an inability to protect its respective information systems against service interruption, misappropriation of data or breaches of security; unfavourable general economic or political conditions in the United States, Europe or elsewhere; litigation or legal proceedings; adverse weather conditions; climate change; damage to its respective brand images and corporate reputation from negative publicity, even if unwarranted, related to product safety or quality, human and workplace rights, obesity or other issues; changes in, or failure to comply with, the laws and regulations applicable to its respective products or business operations; changes in accounting standards; an inability to achieve its respective overall long-term growth objectives; deterioration of global credit market conditions; default by or failure of one or more of its respective counterparty financial institutions; an inability to timely implement their previously announced actions to reinvigorate growth, or to realise the economic benefits it anticipates from these actions; failure to realise a significant portion of the anticipated benefits of its respective strategic relationships, including (without limitation) The Coca-Cola Company's relationship with Monster Beverage Corporation; an inability to renew collective bargaining agreements on satisfactory terms, or it or its respective partners experience strikes, work stoppages or labour unrest; future impairment charges; an inability to successfully manage the possible negative consequences of its respective productivity initiatives; global or regional catastrophic events; and other risks discussed in the 2016 Annual Report on Form 20-F, published on 12 April 2017. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. 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. 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 its public statements may prove to be incorrect.

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