Coca-Cola European Partners Reports Interim Results for the Six Months Ended 1 July 2016

22 Sep 2016
LONDON--(BUSINESS WIRE)--

Coca-Cola European Partners plc (CCEP) (ticker symbol: CCE) today announces its interim results for the six months ended 1 July 2016 and affirms full-year 2016 earnings outlook

Highlights

- First-half diluted earnings per share were €0.74 on a reported basis or €0.83 on a pro forma comparable basis, including a negative currency translation impact of €0.02.
- First-half reported revenue totaled €3.5 billion. Pro forma comparable revenue was €5.2 billion, down 3 per cent, or down 1.5 per cent on a pro forma comparable and fx-neutral basis. Volume declined 1.0 per cent on a comparable basis.
- First-half reported operating profit was €314 million; pro forma comparable operating profit was €603 million, down 2.5 per cent or flat on an fx-neutral basis.
- CCEP provides its full-year guidance for 2016, including pro forma comparable, fx-neutral diluted earnings per share growth in a mid-teen range, with flat revenue growth and modest mid-single-digit operating profit growth.
- CCEP remains on track to achieve pre-tax savings of €315 million to €340 million through synergies by mid-2019.
- CCEP declares initial quarterly dividend of €0.17 per share.

"Since the creation of Coca-Cola European Partners nearly four months ago, our strong belief in the future of our new company has been reinforced," said John F. Brock, chief executive officer. "We are making significant progress to integrate the new business, share best practices and become even more effective and efficient.

"Our first-half results reflect the continued impact of a soft consumer environment and persistent economic challenges," Mr. Brock said. "These conditions support our focus on executing against our outstanding marketing programmes, improving our operational effectiveness and integrating CCEP to capture synergies as we work to reach our full-year 2016 performance objectives."

"Ultimately, our focus remains on our most important goal - continuing to drive shareowner value, while maintaining a strong commitment to the communities we serve," Mr. Brock said.

Note Regarding the Presentation of Financial Information

Unless otherwise noted, the financial information included in this interim management review is provided on a pro forma comparable basis to allow investors to better analyse CCEP's business performance and allow for greater comparability. To do so, we have given effect to the Merger as if it had occurred at the beginning of the periods presented, thereby including the financial results of Coca-Cola Enterprises, Inc. ("CCE"), Coca-Cola Erfrischungsgetränke GmbH ("Germany", "CCEG") and Coca-Cola Iberian Partners S.A.U. ("Iberia", "CCIP") and acquisition accounting adjustments for the full periods presented. We have also excluded items affecting the comparability of year-over-year financial performance, including merger and integration costs, restructuring costs, the out-of-period mark-to-market impact of hedges and the inventory step-up related to acquisition accounting. See the Supplementary Financial Information for a full reconciliation of our reported results to our pro forma comparable results.

For purposes of this review, the following terms are defined as follows:

'As reported' includes the financial results of CCE only, as the accounting predecessor, for all periods prior to 27 May 2016 and combined CCEP (CCE, Germany and Iberia) for the period from 28 May 2016 through 1 July 2016.

'Pro forma' includes the results of CCE, Germany and Iberia as well as the impact of the additional debt financing costs incurred by CCEP in connection with the Merger for all periods presented, as if the Merger had occurred at the beginning of the period presented.

'Pro forma Comparable' represents the pro forma results excluding the items impacting comparability during the periods presented for CCE, Germany and Iberia.

'Fx-Neutral' represents the pro forma comparable results excluding the impact of foreign exchange rate changes during the periods presented.

	Second Quarter Ended 1 July 2016						
	€ million			% change			
Key Financial Measures *unaudited, FX impact calculated by recasting current year results at prior year rates*	As Reported	Pro forma Comparable	Fx-Impact	As Reported	Pro forma Comparable	Fx-Impact	Pro forma Comparable Fx-Neutral
Revenue	2,167	2,873	(61)	25.0 %	(3.5) %	(2.0)%	(1.5)%
Cost of sales	1,376	1,786	(35)	25.0 %	(2.5) %	(2.0)%	(0.5)%

Operating expenses	582	689	(16)	49.0 %	(4.5) %	(2.0)%	(2.5)%
Operating profit	209	398	(10)	(14.5) %	(6.0) %	(3.0)%	(3.0)%
Profit after taxes	151	273	(8)	(3.5) %	5.5 %	(2.0)%	7.5%
Diluted earnings per share (€)	0.45	0.56	(0.01)	(32.0) %	5.5 %	(1.5)%	7.0%

	Six Months Ended 1 July 2016						
	€ million			% change			
Key Financial Measures *unaudited, FX impact calculated by recasting current year results at prior year rates*	As Reported	Pro forma Comparable	Fx-Impact	As Reported	Pro forma Comparable	Fx-Impact	Pro forma Comparable Fx-Neutral
Revenue	3,542	5,246	(89)	10.5 %	(3.0) %	(1.5)%	(1.5)%
Cost of sales	2,243	3,271	(55)	9.0 %	(3.5) %	(1.5)%	(2.0)%
Operating expenses	985	1,372	(21)	29.5 %	(2.0) %	(1.5)%	(0.5)%
Operating profit	314	603	(13)	(17.5) %	(2.5) %	(2.5)%	—%
Profit after taxes	210	405	(9)	(11.5) %	10.0 %	(3.0)%	13.0%
Diluted earnings per share (€)	0.74	0.83	(0.02)	(26.0) %	10.5 %	(2.5)%	13.0%

Operational Review

“As we move forward, we are aware of the current marketplace conditions that continue to impact our business,” said Damian Gammell, chief operating officer. “CCEP provides a much stronger foundation and enhances our ability to leverage our strong portfolio of leading brands, generate new growth and create significant operating synergies.”

“We have teams of talented, motivated employee groups working to deliver against important brand and operating opportunities and look forward to sharing more details with you in the future,” Mr. Gammell said. “Importantly, we remain on track to deliver against our goal of pretax savings of €315 million to €340 million by mid-2019.”

“We are working to reignite growth, strengthen our operations, and ultimately, create value for each of our stakeholders, including our shareholders,” Mr. Gammell said.

Revenue

First-half reported revenue totaled €3.5 billion, or up 10.5 per cent, driven by the inclusion of Germany and Iberia during the last part of the second quarter. Pro forma revenue was €5.2 billion, down 3.0 per cent, or down 1.5 per cent on a pro forma and fx-neutral basis. Revenue per unit case was flat on a pro forma comparable and fx-neutral basis. Volume was down 1.5 per cent on a pro forma basis. These results reflect poor weather conditions throughout our territories during the second quarter and the impact of a sustained, challenging consumer environment.

On a territory basis, Iberia revenues were up 1.5 per cent, as revenue per unit case increased ahead of volume. Revenue in Germany declined 0.5 per cent, in part due to the impact of a transition to recyclable PET from returnable PET.

Great Britain revenues were down 10.5 per cent, driven by the negative impact of an approximately 6.0 per cent decline for the British pound versus the Euro when compared to prior year. Great Britain revenue was also affected by temporary supply chain disruptions related to the implementation of new software programmes and processes and an ongoing competitive environment. Additionally, Great Britain faced a challenging prior year volume growth hurdle of 3.5 per cent versus the same period a year ago.

Revenue in France declined 4.5 per cent, primarily due to volume declines from challenging weather, the economic impact of the decline in tourist travel and soft category conditions. Revenue in the Northern European territories (Belgium, the Netherlands, Norway and Sweden) declined approximately 0.5 per cent driven by revenue declines in Belgium, due in part to the decline of tourist travel in Belgium, and offset partially by revenue growth in Norway and Sweden.

As for volume, total first-half comparable volume declined 1.5 per cent on a pro forma basis and was down 1.0 per cent on a pro forma and comparable basis after adjusting for one fewer selling day in the first quarter when compared to prior year. A challenging consumer environment, difficult second quarter weather and other operating factors highlighted above, combined to limit volume results. Sparkling brands declined 1.5 per cent. Coca-Cola trademark declined approximately 3.5 per cent, with approximate 6.5 per cent growth in Coca-Cola Zero Sugar offset by declines in other trademark brands. Sparkling flavors and energy grew 5.0 per cent as continued strong growth in energy offset low single-digit declines in sparkling flavors. Energy is benefiting from year-over-year comparisons as we have not yet lapped the newly acquired distribution of Monster in Germany, Norway and Spain. Still brands grew 1.0 per cent with water brands up 4.0 per cent and all other stills down 1.5 per cent.

Cost of Sales

First-half reported cost of sales totaled €2.2 billion, up 9.0 per cent, driven by the inclusion of Germany and Iberia during the last part of the second quarter. Pro forma comparable cost of sales totaled €3.3 billion, down 3.5 per cent, or down 2.0 per cent on a pro forma comparable and fx-neutral basis.

Cost of sales per unit case declined 1.0 per cent on a pro forma, comparable and fx-neutral basis. This reflects the benefit of favourable year-over-year costs in some key commodities, principally sugar, partially offset by an increase of cost of sales in Great Britain related to the supply chain disruption and the shift in Germany from returnable to recyclable packages.

Although the recent cost environment is favourable, we continue to execute our risk management strategy through the use of supplier agreements and hedging instruments designed to mitigate our exposure to commodity price volatility.

Operating Expense

First-half reported operating expenses totaled €1.0 billion, up 29.5 per cent, reflecting the inclusion of Germany and Iberia during the last part of the second quarter. Pro forma comparable operating expenses were €1.4 billion, down 2.0 per cent, or down 0.5 per cent on a pro forma, comparable and fx-neutral basis. This includes the early benefits of restructuring, the impact of a modest decline in volume, incremental expense associated with a supply chain disruption, incremental expense for the Euro 2016 marketing programme and a continued focus on managing operating expenses.

Outlook

For 2016, CCEP expects revenue to be flat with operating profit growth in a modest mid-single-digit range and diluted earnings per share in a mid-teen range, all on a comparable and fx-neutral basis. In addition to operating profit growth, full-year 2016 diluted earnings per share growth is benefiting from differences in interest and tax rates between pro forma comparable 2015 figures and our 2016 outlook. Based on recent rates, currency translation would negatively impact full-year 2016 diluted earnings per share by approximately €0.07.

Weighted average cost of debt is expected to be approximately 2 per cent and the comparable effective tax rate for 2016 is expected to be between 24 per cent and 26 per cent. Year-end 2016 net debt to EBITDA is expected to be just over 3 times. CCEP does not expect to repurchase shares in 2016.

Dividend

The CCEP Board of Directors today authorised the Company's first dividend since the Company's inception in May of this year. In line with its commitment to deliver long-term value to shareholders, and the Company's prior commitment to have an initial dividend pay-out ratio of 30 per cent to 40 per cent of profit after taxes, the Board has approved an initial quarterly dividend of €0.17, equivalent to an annualised dividend of €0.68 per share. The dividend will be paid 17 October 2016 to those shareholders of record on 3 October 2016. The Company is pursuing arrangements to pay the dividend in euros to shares held within the 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 22 September 2016. This translated amount will be posted on our website, www.ccep.com, under the Investor/Shareowner Information section.

CCEP is committed to providing regular returns to shareholders through quarterly dividends. The Board is also committed to supporting CCEP's strategy to achieve long-term, profitable growth whilst maintaining an efficient and optimal capital structure. Through disciplined investment and a continued focus on free cash flow growth, CCEP targets long-term, mid-to-high single-digit EPS growth and an increase in return on invested capital (ROIC) of 20 basis points or more annually.

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-half 2016 filing, available at www.morningstar.co.uk/uk/NSM and on our website, www.ccep.com, under the Investors tab. This document will include pro forma, comparable income statements for first half 2015 and 2016, as well as second quarter 2015 and 2016 income statements. There is also additional supplemental financial information, such as volume and per unit case data. Additionally, there are pro forma and comparable income statements for the third and fourth quarters of 2015.

Formation of Coca-Cola European Partners plc

CCEP was formed on 28 May 2016 through the combination of CCE, CCIP and CCEG. CCEP is a publicly traded UK domiciled company listed on the Euronext Amsterdam, New York Stock Exchange, Euronext London and various Spanish stock exchanges (ticker symbol: CCE). CCEP is the world's largest independent Coca-Cola bottler based on revenue and serves over 300 million consumers across Western Europe, including Andorra, Belgium, continental France, Germany, Great Britain, Luxembourg, Monaco, the Netherlands, Norway, Portugal, Spain and Sweden. Subsequent to the close of the merger, CCEP acquired Vifilfell, the Icelandic Coca-Cola bottler per the terms of the Merger agreement. With pro forma 2015 net revenue of approximately €11 billion and pro forma comparable 2015 operating profit of approximately €1.4 billion, CCEP is a leading consumer packaged goods company in Europe.

CCEP represents the combination of three strong Coca-Cola bottlers, each with their own unique strengths, operating approaches and best practices. To capitalise on these individual strengths and capture the synergies created by the combination we are focused on developing new ways of operating. We are in the early stages of this work and it will take some time to complete; however, we are committed to delivering the full benefit of the synergies associated with the formation of CCEP and have already begun to share best practices across the organisation. Whilst going through this transformation, we will continue to make the appropriate level of investment in key marketing initiatives that support business development and will seek to optimise the return on our capital investment.

As The Coca-Cola Company's ("TCCC") strategic bottling partner in Western Europe and one of the world's largest independent Coca-Cola bottlers, we also believe the creation of CCEP will drive a new level of partnership with TCCC. We and TCCC understand that winning in the marketplace requires us to act with a common vision, one that includes clearly aligned growth targets, common priorities and a commitment to execute seamlessly together. Our shared vision requires aligned commitments to continuously develop our brands, assets and capabilities to maximise performance and value.

About CCEP

Coca-Cola European Partners plc (CCEP) is a leading consumer packaged goods company in Europe, selling, producing 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; an inability to expand operations in emerging or developing markets; 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 CCEP prospectus approved by the UK Listing Authority and published on 25 May 2016 and the registration statement on Form F-4, which was filed with the SEC by CCEP. 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 respective public statements may prove to be incorrect.

Coca-Cola European Partners plc
Investor Relations
Thor Erickson
+1 (678) 260-3110
or
Media Relations
Ros Hunt
+44 (0) 7528 251 022