Coca-Cola Amatil Limited
ABN 26 004 139 397

ASX Release

21 February 2019

COCA-COLA AMATIL 2018 FULL YEAR RESULTS

RESULTS OVERVIEW

- 2018 was a transition year for the Group with earnings impacted by the planned investment in our Accelerated Australian Growth Plan and the implementation of container deposit schemes, compounded by economic factors in Indonesia and operational challenges in Papua New Guinea
- Underlying[1] earnings per share (EPS) from continuing operations decreased by 3.9 per cent while EPS from continuing operations after non-trading items decreased by 7.0 per cent
- Underlying[1] earnings before interest and tax (EBIT) from continuing operations of $634.5 million and underlying net profit after tax (NPAT) from continuing operations of $388.3 million each representing a decline of 6.5 per cent
- Including the SPC impairment, statutory NPAT of $279.0 million, down 37.3 per cent
- Australian Beverages' earnings reflected additional investments in our Accelerated Australian Growth Plan and were impacted by the implementation of container deposit schemes; many of our initiatives are gaining traction resulting in improving volume trajectory and volume share gains
- Despite the soft market conditions, weak currency and higher commodity prices impacting Indonesia's earnings, there are encouraging signs with volume growth from April onwards; Papua New Guinea experienced some operational issues which have now largely been resolved
- New Zealand & Fiji delivered another year of strong EBIT growth underpinned by strong execution
- Alcohol & Coffee achieved another year of double-digit EBIT growth while also funding investment in initiatives for our growth aspirations
- Lower earnings for SPC and Corporate & Services segment, in line with the outlook we provided at our Investor Day in November 2018
- Increased underlying net operating cash flow from continuing operations and underlying cash realisation from continuing operations of 107 percent for the year
- Final dividend of 26.0 cents per share (2H17: 26.0 cents per share), franked to 50 per cent (2H17: 70 per cent franked), representing an underlying payout ratio of 87.6 per cent for the full year

[1] Underlying refers to statutory results adjusted to exclude non-trading items and discontinued operations.

Coca-Cola Amatil today reported its full year results for 2018, delivering underlying earnings before interest and tax (EBIT) from continuing operations of $634.5 million and underlying net profit after tax (NPAT) from continuing operations of $388.3 million.

Group Managing Director Alison Watkins said 2018 was a transition year for the Group with earnings impacted by planned investment in the Accelerated Australian Growth Plan, the introduction of container deposit schemes, economic factors in Indonesia and operational challenges in PNG.

"We saw a strong year for the New Zealand, Fiji and Alcohol & Coffee businesses, while there are also positive signs for Australian Beverages with volume growth in Coca-Cola Trademark beverages in the second half," Ms Watkins said.

"Despite the segment result there are also encouraging signs in Indonesia with volume growth over the last nine months of the year. However, as previously reported the Indonesian result was affected by soft market conditions, a weak currency and higher commodity prices. The business is strongly leveraged to capture future growth."

Australian Beverages

Australian Beverages' volume share increased for the year, in both sparkling and still beverages. Our earnings reflected the additional investment in our Accelerated Australian Growth Plan as well as the impact from container deposit schemes.

Ms Watkins said there was volume growth for Coca-Cola Trademark in the second half led by the continued success of Coca-Cola No Sugar. Low- and no-sugar cola achieved low-single digit volume growth for the year, accelerating in the second half. There was also strong volume growth in dairy and energy throughout the year.

"We continued to see consumer movement towards low- and no-sugar choices. With the success of Coca-Cola No Sugar and low-or no-sugar options in all other major brands, we are well placed to capitalise on this trend," Ms Watkins said.

"We delivered volume share gains in the water category for the year. However, water volume declined in the second half following changes to promotional strategies with major customers."

New Zealand & Fiji

New Zealand delivered excellent results with revenue, volume and EBIT growth despite cycling a strong FY17 and unfavourable weather in December. The business delivered volume growth across sparkling and still categories with value share increases in both categories and volume growth across all major channels. Fiji delivered revenue and volume growth in sparkling and stills across all channels.

Indonesia & Papua New Guinea

Ms Watkins said results in Indonesia were affected by soft market conditions, a weaker currency and higher commodity prices. Even with these challenges the business improved value share in sparkling beverages along with overall volume improvements since April. Papua New Guinea achieved revenue growth despite operational issues which were largely resolved in the second half.

Alcohol & Coffee

Alcohol achieved volume growth, high single-digit revenue growth and another year of double digit EBIT growth for the year. Spirits and premix grew ahead of market. Paradise Beverages continued to grow sales. Coffee grew revenue and volume for the year with positive drivers including coffee bean products and sales in grocery. EBIT performance reflected investment in international opportunities including in Indonesia. A new high value premium brand, SoCo Coffee Roasters, was also launched during the year.

SPC

On 30 November 2018, we announced we had concluded a strategic review of SPC's growth options with a decision to proceed towards divestment. We have received strong interest in SPC. Several non-binding indicative offers have been received and bidders are being shortlisted to proceed to the second round.

However, given the wide range of offers received, in terms of size and structure, and the inherent uncertainty of the financial outcome of the sale process, we believe it is prudent to recognise a non-cash impairment of the carrying value of SPC's net assets held for sale of $146.9 million before tax in the 2018 full year accounts. This has reduced the carrying value of SPC's net assets held for sale as at 31 December 2018 to zero.

Outlook

Ms Watkins said the outlook remained consistent with what had been presented previously.

"2019 will be the second year of a two-year transition phase for the Group," Ms Watkins said.

"In Australian Beverages, we will be positioned for growth in 2020, with the completion of the additional $10 million of investment in our Accelerated Australian Growth Plan to increase our salesforce and, with container deposit schemes in NSW and Queensland substantially embedded by the end of 2019."

"We are encouraged by the volume growth in Indonesia from April 2018 and will continue to deliver our Accelerate to Transform strategy with additional direct marketing expenditure to be invested in 2019. However, current macroeconomic conditions, a weak Indonesian rupiah, higher commodity costs and current consumer spending trends are expected to continue."

"Our New Zealand & Fiji, Papua New Guinea and Alcohol & Coffee businesses are expected to again deliver growth in line with our Shareholder Value Proposition."

"For the Corporate & Services segment, we expect an EBIT loss of $10 to $12 million for FY19 in line with the outlook provided in November 2018, due to lower property rental and services earnings, increased Group capability and investment in IT platforms."

"The Amatil Group is targeting a return to mid-single digit EPS growth from 2020, in line with our shareholder value proposition. Our level of performance depends on the success of revenue initiatives in Australia, Indonesian economic factors and regulatory conditions in each of our markets."

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ABOUT COCA-COLA AMATIL
Coca-Cola Amatil is one of the largest manufacturers and distributors of ready-to-drink non-alcohol and alcohol beverages, coffee and ready-to-eat food snacks in the Asia Pacific region. Coca-Cola Amatil is also the authorised manufacturer and distributor of The Coca-Cola Company's beverage brands in Australia, New Zealand, Fiji, Indonesia, Papua New Guinea and Samoa. Coca-Cola Amatil directly employs around 13,000 people and indirectly creates thousands more jobs across the supply chain, partnering with key suppliers to manufacture, package, sell and distribute its products. With access to around 270 million potential consumers through more than 950,000 active customers Coca-Cola Amatil is committed to leading through innovation and building a sustainable future and delivering long-term value to shareholders.

For more information, visit www.ccamatil.com