Coca-Cola Amatil Limited
ABN 26 004 139 397

Media Release

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COCA-COLA AMATIL 2016 FULL YEAR RESULTS

Result Overview

- Steady progress implementing business strategies from 2014 Strategic Review, in line with updates at the 2016 Investor Day
- Delivering on our shareholder value proposition with underlying mid-single digit earnings per share (EPS) growth, of 6.2 per cent in 2016
- Strong performance in our growth markets, particularly Indonesia
- Underlying earnings before interest and tax (EBIT) of $683.4 million and underlying net profit after tax (NPAT) of $417.9 million representing growth of 3.5 per cent and 6.2 per cent respectively
- Non-cash impairment charge of $171.8 million (after tax) taken on SPC with continued commitment to secure its long term future
- Statutory EBIT of $466.1 million and statutory NPAT of $257.3 million
- Strong balance sheet and free cash flow with cash realisation of 110.9 per cent and reduction in net debt of $153.5 million to $992.8 million
- Final dividend declared of 25.0 cents per share, franked to 75 per cent, representing an underlying payout ratio of 84.1 per cent for the full year, with free cash flow positive after dividend payments. It is anticipated that from 2017, franking will be lower than current levels

Additional Updates

- New initiatives to remodel Australian Beverages’ supply chain including an additional $90 million of capex to be invested in our Richlands manufacturing facility in Queensland and closure of manufacturing facilities in South Australia – targeting a further $20 million of cost savings from 2020 and expecting related one-off costs of approximately $50 million to be offset by one-off gains
- Given strength of balance sheet and confidence in future trajectory and cash flows, we will commence an on-market share buy-back program of up to $350 million from late March 2017

Coca-Cola Amatil today reported its full year results for 2016, delivering another solid result for the Group with underlying EBIT growth of 3.5 per cent, underlying EPS growth of 6.2 per cent and strong cash flows that brought net debt to below $1 billion.

Coca-Cola Amatil Group Managing Director, Alison Watkins said the underlying results delivered on the shareholder value proposition, achieving mid-single digit EPS growth, payout ratio above 80 per cent and maintaining a strong balance sheet and return on capital employed.

"We have again seen the strength of the diversity of Amatil's markets, products and categories, and how these can work together to generate strong cash flow and steady growth.

"This is a solid Group result for 2016, and reflects our continued progress in delivering the outcomes of the 2014 strategic review," Ms Watkins said.

"Once again we see strong performances in our identified growth markets of Indonesia, Papua New Guinea, Fiji and Alcohol & Coffee, and another healthy performance in New Zealand."

"Indonesia continued to perform strongly with revenue and volume growth across Sparkling and Still Beverages despite soft economic conditions. A slowdown in the economy in the second half, along with the early Ramadan festive period in 2016, resulted in lower revenue growth in the second half.

"Alcohol & Coffee momentum continued delivering double-digit revenue, volume and EBIT growth for a second consecutive year with a strong performance in all key categories.

"New Zealand achieved pleasing revenue and volume growth in Sparkling and Still Beverages. Sparkling benefited from our partnership with Restaurant Brands, and water and energy were key drivers of the strong performance in Still Beverages.

"Australian Beverages performance was adversely impacted by continuing competitive pressure in the water category, ongoing pressure on the cola category and the continued shrinking of operational accounts, with EBIT declining 1.8 per cent.

Remodelling the Australian Supply Chain

"In October 2016 we announced a $75 million investment in consolidating our sites in Brisbane with a new warehouse facility at our existing Richlands plant. This will be a new, expanded and automated facility, generating greater capacity, comparatively lower operating costs and reduced materials handling and truck movements."

"We have now identified additional consolidation opportunities across the Australian supply chain and will close our South Australian manufacturing facilities in 2019. This is not a decision that we take lightly, however we know we must modernise and invest in new capability.

"Additional capacity will be developed at Richlands with a further $90 million investment to install a new glass production line and new dairy and juice production capacity. This investment will optimise our national logistics network and modernise our supply chain with greater use of technology and automation across a wider range of products."

The closure of the Thebarton facility in South Australia will deliver a further $20 million in cost savings from 2020 beyond the additional $100 million in cost savings to be delivered by Australian Beverages over the next three years. There is also expected to be approximately $50 million of one-off costs associated with this program expected to be offset by surplus profit from the proposed sale and leaseback of the Richlands site and sale of the Thebarton site following its closure.

SPC Update

Ms Watkins said SPC had continued to progress its program to modernise the business, however continued pressure in core traditional categories resulted in a modest loss for the business. Coca-Cola Amatil has reviewed the carrying value of SPC in line with its year-end accounting processes, and today announced an impairment of $171.8 million (after tax) of SPC's carrying value to $156.3 million in 2016.

"The SPC team has worked hard to deliver on its investment plan objectives and has made significant progress in modernising the manufacturing capabilities to enable us to shift into more profitable snacking products," Ms Watkins said.

"Unfortunately, market conditions, including tougher competition from cheaper imports, has put pressure on the businesses' profitability in the short term. The need to impair SPC's carrying value was carefully considered and we believe it is prudent given these headwinds."

"Our joint investment program with the Victorian Government is expected to be completed this year. We continue to see a strong future for SPC and remain committed to securing its long-term future."

Outlook

Ms Watkins said the 2014 Group Strategy continues to set the direction for the Coca-Cola Amatil Group.

"The Board's decision to undertake a share buy-back program further demonstrates their confidence in the Group result, our strong balance sheet and our ability to generate strong cash flow," Ms Watkins said.

"We continue to target mid-single digit EPS growth in line with our shareholder value proposition. Our level of performance will depend on the success of revenue initiatives in Australia, Indonesian economic factors and regulatory conditions in each of our markets."

"We've stuck to our plans and these results are further confirmation that we are delivering a strong and sustainable business for today and tomorrow."

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