

# ASX Announcement

30 October 2014

## CCA ANNOUNCES RESULTS OF STRATEGIC REVIEW

Coca-Cola Amatil (CCA) is today presenting the results of its strategic review to investors. The strategic review, announced at the Company's Annual General Meeting in May, was conducted in response to deteriorating market conditions across the Group with the objective of restoring CCA to sustainable earnings growth.

Concrete progress has been made implementing strategies to strengthen the market leadership position of the Company in its two major markets, Australasia and Indonesia:

- » CCA and The Coca-Cola Company announce another world-first Coca-Cola campaign in Australia and New Zealand with #colouryoursummer which kick starts a continuous cycle of up-weighted marketing investment aimed at "bringing back the magic" of Coca-Cola;
- » The commitment to bringing innovative new products to the market comes to life in April 2015 with the launch of Coke Life in Australia and New Zealand;
- » A next-generation digital technology platform will significantly enhance the route-to-market model and deliver a step change in customer service in Australia and New Zealand; and
- » In Indonesia, CCA and The Coca-Cola Company have developed a plan to accelerate the growth of the Indonesian business to strengthen the Company's market leadership position. TCCC will inject US\$500 million into CCA Indonesia, taking a 29.4% equity interest in CCA Indonesia. Capex will be up-weighted to ~A\$150m pa for the next 3-4 years to fund infrastructure expansion to enable the business to broaden its product offering, develop new consumption occasions and offer a greater range of affordable packages.

CCA's Group Managing Director, Alison Watkins said, "The strategic review process has been comprehensive, structured and well-resourced and has confirmed our significant strengths and clarified our competitive advantages. We are very pleased to be able to present strong and material plans to our shareholders today which we believe will enable us to return to growth and generate attractive and sustainable returns for our shareholders.

"The plans have been developed reflecting three broad Group strategic themes:

- » Strengthening our category leadership position in each of our markets;
- » Making a step change in our productivity and in-market execution; and
- » Building better alignment with The Coca-Cola Company.

"In parallel we've made changes to our organisational structure, leadership and to our partnership with The Coca-Cola Company. We now have a flatter organisation structure and more accountable Group Leadership Team. Each business has recent new leadership with sound experience and strong values. We have refreshed our vision and values within the organisation to provide a clear sense of direction and purpose to our employee base."

The outcomes of the review for each business unit are as follows:

### **Stabilise earnings in Australasia and return to growth**

The Australian beverage business will strengthen its category leadership position by rebuilding brand equity in Coca-Cola and with innovation geared toward “better for you” products in both CSDs and stills. Together with our partner The Coca-Cola Company, we are materially up-weighting marketing investment and developing more targeted recruitment strategies. Our new product development pipeline is strong and well developed with Coke Life, a lower calorie and naturally sweetened Coca-Cola offering, to be launched in April 2015.

We are reengineering the price pack architecture across channels with new frequency and entry level packs aimed at increasing affordability and meeting the desire for smaller packages while providing greater differentiation of packages across the channels. We are rolling out a next-generation digital technology platform which will significantly enhance the route-to-market model and deliver a step change in customer service. At the same time we are restructuring the cost base to deliver ongoing productivity gains and continue to expect to achieve savings of over \$100 million over the next three years which will be deployed to fund increased brand building and revenue management initiatives.

We have commenced implementation with the major change initiatives to be in place by mid-2015 and we are confident of returning the business to delivering sustainable earnings growth.

### **Expand our market presence in Indonesia to realise the market’s potential**

Indonesia is an exciting growth market for CCA. With consistent growth in demand from Indonesia’s emerging middle class we now have the opportunity to increase our appeal to a broader range of consumers to ensure we continue to be a leading player in the market over the longer-term. To achieve that position will require significant levels of investment into the market to capitalise on the growing demand.

In order to strengthen our market position, CCA has developed a joint system plan with The Coca-Cola Company to broaden its product offering with new products, new consumption occasions and a greater range of affordable packs. At the same time we will transform our route-to-market model to increase our relevance and availability to the traditional trade and broaden our customer base. We will also be targeting improved productivity and efficiency from our production and logistics by better leveraging our scale.

The Coca-Cola Company will inject US\$500 million into CCA Indonesia, taking a 29.4% equity interest in CCA Indonesia and capex will be up-weighted to fund expansion of our production, warehousing and cold drink infrastructure. The objective is for CCAI to be able to self-fund growth from operating cash flows from 2020.

The plan has targets to progressively improve returns on capital over and above CCA Indonesia’s cost of capital over the medium term.

### **Continue to build our alcoholic beverage portfolio in Australia and New Zealand**

We will continue to build our alcoholic beverage portfolio by strengthening our product offering and customer servicing capability to the licensed channel. We will do this by leveraging CCA’s large-scale sales, manufacturing and distribution infrastructure assets. We have a number of strong alcoholic beverage brand owner partners as well as the opportunity to develop our CCA brands. Growth needs to be paced and our medium term focus will be to build credibility by winning with our existing partners.

## Invest to restore SPC to a profitable, modern food business

We have a transformation plan to revitalise the brand portfolio and return the business to growth. We have a strong pipeline of innovative fruit-based snack products backed by a disciplined capex plan that will modernise our production facilities and establish a lower cost position.

## Financial outlook

CCA is targeting to return to mid single-digit growth in earnings per share over the next few years with no further decline expected after 2014. Ms Watkins said, "We are confident that the combination of revenue and cost initiatives we have underway will restore the business to growth. The pace of recovery will however depend on the success of revenue initiatives in Australia and Indonesian economic factors.

"With free cash flow generation expected to remain strong, the business is well-placed to target a dividend payout ratio of over 80% over the next three years. We expect to maintain a conservative balance sheet position which provides us with flexibility to fund future growth opportunities."

Capex is expected to be around \$310 million pa for the next three years, below the level of Group depreciation. The core Australian and New Zealand business have been well capitalised with a base of high quality existing assets and excess production capacity as a result of high levels of capital investment over the last five years. Indonesian capex is expected to be around A\$150 million pa for 3-4 years supported by The Coca-Cola Company's US\$500m capital injection. As previously announced, SPC will invest \$100 million over next three years comprising a \$78 million CCA investment and \$22 million in funding from the Victorian government.

CCA will provide a trading update in early December.

For further information, please contact:

### Analysts

Kristina Devon  
Head of Investor Relations  
Ph: +61 2 9259 6185  
[Kristina.Devon@ccamatil.com](mailto:Kristina.Devon@ccamatil.com)

### Media

Sally Loane  
Director of Media & Public Affairs  
Ph: +61 2 9259 6797  
[Sally.Loane@ccamatil.com](mailto:Sally.Loane@ccamatil.com)



# CCA Investor Briefing Strategic Review

30 October 2014

Alison Watkins Group Managing Director



## Overview



- » Comprehensive strategic review focused on generating attractive, sustainable returns for shareholders
- » Plans to restore performance completed and implementation underway
- » Heads of agreement executed with The Coca-Cola Company (KO) to accelerate Indonesia's growth strategy, under which KO will invest US\$500m in return for a 29.4% equity interest in CCA Indonesia
- » Strong balance sheet and cash flow to reward shareholders with strong dividends plus flexibility to invest in growth in the medium term



## Comprehensive review of corporate structure and business units to ensure CCA returns to generating attractive, sustainable returns for shareholders



3



## The strategic review confirms CCA has compelling competitive advantages in each of our markets



- » Coca-Cola franchisee with leading brands in each major NARTD category in Australia, NZ, Indonesia, PNG, Fiji & Samoa
- » Route to market that provides scale and direct reach to many customers, providing diversification and an ongoing opportunity to add value and own relationships
- » Large-scale, modern, low-cost manufacturing, sales and distribution capability underpinned by over \$1.7bn investment (or 1.7x depreciation) since 2010 encompassing all major markets
- » Growth businesses including Indonesia and Alcohol providing upside in our portfolio

4

However, our businesses have come under significant pressure in recent years driven by structural changes in the marketplace



Australasia      Indonesia      SPC

Consumer-driven shifts



Channel structure



Competition



Cost inflation / structure



Our plans have been developed reflecting three broad Group strategic themes

**Strengthening category leadership position**

- » Leading brands in each major NARTD category in each market
- » Up-weighted levels of innovative marketing to continually strengthen brand equity
- » Evolving portfolio that adapts to changing consumer preferences

**Step change in productivity and in-market execution**

- » World-class customer servicing capability
- » Route to market that provides customer diversification and real competitive advantage
- » Effective leverage of our large-scale, low-cost manufacturing, sales and distribution capability

**Better alignment with The Coca-Cola Company**

- » Shared vision of success and aligned objectives
- » Joint plans for growing system profitability
- » Balanced share of risk and rewards

## Our plans will strengthen the competitive position of each business with implementation underway



### Australasia – Stabilise earnings and return to growth

- » Strengthen our brand portfolio to increase our appeal to a wider range of consumers
- » Optimise our revenue management by optimising price, pack architecture and strengthening our promotional management
- » Redesign the route to market model to improve cost to serve and better leverage our scale
- » Restructure our cost base to deliver ongoing productivity gains
- » New Zealand – deliver steady earnings and volume growth

### Indonesia – Expand our market presence in Indonesia to realise the market’s potential

- » Improve product availability and affordability across different channels
- » Build brand strength and channel relevance through multi-category portfolio
- » Drive cost competitiveness from operating leverage, transformed route-to-market and reduced complexity
- » Agreement for a US\$500m equity investment by KO into CCA Indonesia to accelerate growth plan with aligned volume and return targets

### Alcohol – Continue to build our alcoholic beverage portfolio in Australia and New Zealand

- » Strengthen our product offering and customer servicing capability to the licensed channel by leveraging CCA’s large-scale sales, manufacturing and distribution infrastructure assets

### SPC – Invest to restore SPC to a profitable, modern food business

- » Strong transformation plan to revitalise the brand portfolio and return the business to growth

## Strengthen our category leadership position

### Build brand equity and “bring back the magic” of Coke

- » Increased marketing investment
- » Targeted recruitment strategies
- » Continued focus on occasions and portion control
- » New packs to increase affordability and provide great channel differentiation



### Innovation geared toward “better for you” products

- » Big new product launches - Coke Life in 2015
- » Focus on driving share of stills categories



#colouryoursummer

## Step change in productivity and in-market execution

### Excellence in customer service

- » Technology enabled route-to-market tools driving effectiveness and efficiency by simplifying the Sales Call and providing real time information in the Field



**A next generation Sales and Mobility app to support Field Sales Execution**



### Restructure our cost base to deliver ongoing productivity gains

- » Targeting savings of over \$100 million over the next three years
- » Improved procurement, streamlined support costs and driving greater efficiencies from the significant investment made in our supply chain over the past five years

## Deliver steady earnings and volume growth in New Zealand



**Grow SPARKLING transactions**

**Accelerate share growth in STILLS**

**CUSTOMER Service as a differentiator**

- EQUITY
- RECRUITMENT
- AFFORDABILITY
- INNOVATION

- WATER
- JUICE
- SPORTS
- NEW CATEGORIES

- CUSTOMER PROMISE
- MARKET ASSETS
- SERVICE OFFERING
- CAPABILITY

**Fast, Flexible and Efficient Supply Chain**

# Our plans will strengthen the competitive position of each business with implementation underway



## Australasia – Stabilise earnings and return to growth

- » Strengthen our brand portfolio to increase our appeal to a wider range of consumers
- » Optimise our revenue management by optimising price, pack architecture and strengthening our promotional management
- » Redesign the route to market model to improve cost to serve and better leverage our scale
- » Restructure our cost base to deliver ongoing productivity gains
- » New Zealand – deliver steady earnings and volume growth

## Indonesia – Expand our market presence in Indonesia to realise the market’s potential

- » Improve product availability and affordability across different channels
- » Build brand strength and channel relevance through multi-category portfolio
- » Drive cost competitiveness from operating leverage, transformed route-to-market and reduced complexity
- » Agreement for a US\$500m equity investment by KO into CCA Indonesia to accelerate growth plan with aligned volume and return targets

## Alcohol – Continue to build our alcoholic beverage portfolio in Australia and New Zealand

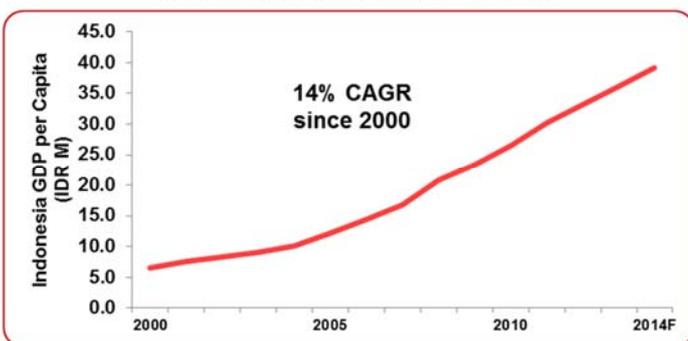
- » Strengthen our product offering and customer servicing capability to the licensed channel by leveraging CCA’s large-scale sales, manufacturing and distribution infrastructure assets

## SPC – Invest to restore SPC to a profitable, modern food business

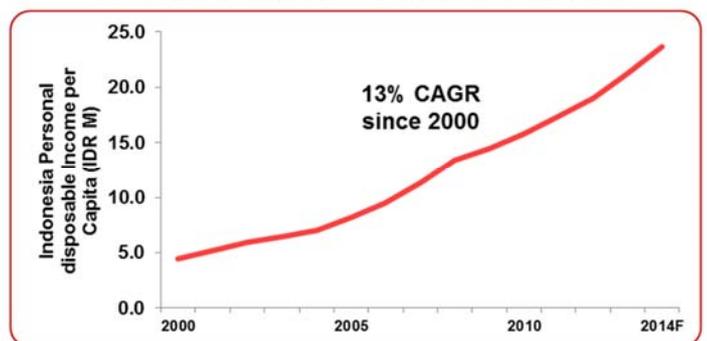
- » Strong transformation plan to revitalise the brand portfolio and return the business to growth

# Indonesia represents an exciting long-term growth opportunity

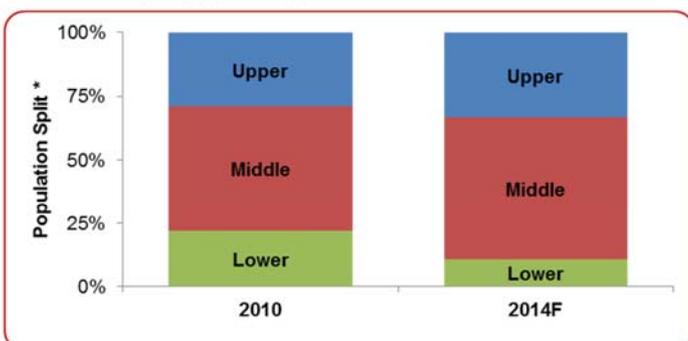
GDP per capita rapidly increasing



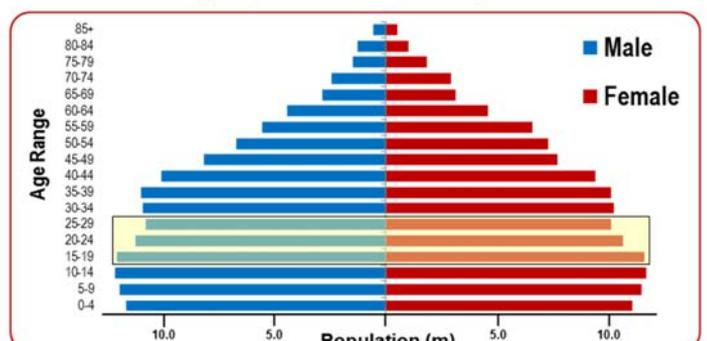
...with material growth in disposable income



Rapidly growing affluent & middle classes



...and 63m people in the key 15-29yr old market



Source: Economist Intelligence Unit, Bank Indonesia and AC Nielsen. \* Population split by Household expenditure measured over 11 key cities



## Industry dynamics have changed with strong and consistent growth in demand from Indonesia's emerging middle class

CCA's strategy over the past 5-6 years has been shifting focus towards the wealthier income demographic

- » Rapid emergence of modern foodstore retailing during the early to mid 2000s provided CCA with a platform to engage with the wealthier income demographic (representing 20-40m consumers). CCA benefitted from selling higher margin products to less price sensitive consumers

With consistent growth in demand from Indonesia's emerging middle class we have the opportunity to increase our appeal to a broader range of consumers to ensure we continue to be a leading player in the market

- » Strong GDP growth has seen the emergence of new competitors and stimulated strong demand for beverages in the middle income demographic (representing >100m consumers)
- » We have tested the market by launching some lower priced packs – cups, multi-serve PET, smaller pack sizes and other products – with demand exceeding expectations
- » However, to realise the opportunity will require up-weighted levels of capital investment over the medium term



## Joint system plan to strengthen Indonesian competitive position and drive attractive shareholder returns

CCA has developed a plan with KO to expand our offering across the market to target these consumers. KO will inject US\$500m equity into CCA Indonesia (CCAI) and capex will be up-weighted to ~A\$150m pa for the next 3-4 years to fund infrastructure expansion

- » Improve product availability and affordability across different channels
- » Build brand strength and channel relevance through multi-category portfolio
- » Drive cost competitiveness from operating leverage, transformed route-to-market and reduced complexity
- » Accelerated capex for production, warehousing and cold drink infrastructure of around A\$150m pa for around the next 3-4 years supported by KO US\$500m equity injection
- » Achieves closer alignment of interests between CCA and KO through joint ownership and the plan includes specific targets for:
  - » Targeting a strong market position in non-alcoholic ready to drink beverages and a market leadership position in sparkling beverages; and
  - » Generating returns progressively to reach the cost of capital for CCAI by 2020.



## Transaction overview

- » KO to invest US\$500 million in new equity in CCA Indonesia which provides financial headroom to implement the growth plan
  - » CCAI to accelerate investment in production, warehousing and cold drink infrastructure in Indonesia for around the next 3-4 years
  - » CCAI targeting to be able to self-fund growth from operating cash flows from 2020
- » KO to take 29.4% equity interest in CCA Indonesia with CCA to retain 70.6% ownership as well as management control
- » KO investment in CCA Indonesia implies enterprise valuation of A\$1.6 billion (US\$1.38 billion)<sup>1</sup>
- » New Board to be formed with majority representation from CCA, including the Chairman
  - » Certain reserve matters requiring unanimous Board approval include changes to the objectives or plan
  - » CCA to appoint Managing Director, subject to KO consent right
- » Other conditions typical of a joint ownership structure, including pre-emptive rights and rights regarding changes to share capital

Notes:

1. Based on estimated CCA Indonesia net debt of US\$180 million at 31 December 2014



## Deal specifics – next steps

### Process to completion

- » Conditions precedent to completion include
  - » CCA shareholder approval
  - » KO Board approval
  - » Indonesian regulatory approvals
- » An Extraordinary General Meeting of CCA shareholders will be called for February 2015
  - » KO excluded from voting on the relevant resolution
  - » Shareholders to be provided with a notice of meeting, explanatory memorandum and independent expert's report setting out the key considerations for CCA shareholders



## Our plans will strengthen the competitive position of each business with implementation underway

### Australasia – Stabilise earnings and return to growth

- » Strengthen our brand portfolio to increase our appeal to a wider range of consumers
- » Optimise our revenue management by optimising price, pack architecture and strengthening our promotional management
- » Redesign the route to market model to improve cost to serve and better leverage our scale
- » Restructure our cost base to deliver ongoing productivity gains
- » New Zealand – deliver steady earnings and volume growth

### Indonesia – Expand our market presence in Indonesia to realise the market’s potential

- » Improve product availability and affordability across different channels
- » Build brand strength and channel relevance through multi-category portfolio
- » Drive cost competitiveness from operating leverage, transformed route-to-market and reduced complexity
- » Agreement for a US\$500m equity investment by KO into CCA Indonesia to accelerate growth plan with aligned volume and return targets

### Alcohol – Continue to build our alcoholic beverage portfolio in Australia and New Zealand

- » Strengthen our product offering and customer servicing capability to the licensed channel by leveraging CCA’s large-scale sales, manufacturing and distribution infrastructure assets

### SPC – Invest to restore SPC to a profitable, modern food business

- » Strong transformation plan to revitalise the brand portfolio and return the business to growth



## Continue to build our alcoholic beverage portfolio in Australia and New Zealand

- » Alcoholic beverages strengthens our product offering and customer servicing capability to the licensed channel
- » Leverages CCA’s large-scale sales, manufacturing and distribution infrastructure assets into an adjacent category
- » Opportunity to partner with strong alcoholic beverage brand owners as well as to develop CCA’s alcohol brands
- » Growth needs to be paced – build credibility by winning with existing partners





## Our plans will strengthen the competitive position of each business with implementation underway

### Australasia – Stabilise earnings and return to growth

- » Strengthen our brand portfolio to increase our appeal to a wider range of consumers
- » Optimise our revenue management by optimising price, pack architecture and strengthening our promotional management
- » Redesign the route to market model to improve cost to serve and better leverage our scale
- » Restructure our cost base to deliver ongoing productivity gains
- » New Zealand – deliver steady earnings and volume growth

### Indonesia – Expand our market presence in Indonesia to realise the market’s potential

- » Improve product availability and affordability across different channels
- » Build brand strength and channel relevance through multi-category portfolio
- » Drive cost competitiveness from operating leverage, transformed route-to-market and reduced complexity
- » Agreement for a US\$500m equity investment by KO into CCA Indonesia to accelerate growth plan with aligned volume and return targets

### Alcohol – Continue to build our alcoholic beverage portfolio in Australia and New Zealand

- » Strengthen our product offering and customer servicing capability to the licensed channel by leveraging CCA’s large-scale sales, manufacturing and distribution infrastructure assets

### SPC – Invest to restore SPC to a profitable, modern food business

- » Strong transformation plan to revitalise the brand portfolio and return the business to growth



## Invest to restore SPC to a profitable, modern food business

- » Strong transformation plan to revitalise the brand portfolio and return the business to growth
- » Early wins with increased consumer and customer uptake translating to improving cash flow and returns profile



Our vision for CCA gives us a clear and optimistic picture of success



**EVERYDAY**  
we create millions of  
**MOMENTS**  
of happiness &  
**POSSIBILITIES**



**INITIATIVE OWNERSHIP**

**STRAIGHT FORWARD OPEN**

**TODAY TOMORROW**



## 2015-2017 Financial targets



### Group EPS

- » No further decline in EPS after 2014
- » Targeting to return to mid single-digit EPS growth levels
- » The pace of recovery will depend on the success of revenue initiatives in Australia and Indonesian economic factors



### Capital expenditure

- Group capex – ~\$310m pa for next 3 years
- » Australia & NZ – at or below depreciation
  - » Indonesia – KO US\$500m capital injection supports capex of ~\$150m pa for 3-4 years
  - » SPCA – \$100m over next 3 years comprising \$78m CCA investment and \$22m funding from Vic govt



### Dividend outlook

- » Well placed to target dividend payout ratio of over 80% given strength of cash flow generation



### Balance sheet

- » Maintain conservative debt levels to provide flexibility to fund future growth opportunities
- » Potential to pursue capital management initiatives
- » Bolt-on acquisitions only





## Disclaimer

CCA advises that these presentation slides contain forward looking statements which may be subject to significant uncertainties outside of CCA's control.

No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.

Actual future events may vary from these forward looking statements and you are cautioned not to place undue reliance on any forward looking statement.





# CCA Investor Briefing Financial Review

30 October 2014

Nessa O'Sullivan Group Chief Financial Officer



## 2015-2017 Financial targets



### Group EPS

- » No further decline in EPS after 2014
- » Targeting to return to mid single-digit EPS growth levels
- » The pace of recovery will depend on the success of revenue initiatives in Australia and Indonesian economic factors



### Capital expenditure

- Group capex – ~\$310m pa for next 3 years
- » Australia & NZ – at or below depreciation
- » Indonesia – KO US\$500m capital injection supports capex of ~\$150m pa for 3-4 years
- » SPCA – \$100m over next 3 years comprising \$78m CCA investment and \$22m funding from Vic govt



### Dividend outlook

- » Well placed to target dividend payout ratio of over 80% given strength of cash flow generation



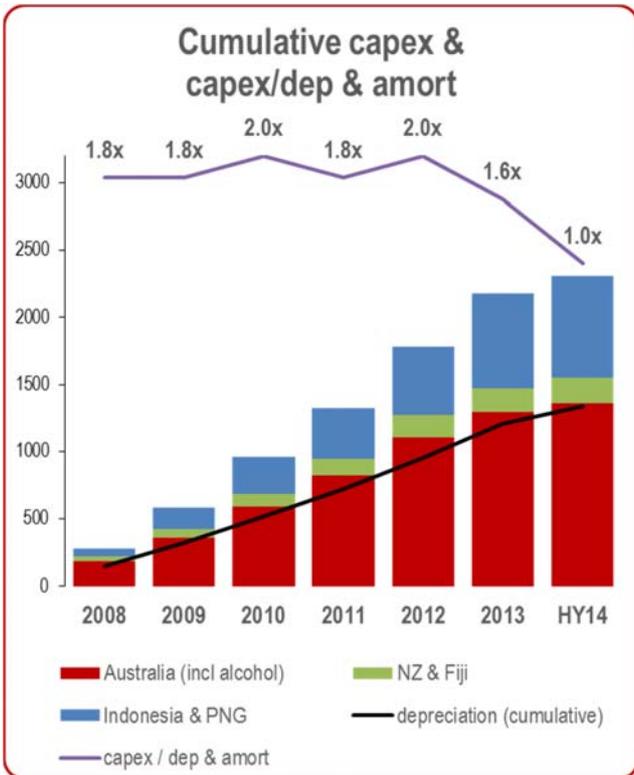
### Balance sheet

- » Maintain conservative debt levels to provide flexibility to fund future growth opportunities
- » Potential to pursue capital management initiatives
- » Bolt-on acquisitions only





## Capital investment over past 5 years has added material capability and provides a strong platform for future growth



Major investments:

Australia & NZ

- » PET blowfill has light-weighted bottles, reduced freight movements, increased production capacity by ~20% and reduced conversion costs
- » Automated and semi-automated warehousing

Indonesia

- » Increased production and warehousing capacity and cold drink penetration

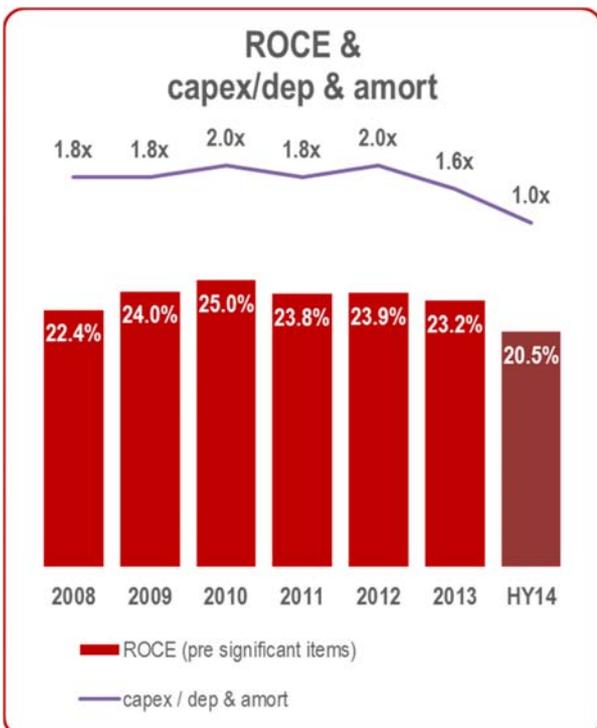
Group

- » State-of-the-art end to end IT platform
- » Upgraded cold drink equipment fleet – younger fleet with lower maintenance costs

3



## The disciplined approach to capital investment has also delivered strong returns – well in excess of WACC

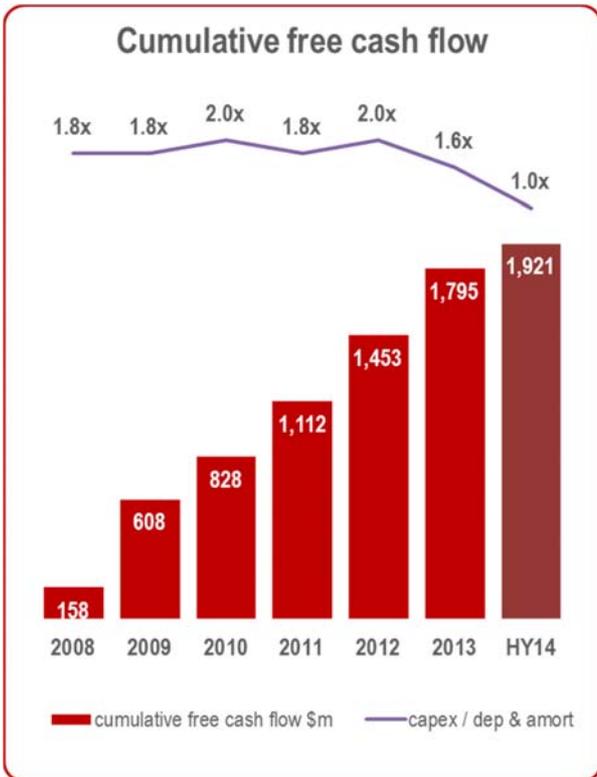


- » 5 years of up-weighted capex with average capex/depreciation of 1.7x
- » Capital investment consistently delivering returns well in excess of the cost of capital
- » ROCE has remained over 20% throughout a period of ongoing high capital investment
- » Business now well placed for growth with strong cold drink presence in developed markets, modern infrastructure and high tech warehousing, plant and equipment

4



## Strong cash flow generation with reducing capital spend profile enabled by historic investment in high quality assets

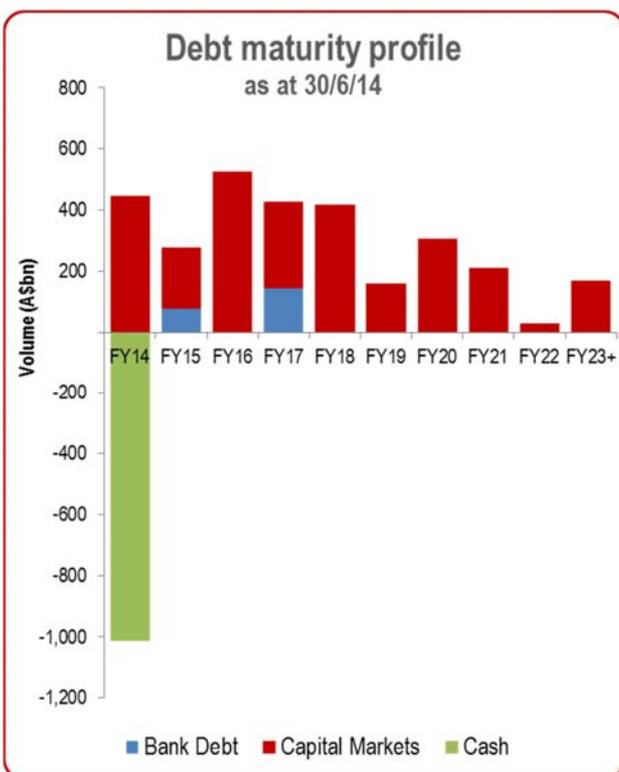


- » Growing free cash flow generation despite high levels of capital investment over the past 5 years
- » Major investments completed across all parts of the supply chain in Australia and NZ with opportunity to sweat the assets harder
- » We have excess capacity, high tech equipment and the ability to reduce fixed costs in Australia
- » Strong cash generation expected to continue with outlook for reduced Group capex over next three years
- » KO US\$500m equity injection to support A\$150m annual capex across 2015-2017 in Indonesia

5



## Conservative debt maturity profile and management of debt maturities



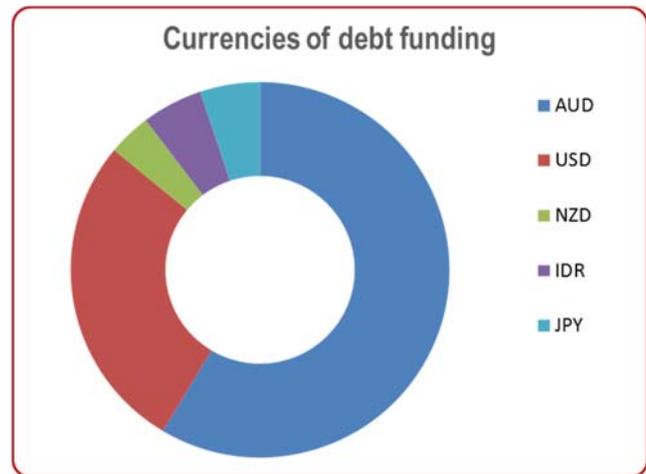
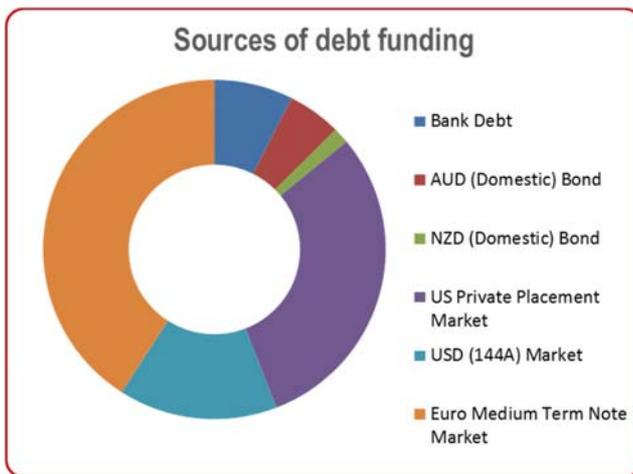
- » Management of debt profile has avoided any significant refinancing risk in any particular year
- » Borrowing maturities pre-funded until March 2016 (A\$727 million)
- » No net interest cost for pre-funding of debt maturities
- » Average debt maturity of 4 years

6



## Diversified funding sources

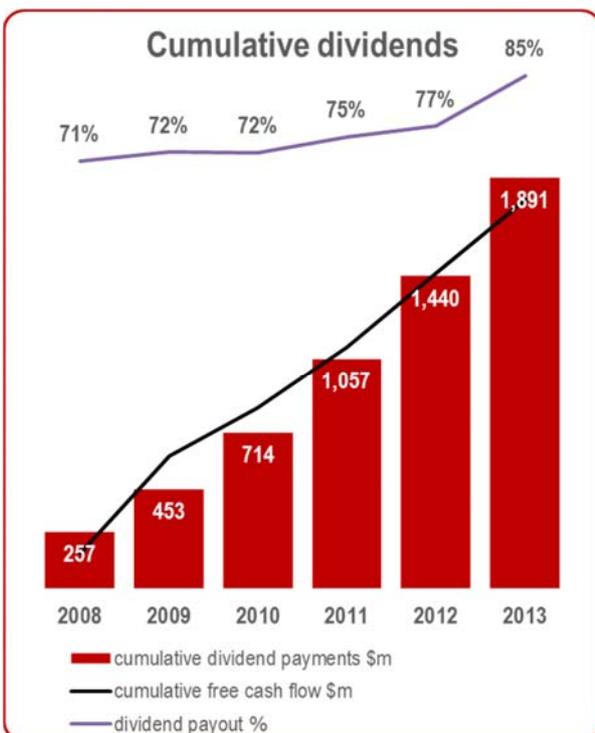
- » Funding sourced in a number of different capital markets and currencies to generate optimal mix of lower borrowing margins and maximum tenor
- » Maintain access to a number of capital markets through the establishment of debt programs
- » All foreign currency debt issues are fully hedged into the required local currency



7



## Strong financial management has enabled the funding of growing dividends over time



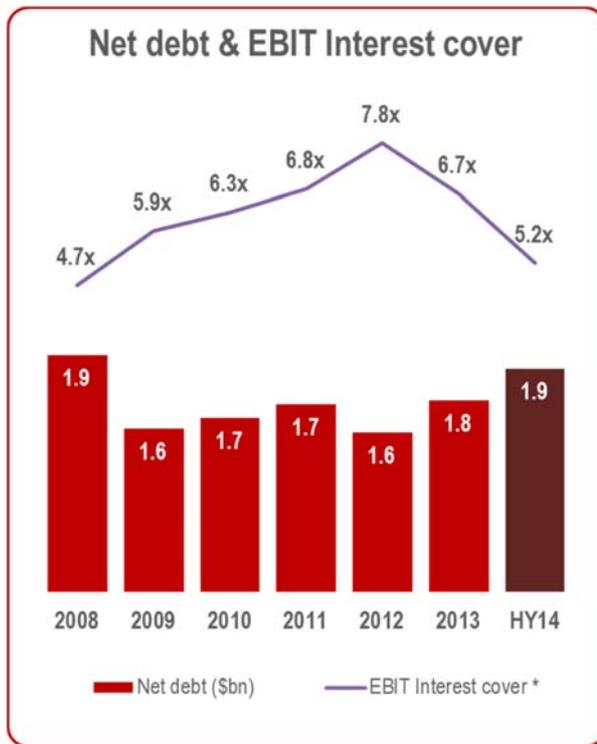
- » While dividends have dropped with recent earnings decline, strong free cash flow generation has supported the high payout ratio
- » Well placed to continue to target dividend payout ratio of over 80% over the next 3 years given strength of cash flow generation

Nb: Payout ratio is for ordinary dividends and dividends payments are net of the DRP

8



## Appropriate gearing levels to fund dividends, capex investment and maintain strong credit ratings, with flexibility to fund growth opportunities



- » Balance sheet, debt book and interest cover all in a strong position
- » Capital investment has added material capability to the business. Opportunity now to further sweat the asset base
- » Despite material investment in capex and increase in dividend payout ratio, net debt remained broadly flat over the past 6 years
- » Conservative debt book with A3/BBB+ credit rating and maturities fully funded to mid 2015
- » Capability to fund high dividend payout and future growth opportunities

9



## Disclaimer

CCA advises that these presentation slides contain forward looking statements which may be subject to significant uncertainties outside of CCA's control.

No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.

Actual future events may vary from these forward looking statements and you are cautioned not to place undue reliance on any forward looking statement.



# CCA Investor Briefing Strategic Review

30 October 2014

Barry O'Connell Managing Director – Australian Beverages



Perspective

## Addressing fundamental structural challenges, stabilising earnings & setting CCA up for sustainable growth

<p>There are no silver bullets but rather a strategic plan based on “doing what’s right for the business” over the long term</p>	 <ul style="list-style-type: none"> <li>• Consumer driven and customer focused</li> <li>• Intelligent cost out, reallocated against growth prioritise</li> <li>• Building organisational capability, culture &amp; engagement</li> </ul>
<p>Leveraging our significant strengths</p>	 <ul style="list-style-type: none"> <li>• Portfolio &amp; brands</li> <li>• Infrastructure (Manufacturing, RTM &amp; Chilled Equipment)</li> <li>• People &amp; customer relationships</li> </ul>
<p>Recognising the need move quickly and consider other options</p>	 <ul style="list-style-type: none"> <li>• Scale &amp; nimbleness</li> <li>• Different business models</li> </ul>
<p>Extensive change management approach</p>	 <ul style="list-style-type: none"> <li>• Aligning stakeholders around our journey</li> <li>• Establish a professional Project Management Office</li> <li>• Continuous focus on engagement</li> </ul>

## It's not just **what** we are doing today but also about **how** we are laying the foundations for tomorrow

### What we are doing today



Re-engaging with consumers via Up-weighted brand investment and cut through advertising & NPD in existing categories



Optimising our revenue management by maximising opportunities in price, pack architecture and by strengthening our promotional management



Redesigning our route to market model to improve cost service and better leverage our scale



Re-allocation of redundant costs to drive growth

### How we are building for the future

- Concluded Beverage Landscape leading to a well considered and focused strategy around new beverage category options
- Formation of dedicated revenue management team
- Introduction of new suite of tools for trade spend management – grocery & route, trading terms & conditions & compliance
- Building an unrivalled competence in RTM with technology as a cornerstone enabling greater targeting, increased and more cost effective customer interactions
- RTM as an ongoing discipline
- Establishing strong cost culture, continuous benchmarking as a way of life and building a lean and agile business model

## In the face of key challenges, we're planning significant changes to our strategy

### Key challenges

Health & artificiality  
+  
Affordability  
+  
Engagement & relevance  
+  
Customer concentration  
+  
Revenue & cost imbalance

### Driving fundamental shifts in our strategy across our whole business

From...	...	To
Volume & Price-led revenue growth	➔	Transaction & Mix-led revenue growth
Declining loyal consumer base	➔	Increased product and brand relevance to key consumers
Declining/dispersed marketing investment and impact	➔	Up-weighted, focused marketing investment
Lost outlet execution and revenue management discipline	➔	People and technology-led route to market and RGM discipline
High fixed cost investment / slowing growth	➔	Balanced revenue growth / cost optimisation

What's changing

## In the face of key challenges, we're planning significant changes to our strategy

### Key challenges

Health & artificiality  
+  
Affordability  
+  
Engagement & relevance  
+  
Customer concentration  
+  
Revenue & cost imbalance

### Driving fundamental shifts in our strategy across our whole business

From...

...To

Volume & Price-led revenue growth



Transaction & Mix-led revenue growth

Declining loyal consumer base



Increased product and brand relevance to key consumers

Declining/dispersed marketing investment and impact



Up-weighted, focused marketing investment

Lost outlet execution and revenue management discipline



People and technology-led route to market and RGM discipline

High fixed cost investment / slowing growth



Balanced revenue growth / cost optimisation

5

Broadening our Base

Our strategy recognises the importance of broadening our consumer base and re-engaging with key target groups - including teens

Past 4 weeks teen consumption

47%

+10ppt

Incremental  
3 million consumption occasions



A focus on transactions

## A focus on new entry and frequency packs using proprietary formats and targeting magic price points



Mid-size PET frequency pack

Small size PET entry pack

250ml can entry pack

ILLUSTRATIVE EXAMPLES

- Extensive consumer research to determine optimal pack/price.
- Launch of new 250ml entry pack at single gold coin price point
- Further in-market trials of several options, starting next month.
- A focus on entry (portion size & affordability) and frequency packs
- Next step planned for mid 2015 marked by 100year anniversary of the contour bottle

7

Recruiting new consumers

## We're already making good progress with new entry 250ml can packs

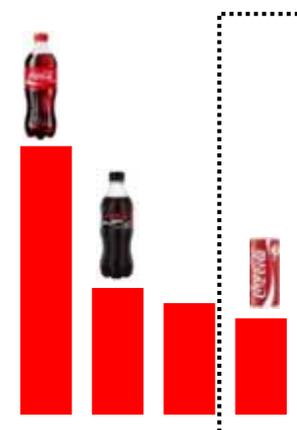


Entry pack 250ml can at \$2.00 55 days in...

- 16% of 250ml can consumers have not bought a CSD in the last 3 months. 5% are completely new CSD consumers\*
- Single serve transactions have grown by 6.6% since launch of the 250ml can
- Flavours and Vanilla Coke are over indexing
- Early indications of a positive halo effect over the rest of the range

250ml can is 4<sup>th</sup> highest selling cold drink SKU\*

UPSPW



\* CCA sample customer data

8

## In the face of key challenges, we're planning significant changes to our strategy

### Key challenges

Health & artificiality  
+  
Affordability  
+  
Engagement & relevance  
+  
Customer concentration  
+  
Revenue & cost imbalance

### Driving fundamental shifts in our strategy across our whole business

From...		...To
Volume & Price-led revenue growth	➔	Transaction & Mix-led revenue growth
Declining loyal consumer base	➔	Increased product and brand relevance to key consumers
Declining/dispersed marketing investment and impact	➔	Up-weighted, focused marketing investment
Lost outlet execution and revenue management discipline	➔	People and technology-led route to market and RGM discipline
High fixed cost investment / slowing growth	➔	Balanced revenue growth / cost optimisation

This video is intended for trade presentations purposes. It cannot be broadcast, posted, manipulated, duplicated or used for any other purpose and may not be forwarded outside the Coca-Cola company.

## A sustained focus on engaging the next generation of Coca-Cola consumers



#colouryoursummer

## A sustained focus on engaging the next generation of Coca-Cola consumers



#colouryoursummer



Major media installations



©2014 The Coca-Cola Company. "Coca-Cola", "Open Happiness", the Dynamic Ribbon Device are registered trademarks of The Coca-Cola Company.





**@TMDORMER**  
1,800 LIKES



**@TEE\_SMYTH**  
4,515 LIKES



**@SSFCRABBITOHS**  
6,201 LIKES



**@EMMALUCEY**  
1,810 LIKES



Key social media influencers

Regaining Relevance

## A sustained focus on engaging the next generation of Coca-Cola consumers

Smaller Portions - Zero KJ Option

Affordable Price Points

Cut Through Campaign



52 Week Focus

#colouryoursummer

Up-weighted Spend

Targeted Media

## Our strategy recognises the importance of broadening our consumer base and re-engaging with key target groups - including families

### Medium families - household penetration

~31%

+1ppt

Incremental  
~400,000 unit cases p.a

### Medium families – purchase frequency

5.1 x per annum

+1

Incremental  
~1,000,000 unit cases p.a

Source: Nielsen Homescan Std Soft Drink Cola Medium buyers MAT 14/06/14, TCCC/CCA internal estimates

19

## A sustained focus on growing occasions amongst light/medium frequency families



ILLUSTRATIVE EXAMPLES

- Gaining back household penetration and increasing frequency
- Improving the value proposition by accentuating the specialness of Coca-Cola
- Suitable portion sizes and pack configurations – many of which are high margin for CCA and customer
- Continuous 52 week campaign focused on bringing back the specialness of Coke to Australian families

20

No compromise taste

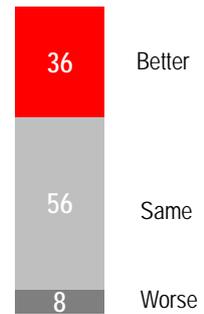
## The introduction of new “naturally sweetened” beverages, including Coke Life with full Coca-Cola taste



- We'll launch multiple naturally sweetened options during 2015-2017, including Coke Life
- We will use the UK Coke Life version of a full Coke taste and 35% less calories
- We already have significant customer interest and support
- We expect a positive effect across the whole Coca-Cola TM

Post launch opinion of Coca-Cola brand (Argentina launch)

% respondents



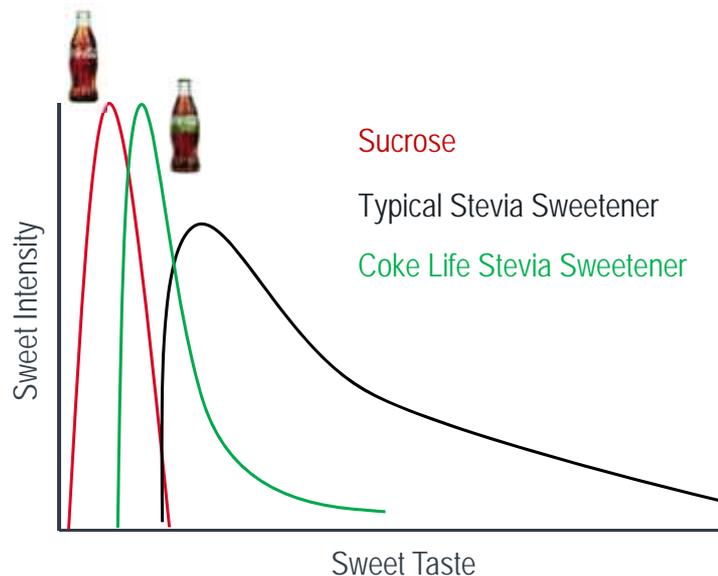
Source: Argentina post launch consumer tracker 2013

21

Leading sweetener technology

## TCCC is a world leader in the application of natural sweetener technology

- New technology and natural sweetener blends are allowing a closer match to the taste of sucrose
- Already the Coke Life blend is very close.
- The Coca-Cola Company is investing heavily in the development of even closer matches in the future



Source: The Coca-Cola Company

22

## Accelerating our leadership of Flavoured CSDs, leveraging price elasticity and product/flavour innovation



ILLUSTRATIVE EXAMPLES ONLY

- Flavours is a key entry point into the CSD category, particularly clear lemonades
- CCA'S combined portfolio has the highest market share and household penetration of all players in the Flavoured CSD segment
- Our insights from our promotional analysis work allows us to target higher elasticity of Flavoured CSDs with at a sustained competitive "sweet spot"
- Flavoured CSDs also respond to variety and novelty. We have a strong pipeline of product and flavour innovation across all brands

## Expanded participation across all key segments of the water category – focused on category value growth

ILLUSTRATIVE EXAMPLES ONLY



### Low Cost Value Water

- We'll partner with customers in value water segments where this will drive sustained category value growth
- We will develop Pure Springs as a branded value water where affordability is a purchase driver

### Premium Branded Water

- We will up-weight brand investment behind Australia's leading premium branded water
- We will launch a range of packaging and flavour innovations during 2015-17

### Enhanced Water

- We have identified untapped category value potential in an enhanced premium water segment
- We will bring new innovations to this segment during 2015-17.

Continued momentum

## We will continue the momentum in the sports and energy categories



- In 2014 we've grown volume by 7.7% and increased category share by 2.0% through up-weighted media and pack innovation
- During 2015-17 we will launch new product and pack innovations, further enhancing functionality for the consumer



- In 2014 we've grown our energy volume by 11.8% and increased category share by 3.2% through improved media, pricing and product innovation
- During 2015-17 we'll continue our challenger strategy and expand our brand presence by targeting growing needs and occasions

Source: Volume growth CCA ex factory YTD October; Aztec volume share calendar YTD 12/10/14, weighted combined grocery/convenience

25

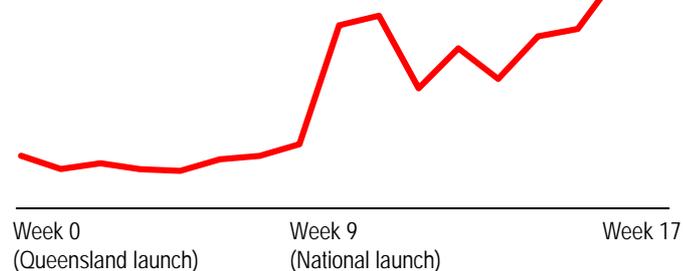
Early momentum

## We'll continue to roll-out the Barista Bros. brand - building on the initial launch momentum



### Weekly volume growth

Physical cases



- Already we've gained penetration in nearly 11,000 outlets with close to 70% re-ordering
- 2015 will see an expanded range of flavours and formats

Source: CCA internal data

26

Accelerating other segments

## We have prioritised a few key segments to enter or accelerate over the next 3-5 years\*



ILLUSTRATIVE EXAMPLES ONLY

- We have access to a large range of innovative NPD options through the global TCCC network
- Together with TCCC we are testing various approaches to successfully enter and grow in new and emerging categories, including "light-touch" import models such as for Zico

\* Not necessarily those shown

27

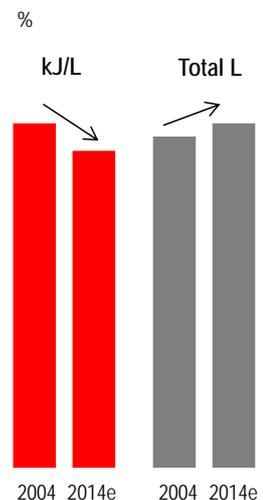
Reducing calories

## We'll continue to take the lead in reduced kJ, optimal portion sizes and increased beverage choice



- 100% of our core brands have a low/no cal. option
- More than 1/3<sup>rd</sup> of total volume is in no/low cal. options
- kJ per L have reduced by 8% since 2004
- We will increase our industry leadership role in continuing to innovate and communicate around portfolio choice

Changes in CCA's total portfolio



What's changing

## In the face of key challenges, we're planning significant changes to our strategy

### Key challenges

Health & artificiality  
+  
Affordability  
+  
Engagement & relevance  
+  
Customer concentration  
+  
Revenue & cost imbalance

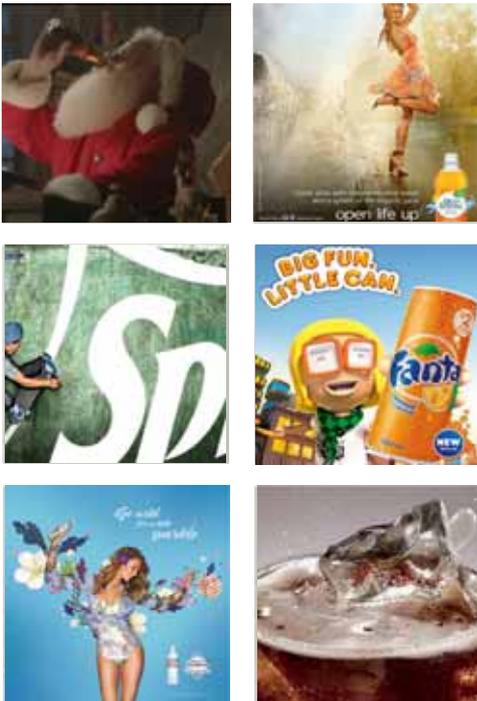
### Driving fundamental shifts in our strategy across our whole business

From...	→	...To
Volume & Price-led revenue growth	→	Transaction & Mix-led revenue growth
Declining loyal consumer base	→	Increased product and brand relevance to key consumers
Declining/dispersed marketing investment and impact	→	Up-weighted, focused marketing investment
Lost outlet execution and revenue management discipline	→	People and technology-led route to market and RGM discipline
High fixed cost investment / slowing growth	→	Balanced revenue growth / cost optimisation

29

Up-weighted media

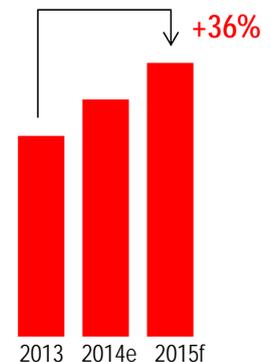
## We plan a significant increase in media spend and overall marketing spend impact



- Significant up-weight of media spend on both TCCC and CCA brands
- Key strategy streams (e.g. teens, medium families) with 52 week support
- Increased action standards on quality of communication
- TCCC and CCA jointly working on driving productivity out of total pooled marketing resource

Planned media spend\*

\$



\* Combined CCA and TCCC

# In the face of key challenges, we're planning significant changes to our strategy

## Key challenges

Health & artificiality  
+  
Affordability  
+  
Engagement & relevance  
+  
Customer concentration  
+  
Revenue & cost imbalance

## Driving fundamental shifts in our strategy across our whole business

From...		...To
Volume & Price-led revenue growth	➔	Transaction & Mix-led revenue growth
Declining loyal consumer base	➔	Increased product and brand relevance to key consumers
Declining/dispersed marketing investment and impact	➔	Up-weighted, focused marketing investment
Lost outlet execution and revenue management discipline	➔	People and technology-led route to market and RGM discipline
High fixed cost investment / slowing growth	➔	Balanced revenue growth / cost optimisation

## Disciplined allocation & management Introducing Sales Force Effectiveness (SFE)

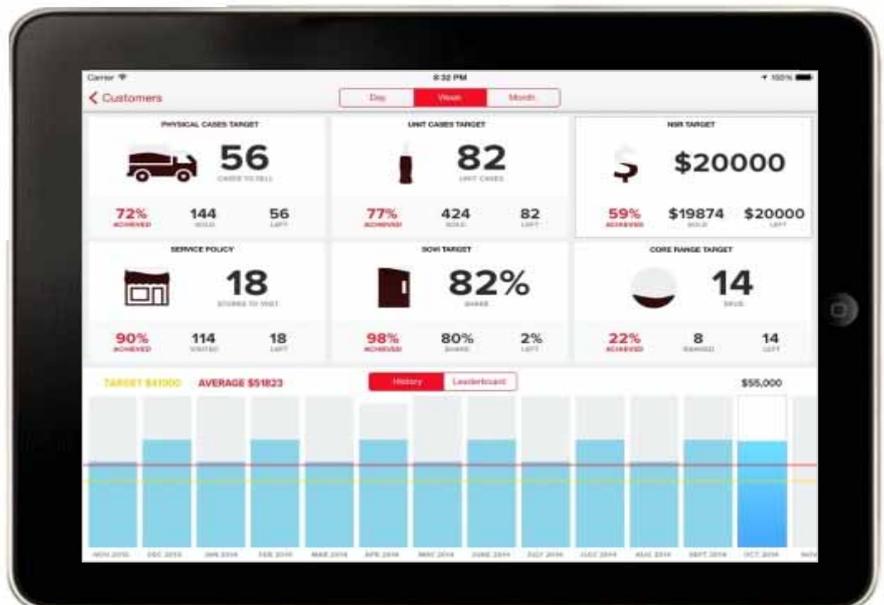
A **simple, disciplined** and **pragmatic** process that focuses the efforts of the frontline sales force against driving the critical metrics that enhance business performance and enable sales managers to:



## Focus on real time performance management at route & national level

Real time visibility of Sales achievement versus target

- ✓ Your Performance compared to your Sales Team
- ✓ Full visibility of Field Sales progress to Sales Management
- ✓ All transactions timed and geo-coded for further analysis





# Identifying opportunities at outlet level with accompanying profit stories

Profit Story functionality allows BDEs to create win-win profit outcomes for any customer

- ✓ Visual display of customer profit and volume
- ✓ Comparisons based on best in segment volumes to show size of opportunity
- ✓ Ability to manipulate volumes by product category & show customer profit potential



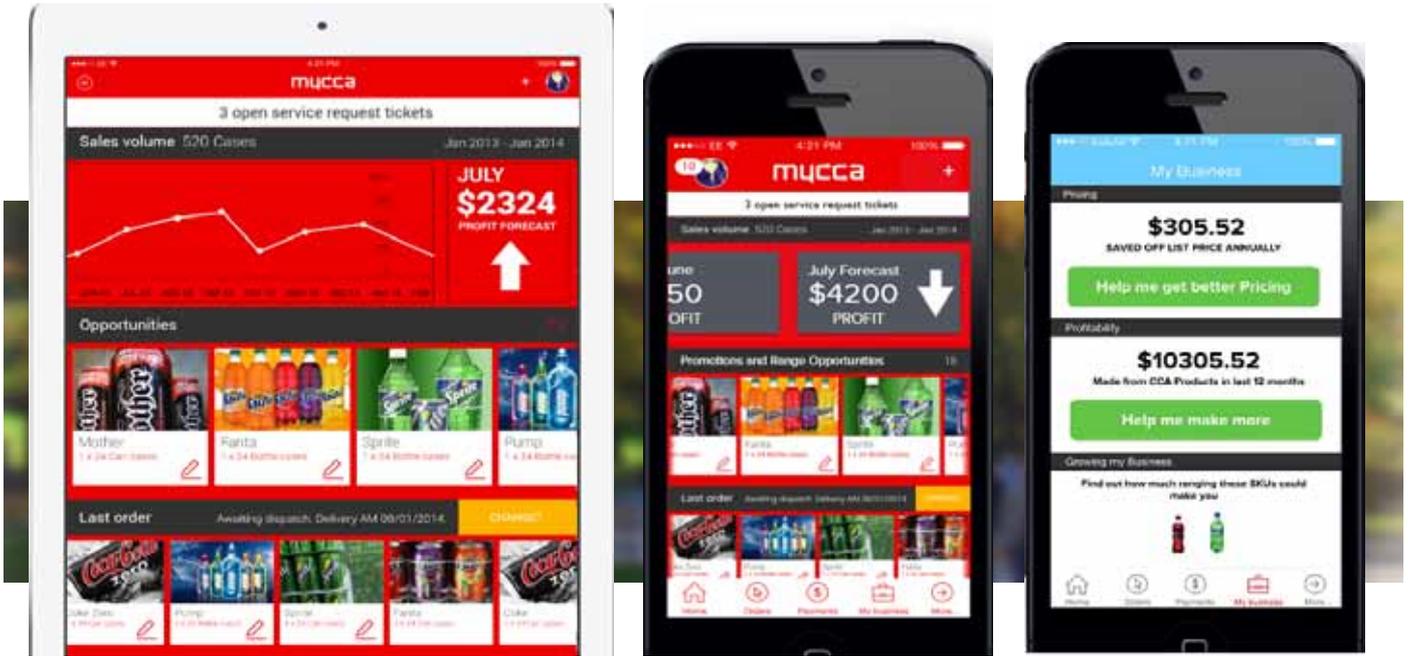
# From Q1 2015 we will put our mobile technology in the hands of our customers



- ✓ Full mobile capability
- ✓ In the hands of the customer
- ✓ On a mobile device
- ✓ Supported by the call centre and sales

RTM

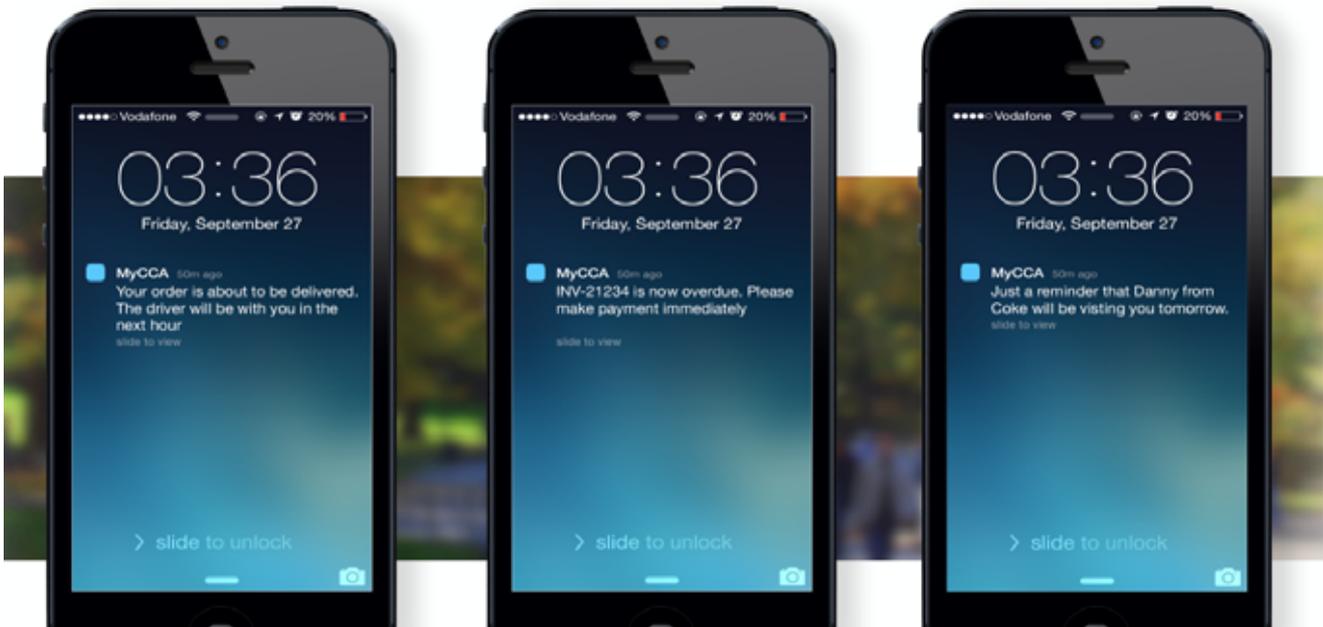
## Targeted insights, self service upsell, cross sell and product ranging



37

RTM

## Customer service enhancements



38

## Technology will also enable a range of improvements to our current pricing architecture

### Improve route discount architecture

- Re-design route discount architecture to ensure more disciplined pricing, rewarding customers for execution and performance, via IT enabled compliance tracking and a value-linked discount qualification model



### Limit sub-wholesaling

- Limit sub-wholesaling from national accounts via systems and processes to identify extraordinary ordering spikes, block 'illegitimate' orders, and provide alternate offers



### Address can leakage

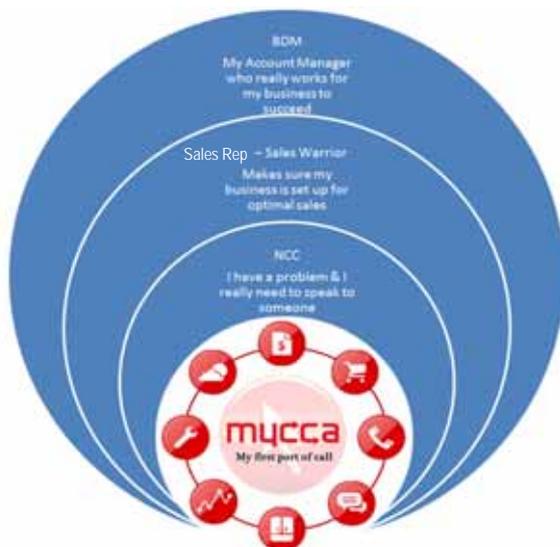
- Address route promotions/pricing to reduce can leakage from grocery by introducing systems and processes to identify, target and provide alternate offers to relevant customers



39

## The next phase of development "Making the complex simple & the simple compelling"

### Order Taker



### Business Partner



- ✗ High Touch
- ✗ Manual
- ✗ Sales Army
- ✗ Bricks and mortar
- ✗ Doing business with ourselves



- ✓ Low touch
- ✓ Automated / Self Serve
- ✓ Account Professional
- ✓ Virtualised
- ✓ Growing our customers business

40

## The future is here - Q1 2015



- Deliver a whole new best in class mobile self service proposition



- Manage your own details, rate our performance, contact us on-line



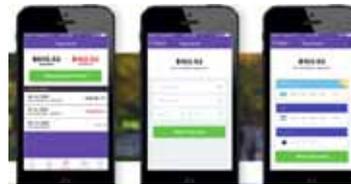
- Targeted insights at the fingertips of the customer, with comparison volume opportunities in the area



- We will let you know when we will be there, we will notify you when we have an issue



- Self service upsell, cross sell and product ranging, sku buying history by image



- Self service payments coupled with account analysis

## In the face of key challenges, we're planning significant changes to our strategy

### Key challenges

Health & artificiality  
+  
Affordability  
+  
Engagement & relevance  
+  
Customer concentration  
+  
Revenue & cost imbalance

### Driving fundamental shifts in our strategy across our whole business

From...

...To

Volume & Price-led revenue growth



Transaction & Mix-led revenue growth

Declining loyal consumer base



Increased product and brand relevance to key consumers

Declining/dispersed marketing investment and impact



Up-weighted, focused marketing investment

Lost outlet execution and revenue management discipline



People and technology-led route to market and RGM discipline

High fixed cost investment / slowing growth



Balanced revenue growth / cost optimisation

## A comprehensive approach to identifying productivity opportunities and a structured change management programme to realise

<b>Optimise supply chain</b>	<ul style="list-style-type: none"> <li>Streamline operations and drive continuous improvement</li> <li>Optimise supply chain support model</li> <li>Significantly reduce SKU's/portfolio complexity</li> </ul>	
<b>Maximise value from third party spend</b>	<ul style="list-style-type: none"> <li>Buy better: drive to lowest cost of supply across all spend</li> <li>Spend smarter: implement best practice supplier relationship management principles</li> </ul>	
<b>Optimise support model</b>	<ul style="list-style-type: none"> <li>Simplify, standardise and automate support model</li> <li>Build talent and organisational capability for a "low touch" high-value-add support model</li> <li>Better leverage our scale</li> </ul>	
<b>Coordinated with Systems Development &amp; Exploitation</b>		
<b>Dedicated Project Management Office to track</b>		

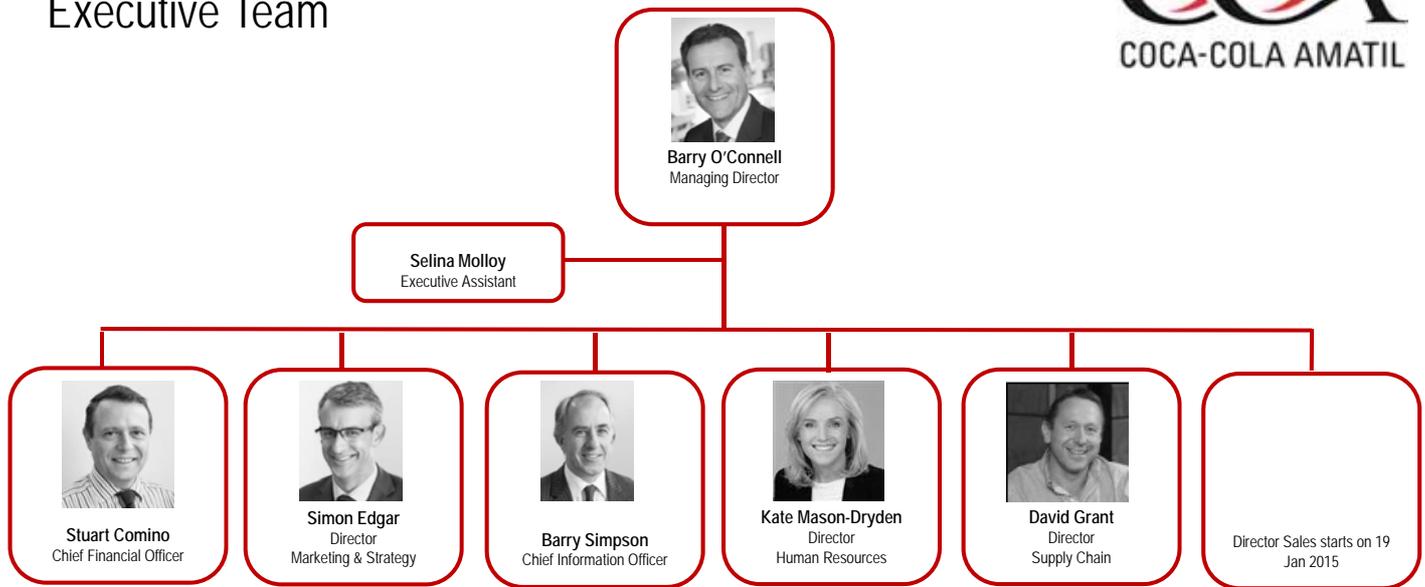
Targeted reduction of cost base by ~\$100m over 3 years

## We've a renewed focus on the most important enabler of our new strategy – our people

Key challenges	Driving fundamental shifts in our strategy across our whole business	
<p><b>Health &amp; artificiality</b></p> <p>+</p> <p><b>Affordability</b></p> <p>+</p> <p><b>Engagement &amp; relevance</b></p> <p>+</p> <p><b>Customer concentration</b></p> <p>+</p> <p><b>Revenue &amp; cost imbalance</b></p>	From...	...To
	Volume-led revenue growth	Transaction-led revenue growth
	Declining loyal consumer base	Increased product and brand relevance to key consumers
	Declining/dispersed marketing investment and impact	Up-weighted, focused marketing investment
	Lost outlet execution and revenue management discipline	People and technology-led route to market and RGM discipline
High fixed cost investment / slowing growth	Balanced revenue growth / cost optimisation	
<p><b>Unrivalled Capability      Winning Culture      Inspired Leadership</b></p>		

# Australia – Australian Beverages

## Executive Team



### Confidence

## Why we have every reason to be confident in our plan

128 years of hydration, energy, uplift and optimism wrapped up in one of the world's most powerful brands  
**We will re-engage with this universal desire and renew the magic of Coca-Cola**

A business that has evolved its portfolio to meet changing consumer and customer needs  
**We will continue to evolve our portfolio further within a strategic framework, leveraging the power of a global Coca-Cola System and adopting a flexible and agile approach to each opportunity**

A business that has been built on route to market strength and executional discipline  
**We will re-define our route to market by combining executional discipline with break through selling solutions**

Unrivalled manufacturing and distribution and cold drink capability  
**We will leverage our infra-structure advantage whilst building a lean and agile supply chain**

4500 passionate people who care very deeply about CCA's success  
**A renewed energy and drive with an experienced & fresh leadership perspective**



# CCA Investor Briefing Strategic Review

30 October 2014

Barry O'Connell Managing Director – Australian Beverages



## Disclaimer

CCA advises that these presentation slides contain forward looking statements which may be subject to significant uncertainties outside of CCA's control.

No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.

Actual future events may vary from these forward looking statements and you are cautioned not to place undue reliance on any forward looking statement.





# CCA Investor Briefing New Zealand

30 October 2014

Chris Litchfield Managing Director – New Zealand & Fiji



1

New Zealand

## A Product for Every Beverage Occasion & Brands Loved & Trusted by NZ



2

**New Zealand** **The Plan: Build a strong, diverse beverage portfolio, leveraging our scale, efficiency & route to market**



**Grow SPARKLING transactions**

**Accelerate share growth in STILLS**

**CUSTOMER Service as a differentiator**

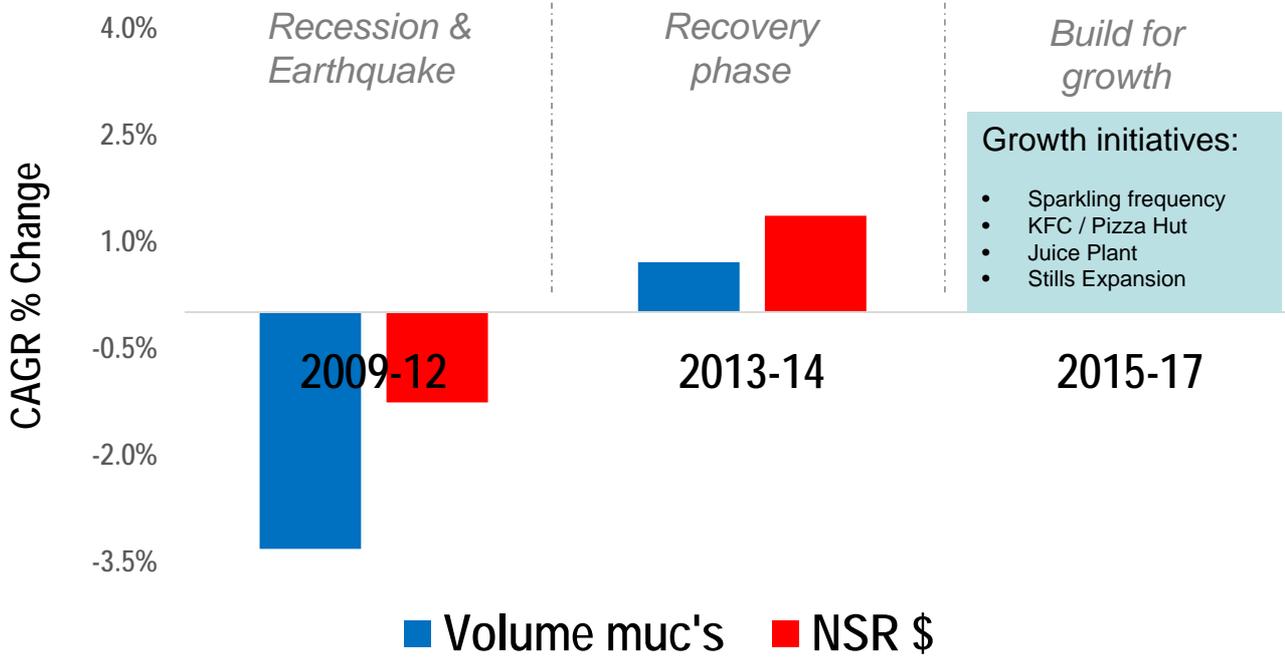
- BRAND LOVE
- ENGAGEMENT
- AFFORDABILITY
- INNOVATION

- WATER
- JUICE
- SPORTS
- NEW CATEGORIES

- CUSTOMER PROMISE
- MARKET ASSETS
- SERVICE OFFERING
- CAPABILITY

**Fast, Flexible and Efficient Supply Chain**

**New Zealand** **Transitioning from a Pricing & Cost Out led earnings phase to a Volume based growth agenda**



# Our Proven Market Execution Capability and ability to Innovate have driven our share of growth

## PRODUCTS



## PACKS



## COMMUNICATION



L&P  
3 year  
CAGR  
+8.9%

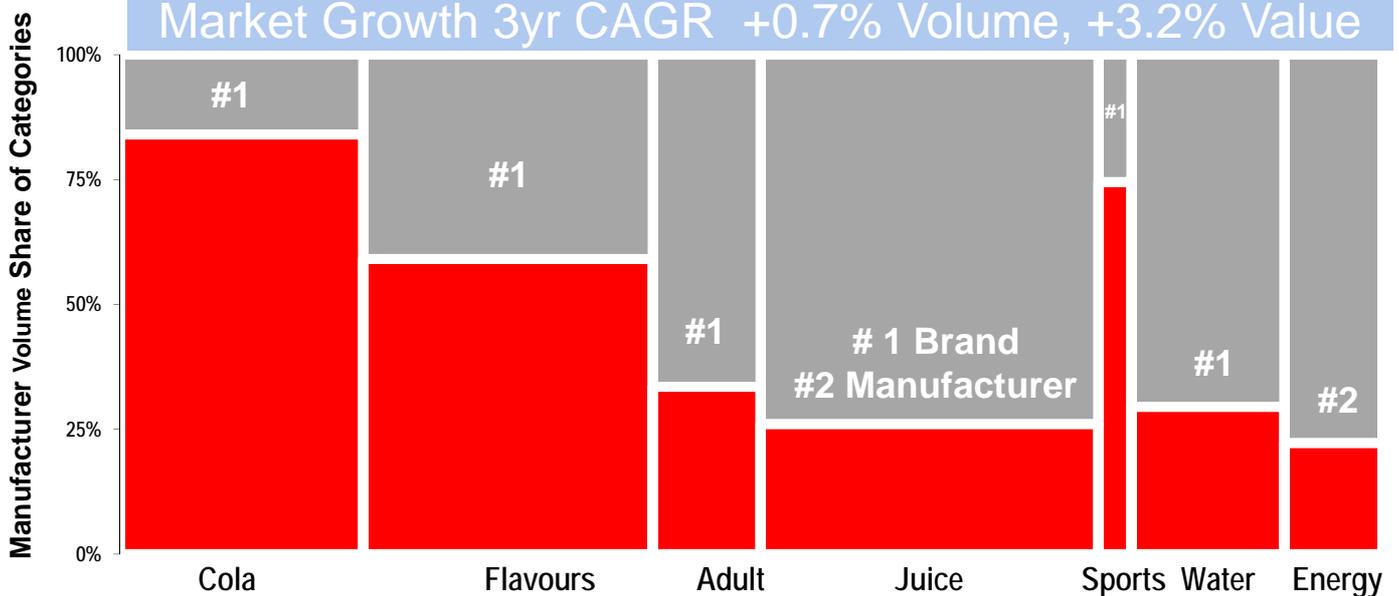
## EXECUTION



# We are well positioned to service Every Beverage Occasion in an expanding market



Market Growth 3yr CAGR +0.7% Volume, +3.2% Value



Our brand strength enables us to compete for the available and expanding profit pools within beverage



The Plan: Build a strong, diverse beverage portfolio, leveraging our scale, efficiency & route to market



Grow SPARKLING transactions

Accelerate share growth in STILLS

CUSTOMER Service as a differentiator

- BRAND LOVE
- ENGAGEMENT
- AFFORDABILITY
- INNOVATION

- WATER
- JUICE
- SPORTS
- NEW CATEGORIES

- CUSTOMER PROMISE
- MARKET ASSETS
- SERVICE OFFERING
- CAPABILITY

Fast, Flexible and Efficient Supply Chain

# Grow Sparkling Transactions Four Consistent Pillars of Activity

H2 2014 → 2015

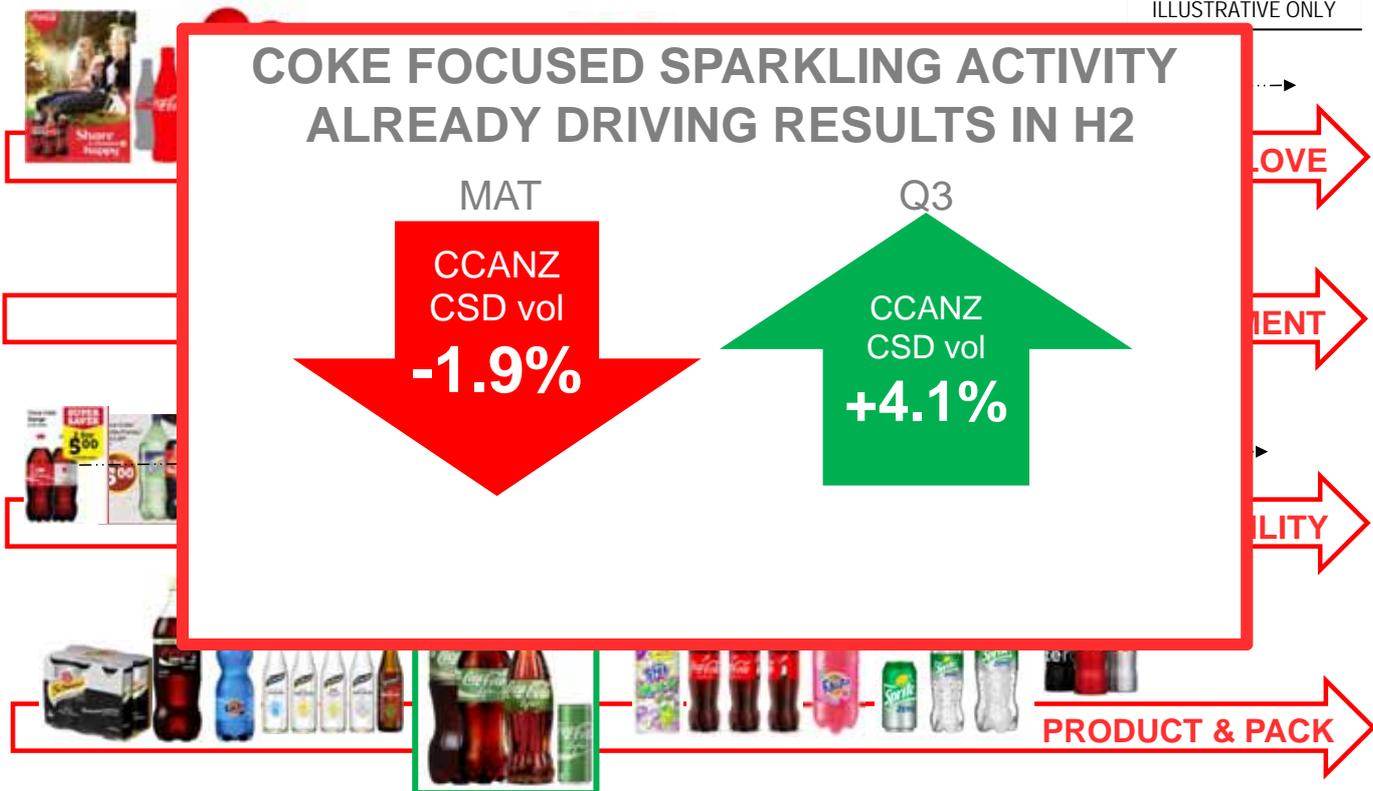
ILLUSTRATIVE ONLY



# Grow Sparkling Transactions Four Consistent Pillars of Activity

H2 2014 → 2015

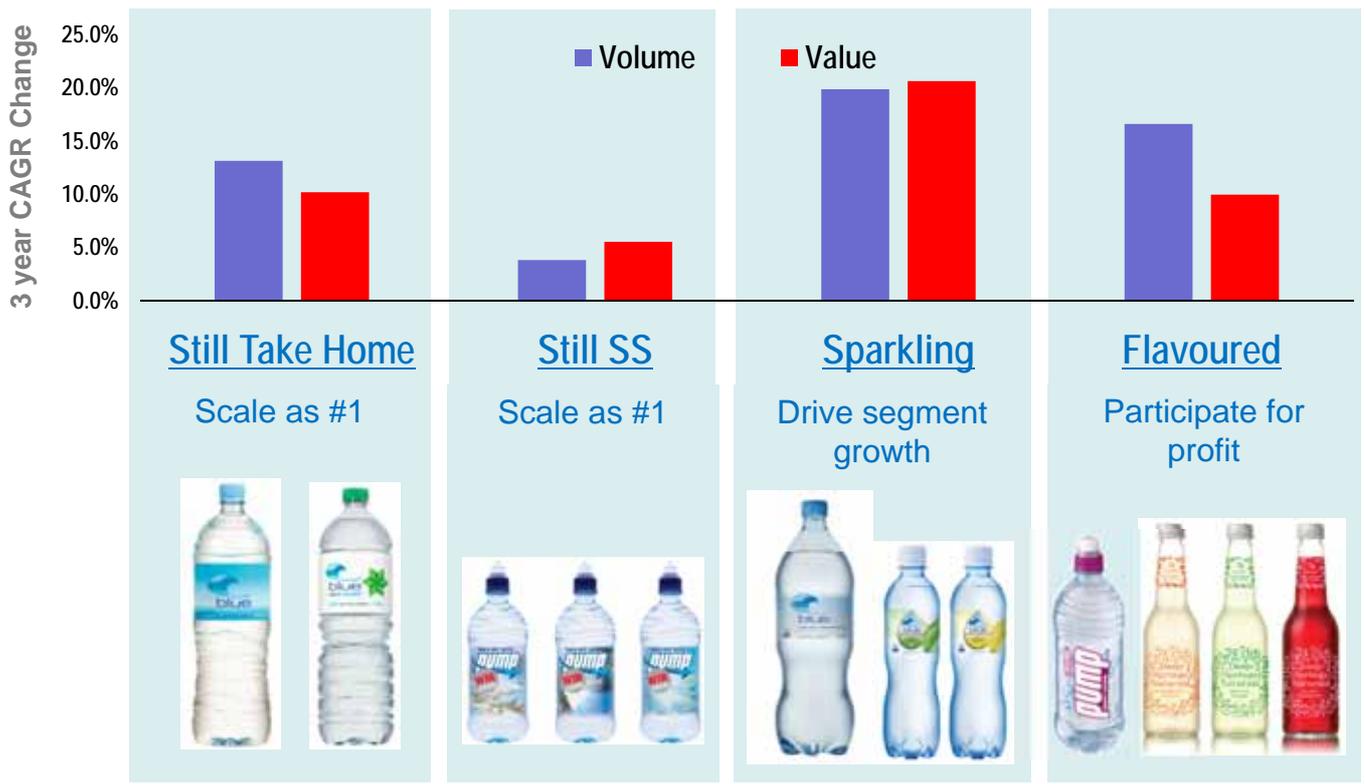
ILLUSTRATIVE ONLY



**New Zealand** **The Plan: Build a strong, diverse beverage portfolio, leveraging our scale, efficiency & route to market**



**New Zealand** **Continue growth in Water volume & value via dual brand category ownership**



**3 year CCA CAGR:** **+10% volume** **+8% value**

New plant enabled innovation will allow CCANZ to be NZ's Number 1 juice manufacturer

H2 2014

2015



PULPY NPD



LOW SUGAR NPD

NEW PLANT FORMAT EXTENSIONS



TAKE HOME



SINGLE SERVE



ORGANIC & CAFÉ RANGE EXTENSION



REVIEW COLD CHAIN.

PREMIUM

3 year CCA CAGR:

+9% volume

+6% value

ILLUSTRATIVE ONLY

Continue to drive share & occasion across the full portfolio

Fastest growing STILLS portfolio in AsiaPac



Drive category growth in **SPORTS** via functional packs, ingredients & partnerships

Dual brands maximise share growth in **ENERGY** via equity, price & innovation

Participate in **EMERGING & NEW** occasions

+2.3% (73.4%)

MAT SPORTS volume share

+3.2% (22.0%)

MAT ENERGY volume share

+0.4% (50.8%)

MAT TOTAL volume share

The Plan: Build a strong, diverse beverage portfolio, leveraging our scale, efficiency & route to market



Grow SPARKLING transactions

Accelerate share growth in STILLS

CUSTOMER Service as a differentiator

- BRAND LOVE
- ENGAGEMENT
- AFFORDABILITY
- INNOVATION

- WATER
- JUICE
- SPORTS
- NEW CATEGORIES

- CUSTOMER PROMISE
- MARKET ASSETS
- SERVICE OFFERING
- CAPABILITY

Fast, Flexible and Efficient Supply Chain

Invest in service and capability to expand our retailer partners across multiple channels



Customer Promise

\$\$ Marketing Assets

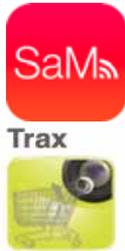


- ✓ Right Pack
- ✓ Right Price
- ✓ Every Time



High Touch Service Model

Field Capability



# Continue on our Journey to build great people & market leading capability

## Safety

Continue to build a Zero Harm safety culture for all our people and stakeholders

## Efficiency

Drive efficiency through volume and scale, leveraging our recent investments and future capital initiatives

## Engagement

Build NZ's most dynamic and engaged team, passionate about their company, brands and products

## Continuous Improvement

Create an entrepreneurial culture of innovation, fostering continuous improvement and speed to market



# A Product for Every Beverage Occasion & Brands Loved & Trusted by NZ





## Disclaimer

CCA advises that these presentation slides contain forward looking statements which may be subject to significant uncertainties outside of CCA's control.

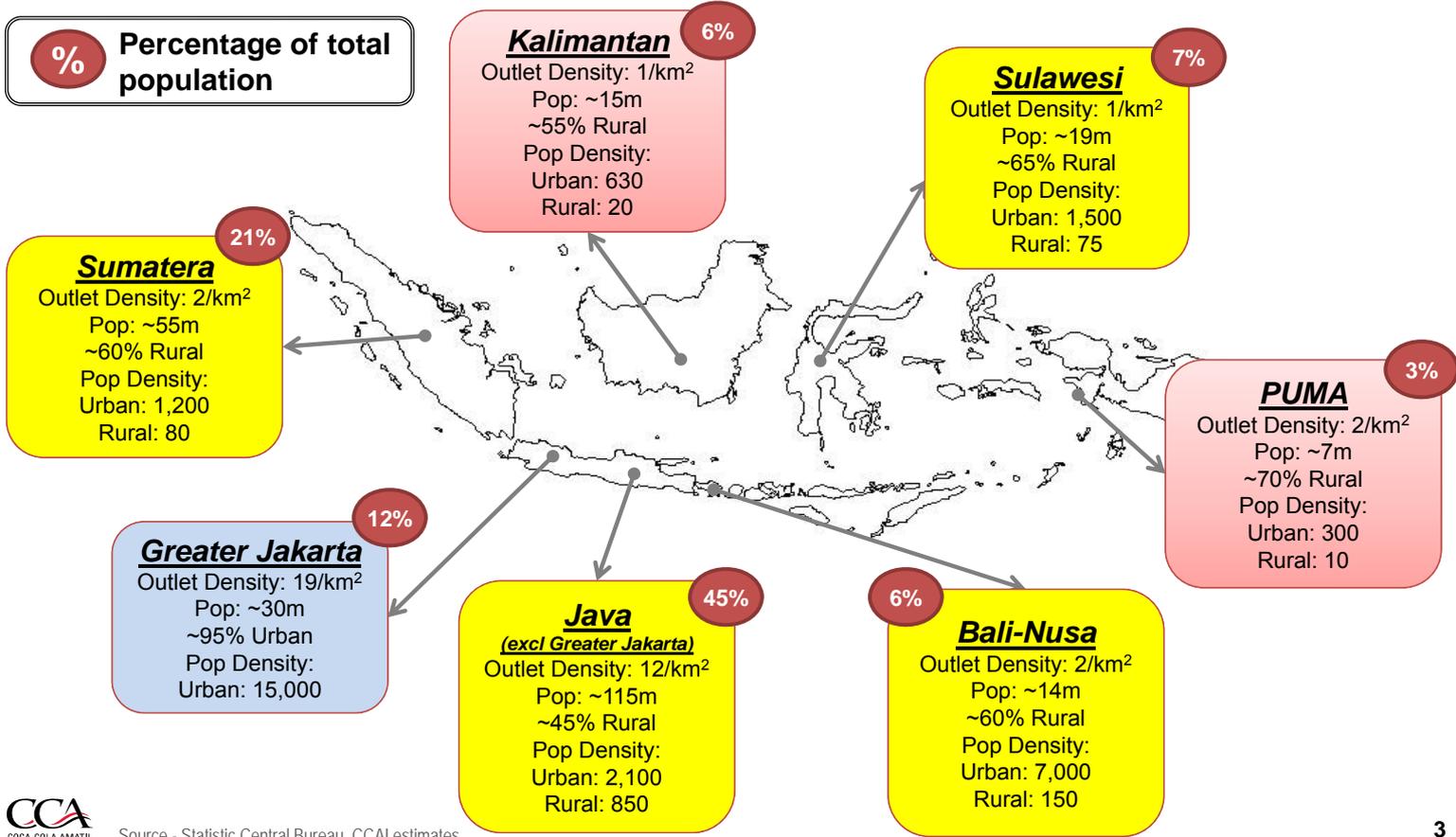
No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.

Actual future events may vary from these forward looking statements and you are cautioned not to place undue reliance on any forward looking statement.



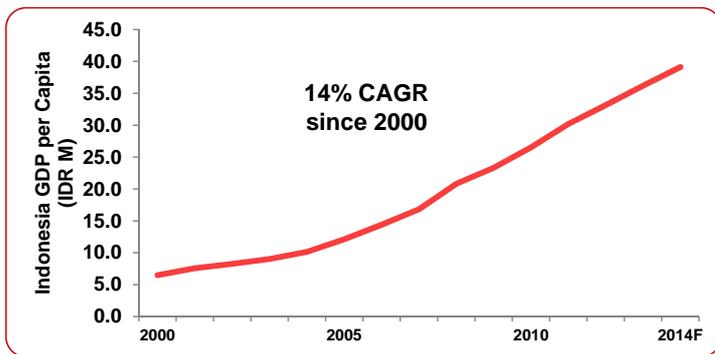


# World's largest archipelago nation – over 17,500 islands, population of ~255m. Java, population of ~145m, is the most densely populated island in the world

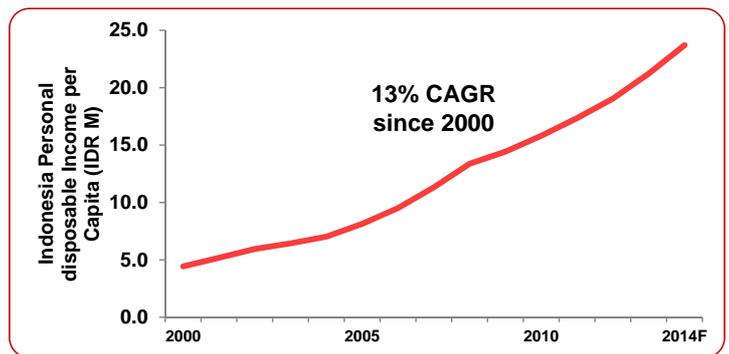


## Strong economic fundamentals are driving growth in GDP per capita, resulting in material growth in disposable income and consumer spending

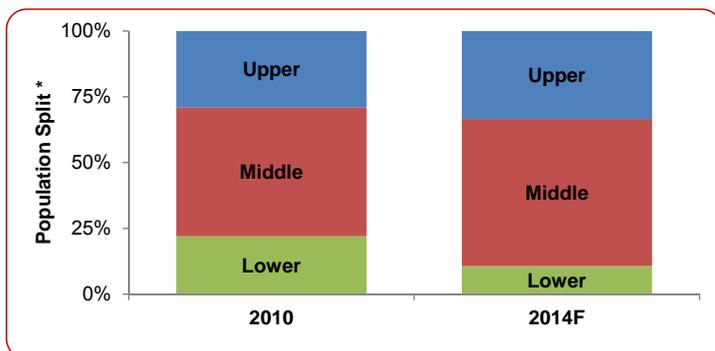
GDP per capita rapidly increasing



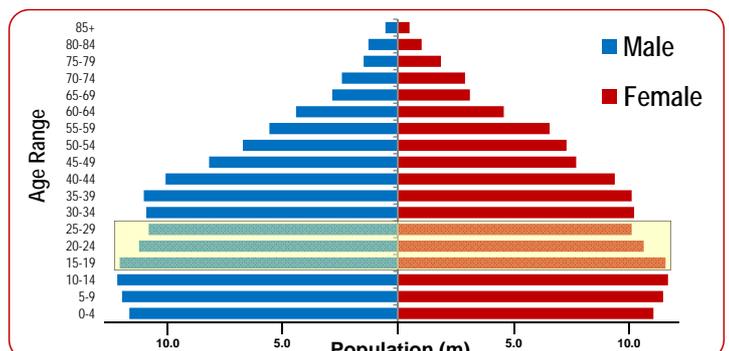
...with material growth in disposable income



Rapidly growing affluent & middle classes



...and 63m people in the key 15-29yr old market

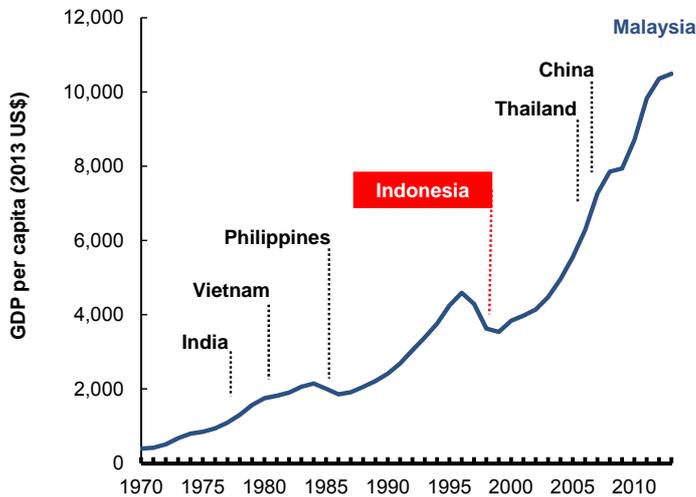


# Assuming Indonesia follows a similar GDP per capita trajectory to its neighbours, it could see sustained economic growth for decades

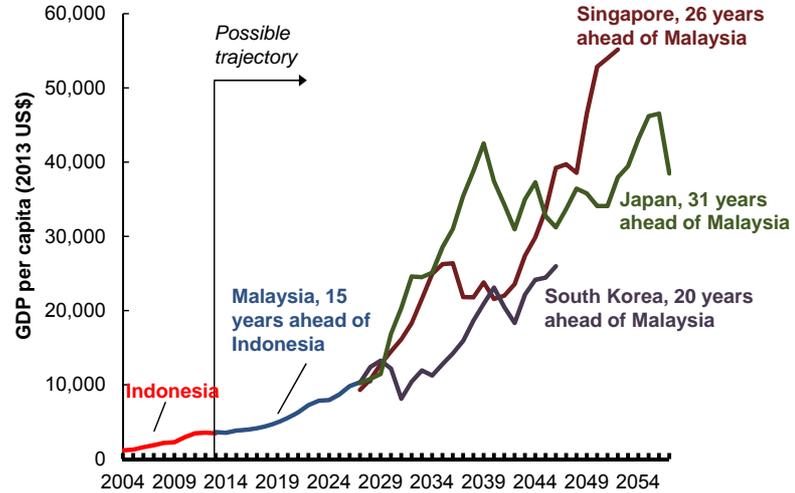
Malaysia GDP per capita is currently 15 years of growth ahead of Indonesia...

... while GDP per capita of some advanced Asian economies are ahead of Malaysia by over 20 years

Malaysia GDP per capita and relative positions of other economies



GDP per capita, possible trajectories for Indonesia



## Our manufacturing and route-to-market footprint gives us a solid foundation to capture this growth opportunity

### National Manufacturing & Distribution network:

- 9 manufacturing sites
- 38 production lines (with capacity of ~1.6bn litres of beverages) and ~60% self sufficient on Preforms via self manufacture
- Over 1,300 distribution vehicles



### National Salesforce of ~4,000 people:

- Selling a full range NARTD beverage portfolio
- We reach ~1.6million customers both directly and indirectly
- With ~300,000 pieces of Cold Drink Equipment in the market

# Our strong product portfolio across all commercial beverage categories supports our position to capture growth in the NARTD market

## Sparkling



## Tea



## Juice



## Dairy



## Isotonic



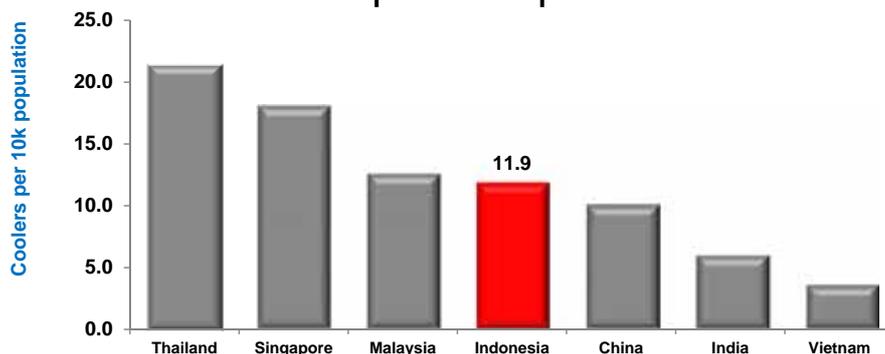
## Water



# Cold drink investment allows us to create / own significant cold space in a highly fragmented market

- 300,000 CCA coolers in the market
- Supported by a complete beverage portfolio vs competitors
- Space in outlet and electricity challenges - equipment innovation has delivered optimal coolers for Indonesian market

Cooler Units per 10k Population



# Indonesian Strategy Update

- **Indonesia is a big, long-term opportunity**
  - Large population, favourable demographics, strong GDP growth
  - Large manufacturing footprint, extensive distribution network and wide product range, puts us in a strong position to capture this opportunity
- **The operating environment however continues to be challenging**
  - Increasingly fragmented competitive landscape
  - Difficult but typical emerging market macro conditions putting significant pressure on costs, e.g. inflation, FX
- **We are investing (as a system) in Indonesia to win, transforming our business to further leverage our existing footprint, to be in a leading position and to be leaner and more competitive**
  - Transform route-to-market model
  - Refine revenue management
  - Cost-out, drive efficiency and productivity
- **We are following a road map strategy. Early signs are positive**

The significant growth potential of the market has attracted many new players across each of the key product categories

**NARTD industry structure (early 2000s)**



Generally one company dominated each category, market's low-end highly fragmented

**NARTD industry structure (2013)**



New and credible players in each category, only Aqua has sustained in category dominance

# These new entrants include both local and international beverage suppliers often with a strong product offering focused in 1 or 2 categories

						 	
Major recent developments	• New category entry	• Major capacity investment	• Sparkling entry	• Affordable offering in Tea category	• Cross category promotions	• Acquired #2 water player • Capacity investment	
Beverage Categories	• Sparkling • Isotonic	• Water – Package & Bulk • Functional Water	• Sparkling • Juice • Tea • Water	• Tea	• Tea • Juice	• Sparkling • Juice • Tea • Water	
Brands		 	  		  	 	
YTD Aug 2014 NARTD Share	Volume	3.1%	28.2%	2.6%	1.7%	5.0%	5.3%
	Value	4.3%	19.1%	5.8%	3.1%	5.0%	3.0%

**CCAI Share of NARTD Market: Volume 8.5% Value 18.1%**



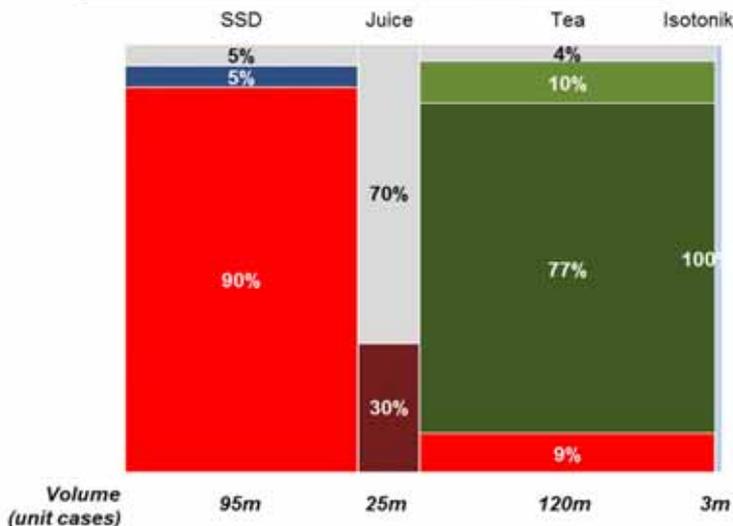
\* Source: AC Nielsen & CCA Estimates

# Resulting in accelerated NARTD growth that came predominantly with affordable offerings and further fragmentation

- CCA
- Pepsi
- AJE Indonesia
- Buavita
- Wings Group
- Danone
- Sosro
- Tekita
- The Gelas
- Otsuka
- Other

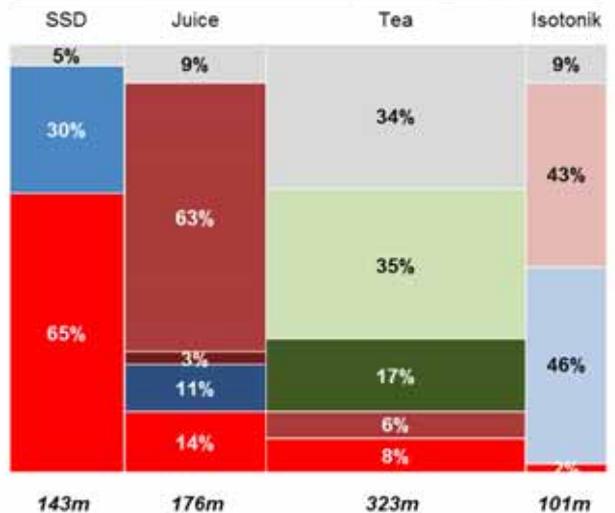
**NARTD market (excl. water and dairy), 2003**

Total volume = 243m unit cases, CCA = 40% of volume



**NARTD market (excl. water and dairy), 2013**

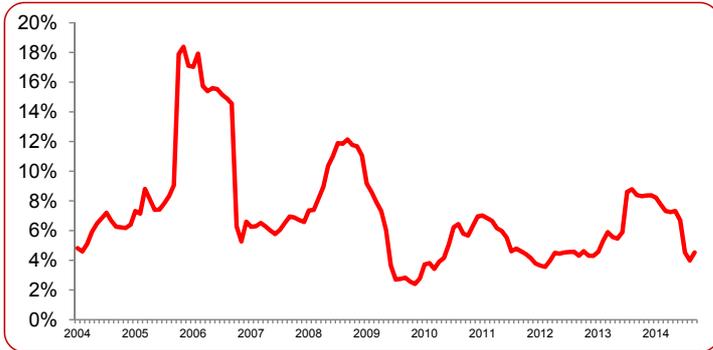
Total volume = 743m unit cases, CCA = 20% of volume



\*Pepsi SSD share in 2013 <5%, Pepsi Juice share in 2013 is driven by Fruitamin Cups  
Source: TCCS estimates

# While market fundamentals remain strong, current headwinds from high inflation and exchange rate movements creates volatility

Inflation driven partly by reduction of fuel subsidies

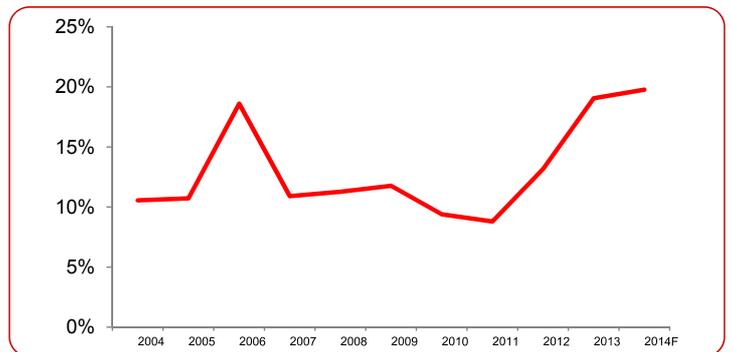


With depreciation of the Rupiah



- Indonesia is an emerging market
- Growth is expected to be volatile
  - Depreciation in IDR relative to USD impacted input costs by A\$19m in 1H14
  - Minimum wage has grown 14% pa on average for the past 3 years
- Market fundamentals remain strong

And high growth in minimum wages



## Indonesian Strategy Update

- **Indonesia is a big, long-term opportunity**
  - Large population, favourable demographics, strong GDP growth
  - Large manufacturing footprint, extensive distribution network and wide product range, puts us in a strong position to capture this opportunity
- **The operating environment however continues to be challenging**
  - Increasingly fragmented competitive landscape
  - Difficult but typical emerging market macro conditions putting significant pressure on costs, e.g. inflation, FX
- **We are investing (as a system) in Indonesia to win, transforming our business to further leverage our existing footprint, to be in a leading position and to be leaner and more competitive**
  - Transform route-to-market model
  - Refine revenue management
  - Cost-out, drive efficiency and productivity
- **We are following a road map strategy. Early signs are positive**

**Our Mission : To become the leading NARTD beverage company in Indonesia by value with unsurpassed brand strength and segmented execution capabilities, capturing the emerging middle class consumer opportunities**

	Objectives	Plan Metrics
Market Leadership	Obtain and maintain a leading market position by achieving above market growth	<ul style="list-style-type: none"> <li>Target annual growth in excess of market growth rates for the next 10 years</li> </ul>
Returns	Provide economic returns to shareholders that exceed the cost of capital of CCAI	<ul style="list-style-type: none"> <li>CCAI returns progressing to be greater than WACC by 2020</li> </ul>
	Ensure sufficient profitability to provide business investment and shareholder returns	<ul style="list-style-type: none"> <li>EBIT margin progressing to 10% by 2023</li> <li>Cost growing less than inflation through increasing scale and productivity improvements</li> </ul>

**Our Mission Statement is driven by 4 strategic priorities....**

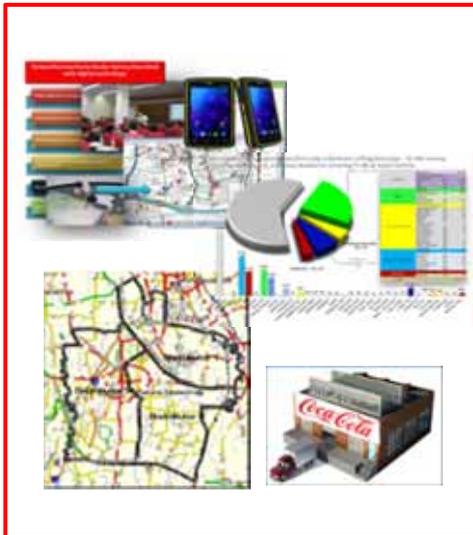


# ...and supported by 3 key enablers

Transform route-to-market model

Refine revenue management

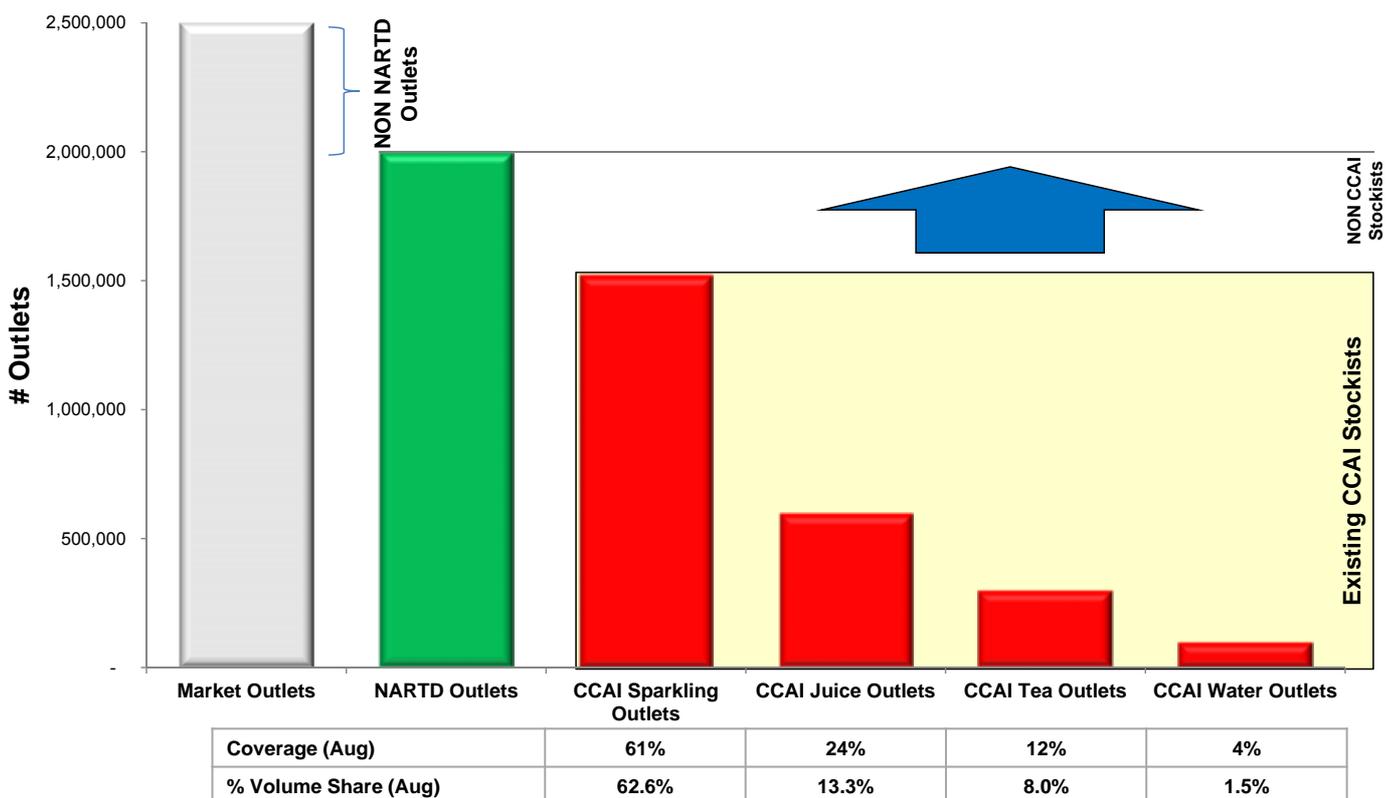
Cost-out, while also leveraging scale and efficiency



Transform route-to-market model

Opportunities exist within existing CCAI stockists to increase product range and penetration and in existing NARTD outlets that are yet to stock CCAI products

CCAI Outlet Coverage by Category



# Our new RTM model will leverage the efficiency of third party distribution while retaining and enhancing our competitive edge from owning the account development and order generation

## Every Dealer Survey (EDS)

- **Detailed market information**
  - Analysis by outlet, category and competitor
  - Optimise sales and delivery routes
- **Expand outlet universe in proprietary knowledge database – most extensive in whole of market**

Leverage data to optimise revenue management and identify outlet expansion opportunities

## Third Party Distributors set up

- **Rationalise distribution/warehousing network**
- **Set up CCAI Official Distributors**
  - Clearly defined area coverage and KPI's
  - Same day or 24hr delivery (currently 48hrs)

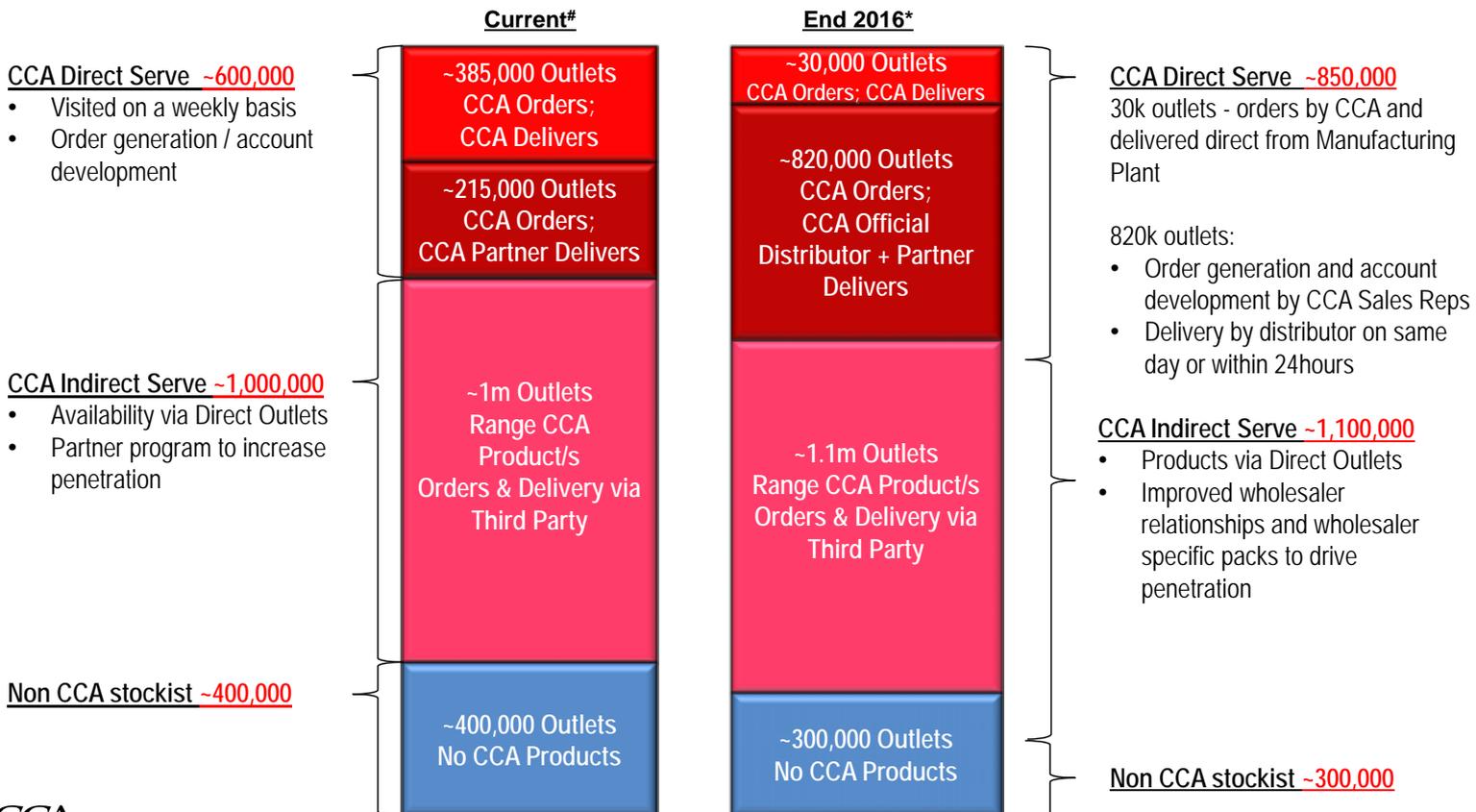
Reduce cost to serve, improve customer service

## Increase portfolio penetration and salesforce productivity

- Increase portfolio penetration with high potential outlets identified in EDS
- **Significantly improved sales and e-coaching toolkit with the latest technology**
- **Proven Coca-Cola System approach to increasing market relevance and pricing power**

Better mix management by increasing direct outlet coverage and effectiveness

# Our new RTM model will drive portfolio availability by increasing direct coverage and actively managing the wholesaler network



# Our new RTM model will allow us to rationalise our distribution / warehousing network

## 2014

- 85 Distribution Centres
- ~1,300 distribution vehicles



## 2017

- ~55 Distribution Centres
- ~600 distribution vehicles



# We will refine our revenue management through product, geography and channel mix to reduce reliance on pricing

### Strengthen pack-price architecture

- Packaging initiatives to target affordability to maintain overall profitability
- Promote recruitment into higher margin categories and packs

### Optimize channel and cross-channel execution

- Channel specific pack/price architecture
- Cross channel execution to be complimentary to each other
- Occasion specific channel execution

### Capture regional opportunities

- Right pack at the right price in the right location
- Rationalise SKU's by region
- Improve trade marketing programs to target regional area's with key regional packs

# We are refining our pack-price architecture to address affordability and increase penetration by reaching through to emerging customers

<b>Sparkling Brands</b> 250mL PET  RRP: 3,000Rp	<b>Brand</b> : Coca-Cola, Sprite, Fanta
	<b>Category</b> : Sparkling
	<b>Trial</b> : Aug 2014 to Dec 2014
	<b>Location</b> : Jakarta & East Java
	<b>Availability</b> : Traditional Trade



## 250ml Sparkling Trial

**Penetration (CCAI Outlets#)** : 30%  
**Bottle transactions** : ~+20%

<b>Minute Maid Pulpy</b> 250mL PET  RRP: 3,500Rp	<b>Brand</b> : Minute Maid Pulpy
	<b>Category</b> : Juice
	<b>Trial</b> : Sept 2014 to Dec 2014
	<b>Locations</b> : Jakarta
	<b>Availability</b> : Traditional Trade



## 250ml Juice Trial

**Penetration (CCAI Outlets#)** : 39%  
**Bottle transactions** : ~+30%

<b>Frestea</b> 300mL Cup  RRP: 1,500Rp	<b>Brand</b> : Frestea
	<b>Category</b> : Tea
	<b>Launched</b> : Oct2013
	<b>Location</b> : Jakarta
	<b>Availability</b> : Traditional Trade



## 300ml Frestea Cups

**Coverage\*** (Total Outlets#) : 11%  
**YTD 2014 Volume (ucs)** : 4.3m  
**Volume Share\*** : 2.6%  
**YTD SKU volume rank\*** : 10<sup>th</sup>

# Reinvent our cost base to be a leaner, more competitive organisation



- Reduction in out of stock issues
- Improved customer service
- Improving supply chain efficiencies
- Freight cost savings
- Cost advantage over non-localised competitors



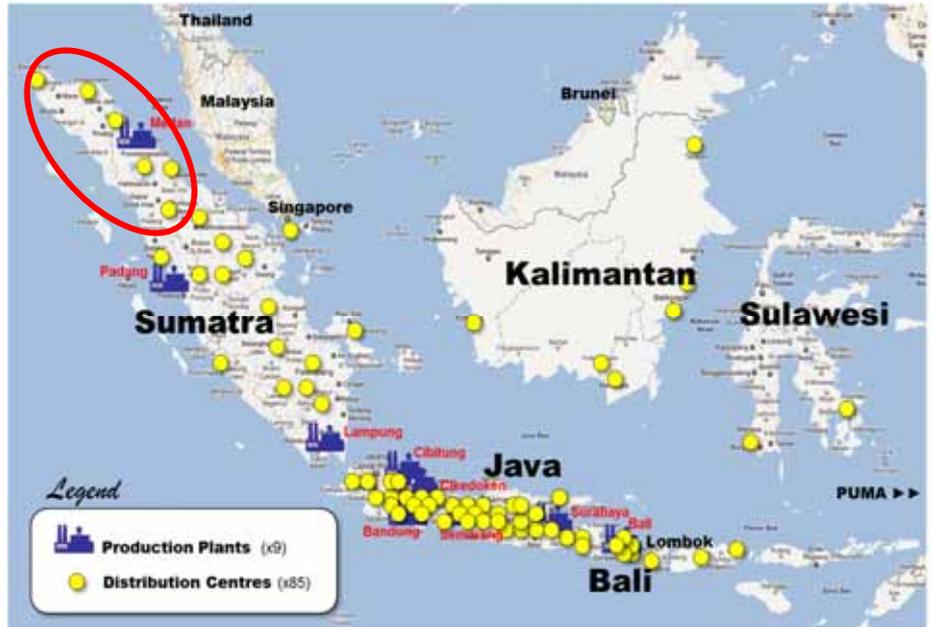
- Reduce the numbers of SKU's
- Drive cost savings through primary and secondary packaging initiatives
- Improve operational efficiency and labour productivity

Cost-out, while leveraging scale and efficiency

# Shifting to localised production will substantially reduce service lead times and provide freight cost savings

## Example: Medan Hotfill line (Juice & Tea)

- Installed in 2013
- Service lead times improved from ~22 days to 1-3 days
- Out of Stocks reduced from 6.9% in 2012 to 0.9% in 2013



Cost-out, while leveraging scale and efficiency

# Cost-out through reducing manufacturing complexity and packaging initiatives in the short-term, followed by harnessing productivity benefits over time as the business grows

## Cost-out over time

Efficiency

Scale

Reduce complexity by delisting ~30% of SKUs

Light-weight packaging and energy saving initiatives

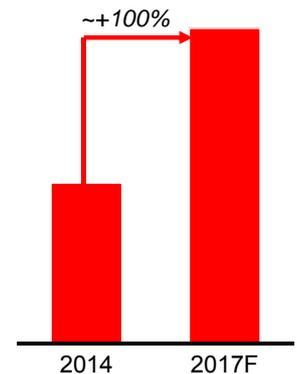
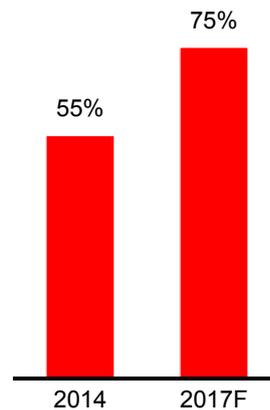
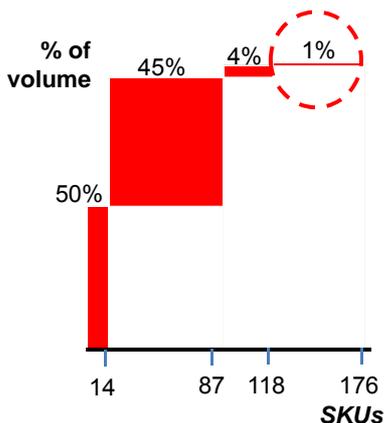
Improve operational efficiency

Improve labour productivity

Cost savings of up to IDR300bn over 3 years

OEE (%)

Unit case per manufacturing FTE



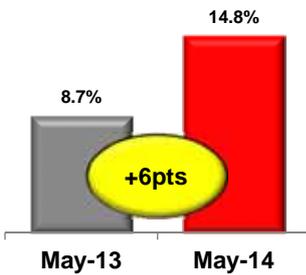
Sparkling Portfolio	Minute Maid	Frestea	Enhanced Hydration	Min. Water
<b>Most Loved And Habitually Consumed Beverages For Teens &amp; Young Adults</b>	<b>Lead In Everyday Nourishment Drinks</b>	<b>Breakthrough Distinctive Positioning &amp; Recruitment</b>	<b>Actively Participate in Hydration &amp; Water to Drive Commercial Relevance &amp; Scale</b>	
Lead with <b>Coca-Cola</b> , integrated marketing and commercial plans.	<b>Minute Maid Pulp, FruitBite &amp; Nutriboost</b> with strong product, innovation & commercial leverage	<b>Frestea</b> drive differentiation, execution fundamentals & trial/recruitment	<b>Aquarius</b> , Re-defined winning proposition <b>Adeg</b> , investment as RTM/scale enabler	

**MOST LOVED AND CONSUMED BEVERAGES FOR TEENS & YOUNG ADULTS**

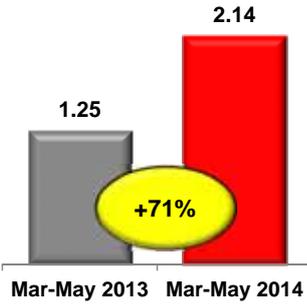
KEY OCCASION: UPLIFTING BREAK AWAY FROM HOME	KEY OCCASION: AT HOME BREAK	PROMOTE ACTIVE HEALTHY LIVING
<ul style="list-style-type: none"> <li>✓ INTRINSIC: DELICIOUS &amp; REFRESHING</li> <li>✓ EMOTIONAL UPLIFT: COKE MAKES BREAKS MORE FUN</li> <li>✓ CONSUMER SAMPLING</li> <li>✓ IC PACK OCCASION ACTIVATION/TARGETED SINGLE SERVE PROMOS</li> <li>✓ COLD AVAILABILITY EXPANSION</li> </ul>	<ul style="list-style-type: none"> <li>✓ INTRINSIC: DELICIOUS &amp; REFRESHING</li> <li>✓ EMOTIONAL: SPECIAL MOMENTS @ HOME + SPECIAL OCCASIONS (RAMADAN)</li> <li>✓ IN-HOME SAMPLING</li> <li>✓ MS PROMOTIONS TARGETING HOME CATEGORY MANAGER / MOM</li> <li>✓ DOMINANT AMBIENT SOVI</li> <li>✓ OCCASION BASED MESSAGING</li> </ul>	<ul style="list-style-type: none"> <li>✓ ACTIVE HEALTHY LIVING &amp; KEY PASSION POINTS (FOOTBALL &amp; BADMINTON)</li> </ul>

## Sparkling: A strong FIFA World Cup marketing program drove significant increases in Multi Serve sparkling

1.0L PET SSD Direct Outlet Penetration



1.0L PET SSD Volume (Mucs)



Special pack for FIFA World Cup



National consumer promotion across all channels – Supported by media and on pack

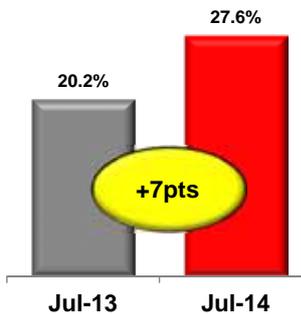


Full range of POSM Support

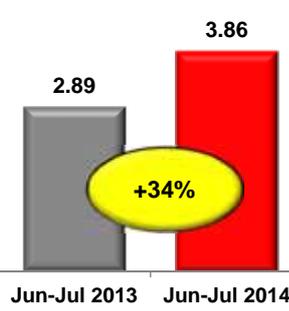


## Sparkling: The most successful Ramadhan period with special Ramadhan packs, supported with a relevant advertising campaign driving growth

Traditional Trade 1.0L PET SSD Penetration



Traditional Trade 1.0L PET SSD Volume (Mucs)



Special pack for Ramadhan

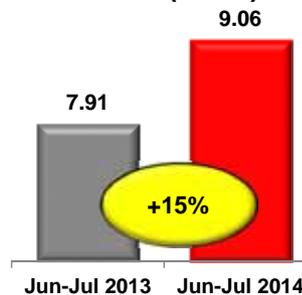


"Mom .. I'm Sorry"

Full range of POSM, Traditional and Digital Media Support



Foodstores 1.5L PET SSD Volume (Mucs)





**LEADER IN EVERYDAY NOURISHMENT DRINKS  
DELIVERING THE ULTIMATE FRUIT JUICE EXPERIENCE  
TO EVERY INDONESIAN**

**MINUTE MAID PULPY:  
BEST FRUIT PULP  
EXPERIENCE**



- ✓ RE-ENFORCE PULP SUPERIORITY



- ✓ DELIVER ULTIMATE FRUIT EXPERIENCE WITH INNOVATION (FRUIT BITE FLAVORS, MMP FLAVORS)

**MINUTE MAID NUTRIBOOST:  
AWARENESS & TRIAL**



- ✓ CONTINUE EDUCATING ON MILK + JUICE CATEGORY



- ✓ ACCELERATE FUNDAMENTALS: AWARENESS, TRIAL, AVAILABILITY.

**RECRUIT EMC &  
BUILD OCCASSIONS**



- ✓ SMALL PET TO DRIVE AVAILABILITY & FREQUENCY IN TRADITIONAL TRADE



- ✓ BUILD ON MULTI SERVE LEADERSHIP & CONTINUE IN-HOME EXPANSION WITH 1L PET



- ✓ BUNDLES & OCCASION BUILDING DURING RAMADAN



**Value & Volume leader in Modern Trade**

**Strong #2 National Player**

**STRENGTHEN BRAND IN  
DISTINCTIVE SPACE**



- ✓ INFUSING "EXCITEMENT" INTO THE COMFORT OF TRADITION



- ✓ EVOLVED VISUAL COMMUNICATION ANCHORED ON UPDATED BRAND VISION ARCHITECTURE

**RECRUIT EMC**



- ✓ SMALL PET & CUP SCALE UP TO DRIVE TRADITIONAL TRADE AVAILABILITY AND RECRUITMENT



- ✓ PENETRATE HOME OPPORTUNITY WITH MULTI SERVE
- ✓ LEVERAGE PORTFOLIO IN-HOME DRIVES (EG RAMADAN)

**INNOVATION  
ANCHORED ON REFINED  
BRAND VISION  
ACHITECTURE**



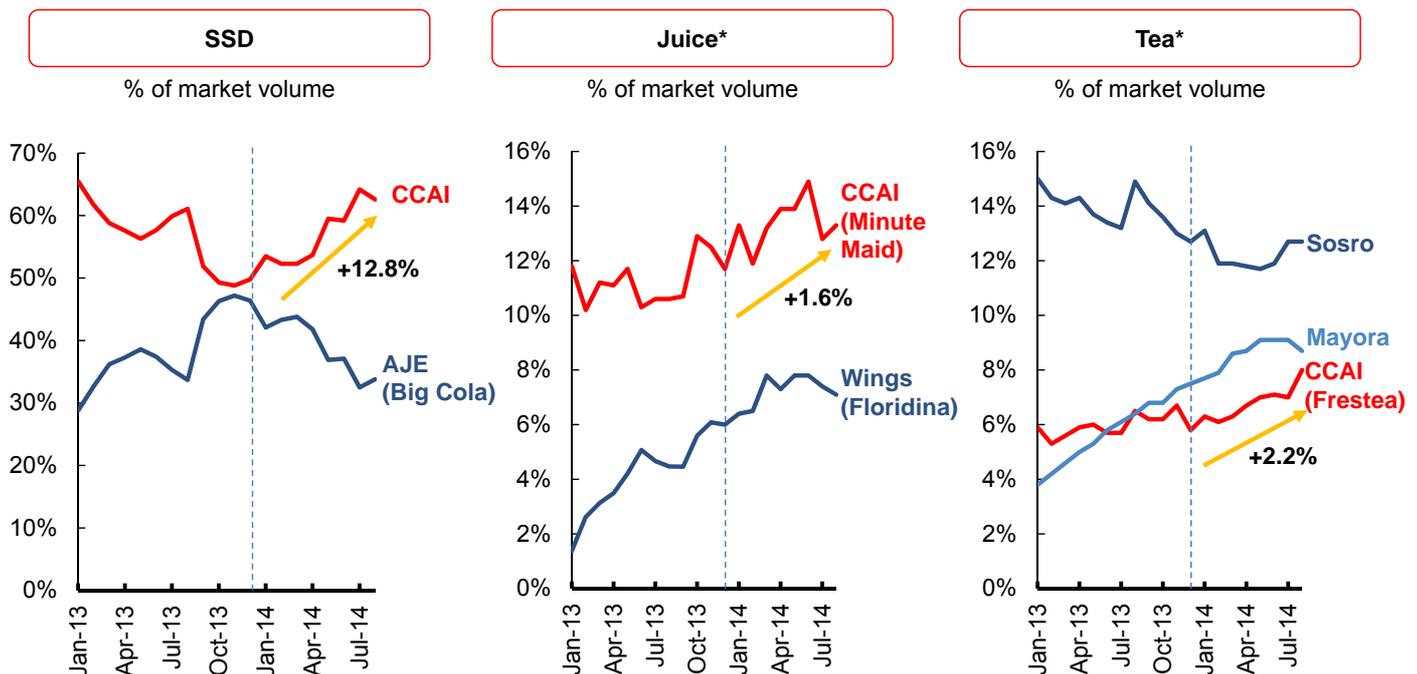
- ✓ STRENGTHEN BRAND POINT OF VIEW
- ✓ ACCELERATE MODERN TRADE LEADERSHIP

# Indonesian Strategy Update

- **Indonesia is a big, long-term opportunity**
  - Large population, favourable demographics, strong GDP growth
  - Large manufacturing footprint, extensive distribution network and wide product range, puts us in a strong position to capture this opportunity
- **The operating environment however continues to be challenging**
  - Increasingly fragmented competitive landscape
  - Difficult but typical emerging market macro conditions putting significant pressure on costs, e.g. inflation, FX
- **We are investing (as a system) in Indonesia to win, transforming our business to further leverage our existing footprint, to be in a leading position and to be leaner and more competitive**
  - Transform route-to-market model
  - Refine revenue management
  - Cost-out, drive efficiency and productivity
- **We are following a road map strategy. Early signs are positive**



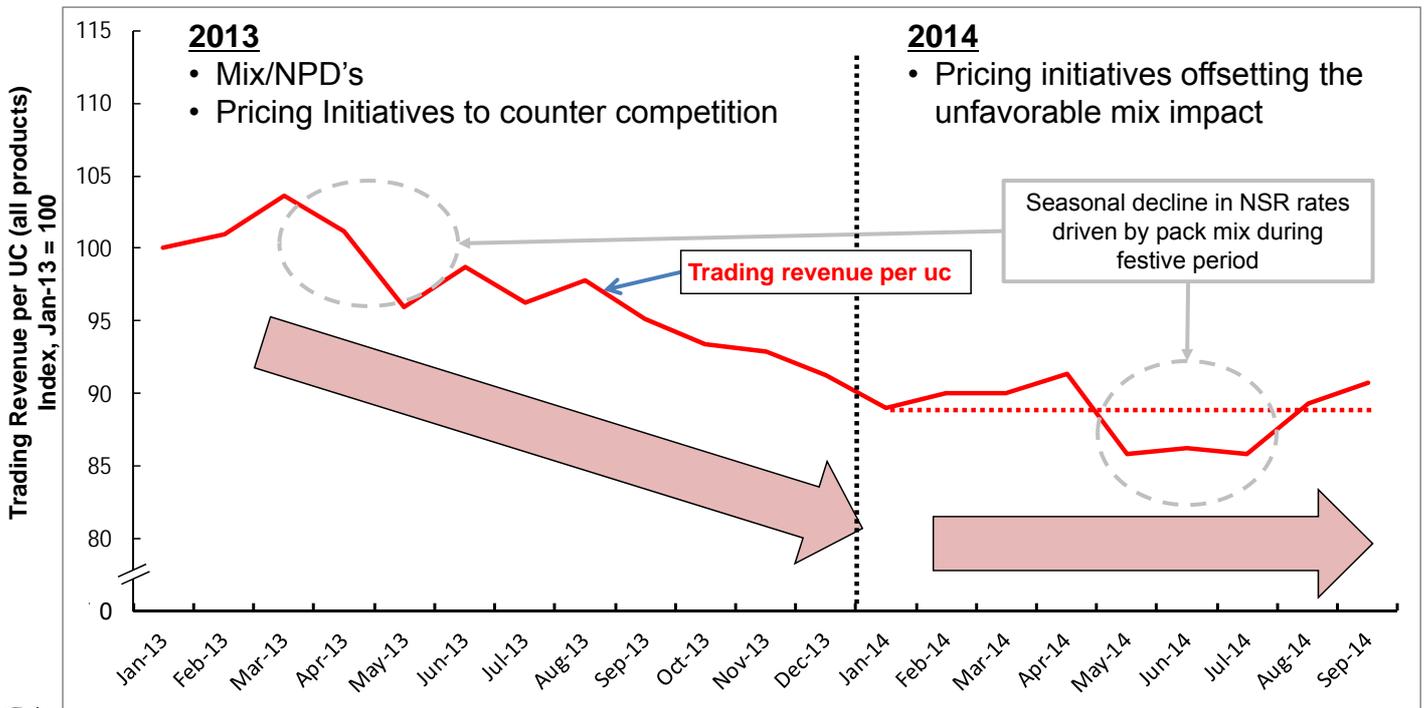
## We are regaining share momentum across all key categories



\*Juice and Tea market share charts do not show volume share of the leading competitor (Juice: Ale Ale @49.9% & Tea: Teh Gelas @28.8% respectively) as cups are their predominant SKU  
Source: A C Nielsen

# In 2013 our revenue per case was in decline. We have arrested this trend in 2014

## Trading revenue per unit case, 2013 - YTD 2014



### Summary

**Transformation will be driven by Route to Market, Revenue Management and Scale Driven Productivity Efficiencies which will deliver sustainable earnings growth**

#### Transform Route to Market model

- Delivery/warehousing rationalisation
- Increase salesforce selling skills
- Improve market execution

2014-2017

**Directly Served Outlets +250,000 by end of 2016**

**Portfolio Coverage +10%**

**Volume in excess of market growth**

#### Refine Revenue Management

- Strengthen pack price architecture
- Optimize execution within and across channels
- Capture more regional opportunities

**Rate per case is maintained despite negative mix impact**

#### Cost-out, while also leveraging scale and efficiency

- Localized manufacturing to improve customer service, reduce costs
- Drive manufacturing efficiencies via portfolio and process rationalization
- Packaging initiatives to take cost out of the business

**Cost increase is less than rate of inflation,**

**Cost per case is declined**



## Disclaimer

CCA advises that these presentation slides contain forward looking statements which may be subject to significant uncertainties outside of CCA's control.

No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.

Actual future events may vary from these forward looking statements and you are cautioned not to place undue reliance on any forward looking statement.





# CCA Investor Briefing Alcoholic Beverages

30 October 2014

Shane Richardson Managing Director – Alcohol & Coffee



1

## CCA's alcohol plan provides a strong platform for growth



- » CCA's large scale sales and customer service model provides a competitive advantage to leverage further into complimentary alcoholic beverage categories
  - A powerful non-alcoholic beverage offering
  - Strong partners in alcoholic beverages
  - Experienced team with success in developing both partner and CCA owned brands
  
- » Strategy is to strengthen the base business and expand into targeted segments
  - Continue to innovate to grow in Spirits and RTD's
  - Drive exports from Paradise Beverages
  - Continue to re-establish CCA's presence in beer and aggressively grow in targeted segments
  - Strengthen and grow our Cider portfolio

2

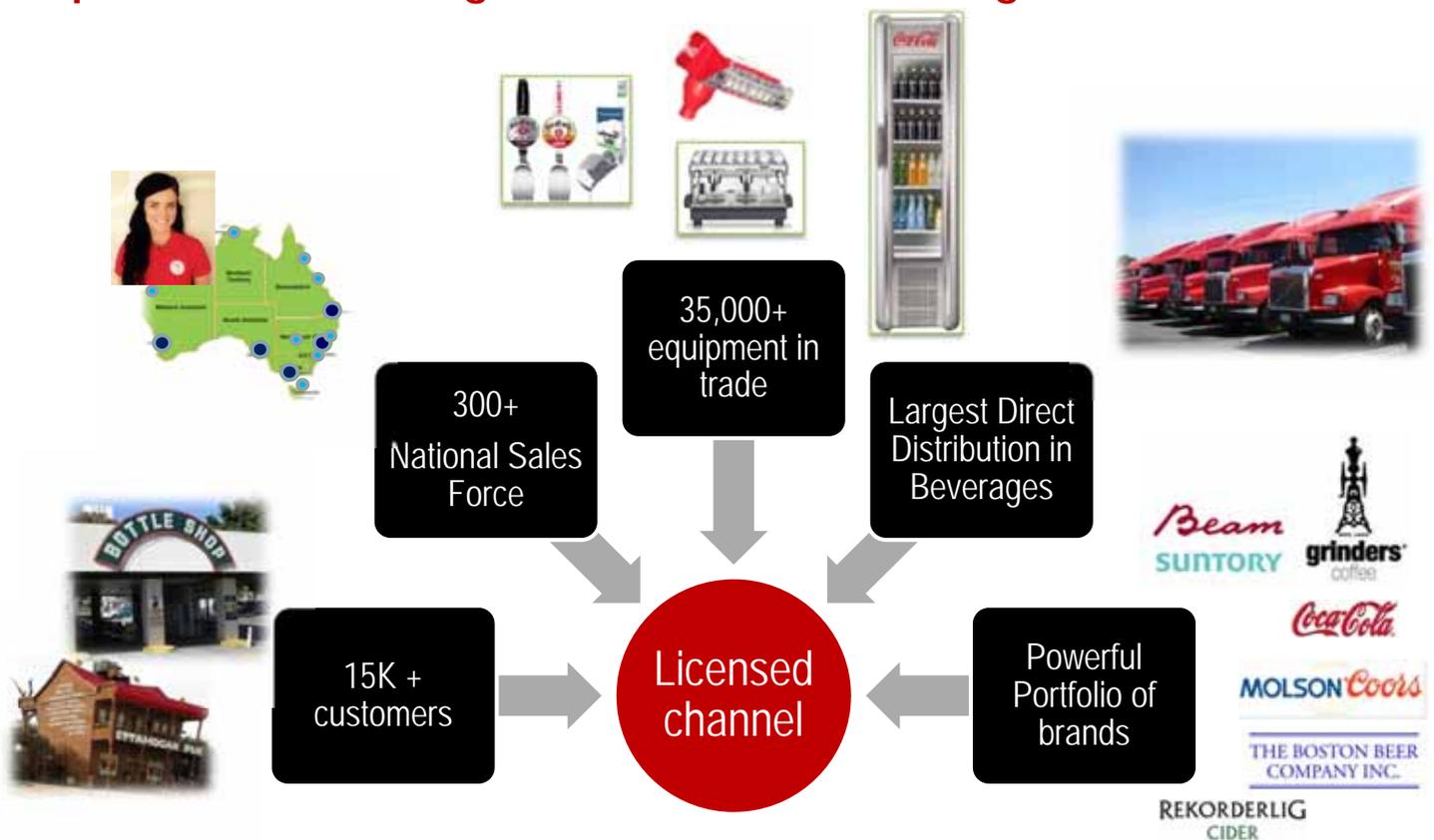
# Alcohol provides great opportunity for CCA

Expanding in complementary categories increases the opportunity for contestable profitability.



Note: Profit Pools reflect net contribution and are indicative estimates only; \*Licensed Channel only; \*\*Total Coffee – includes Grocery  
 Source: CCA Data; Hot Drinks In Australia; Euromonitor March 2012; Aztec; AC Nielsen; projected on 5 yr CAGR.

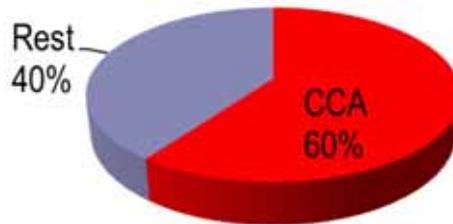
# CCA has a large scale sales and customer service platform to leverage into alcoholic beverages



# A powerful non-alcoholic beverage platform



- ~20,000 Licensed outlets
- Full non-alcoholic beverage and coffee range
- Fountain and packaged



- CCA representative share of Non Alc fountain

# And strong partners in alcoholic beverages and a portfolio of CCA owned brands



# CCA Alcohol will strengthen its base and expand into targeted segments

## Consolidate and grow the core established businesses

Continue to innovate to grow the Spirits and RTD portfolio



Drive the export market opportunity for Paradise Beverages



## Accelerate emerging categories and segments to achieve scale

Re-establish CCA's presence in beer and aggressively grow in targeted segments

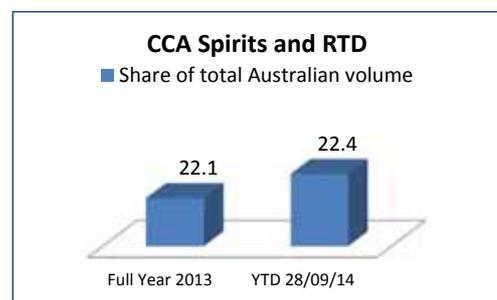


Strengthen and grow our cider portfolio – A two pronged strategy to win



# CCA has a leading portfolio of must-stock spirits

- » Anchored by Jim Beam White – the largest selling spirit in Australia supported with a heavyweight through the line program
- » Canadian Club continuing its meteoric growth on the back of an excellent media campaign with more to come
- » CCA spirits range covers all 1<sup>st</sup> pour categories
- » A Comprehensive back-of-bar range with Strong premium credentials in key categories
- » The introduction of 'The Exchange', our in-house premium brand experts
- » Continued innovation within the RTD category



# Strong plan to continue to grow the Spirit and RTD portfolio

<p><b>Jim Beam</b></p> <p>Maintain and enhance Jim Beam's #1 position in spirits &amp; RTDs</p> 	<p><b>Canadian Club</b></p> <p>Continue to accelerate the growth of Canadian Club</p> 	<p><b>Core Spirits</b></p> <p>Increase penetration of core spirits</p> 	<p><b>Premium Spirits</b></p> <p>Accelerate the growth of our premium portfolio</p>  <p><b>THE EXCHANGE</b></p>
--	---	---	--

# Drive exports from Paradise Beverages

Paradise Beverages dominates its local markets. Growth opportunities lie in 4 key export regions – especially in our highly awarded Rum



The diagram illustrates the export strategy for Paradise Beverages. At the center is a map of Fiji, with four blue arrows pointing outwards to four regional boxes: Asia, North America, Australia, and Europe. Each box contains a globe icon highlighting the respective region. Above the map are images of Paradise Beverages products, including bottles of Ratu Rum and several cans of Paradise beer. Below the map, a section titled 'Rum Awards' features several award medals from the IWSG and other major shows. A red horizontal line is drawn across the bottom of the diagram.

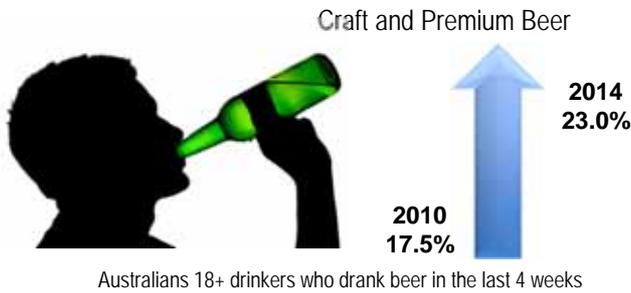
**Rum Awards**

Awarded **14 Gold, 20 Silver and 3 Bronze** medals from Major Shows around the World

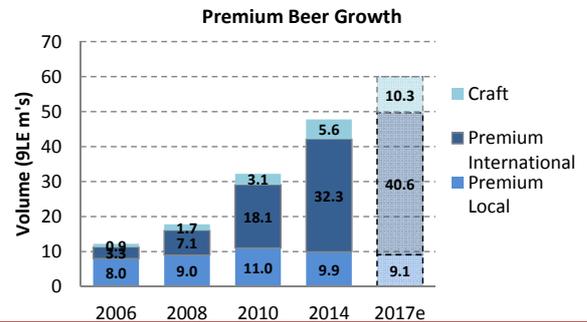
# Re-establish our presence in beer and aggressively grow in targeted segments

## Market forces favour the continuing growth of International Premium and Craft Beers

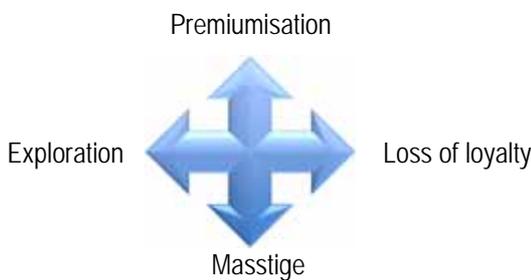
Australians are drinking differently...



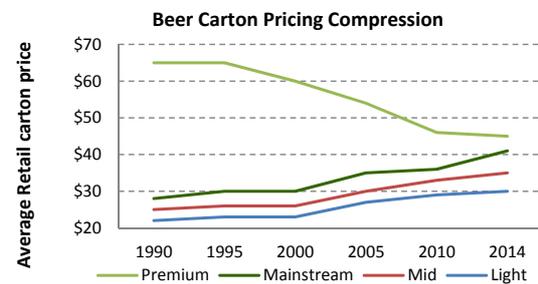
...resulting in very significant growth in Premium Imported and Craft – a trend expected to continue...



...supported by macro consumer trends...



...and facilitated by pricing convergence



Source: Roy Morgan Single Source (Australia) Alcohol Drinkers 18+ (2010-2014) average annual n=19,322; Aztec, AC Nielsen; Euromonitor

# CCA has a portfolio of Premium International and Craft brands well positioned in growth segments

## Premium International Beer

### Coors - MCI

- Mainstream US Beer,
- Distribution in 6000+ outlets.
- ATL campaign planned

### Vonu – Paradise Beverages

- Premium beer from the Pacific Islands.
- Cues of freshness and clean,
- From the purity of Fiji water



## International Craft

### Blue Moon - MCI

- An International Craft beer that has become a rapid sensation in the US –
- #2 Craft beer in the US, Worlds largest

### Samuel Adams – Boston Brewing

- The first highly commercial Craft beer in the US – #1 in US Craft.
- The Standard others are judged against



## Local Craft

### Yenda - ABC

- A range of local craft beers aimed to drive the growth of the Australian craft beer segment

### Alehouse - ABC

- Crisp easy drinking larger and midlength beers available in Draught only



# Since re-entry into beer, CCA continue to achieve cut through in all three key beer growth segments

### Premium International Beer




### International Craft




### Local Craft

+ 30 venues in 3 weeks

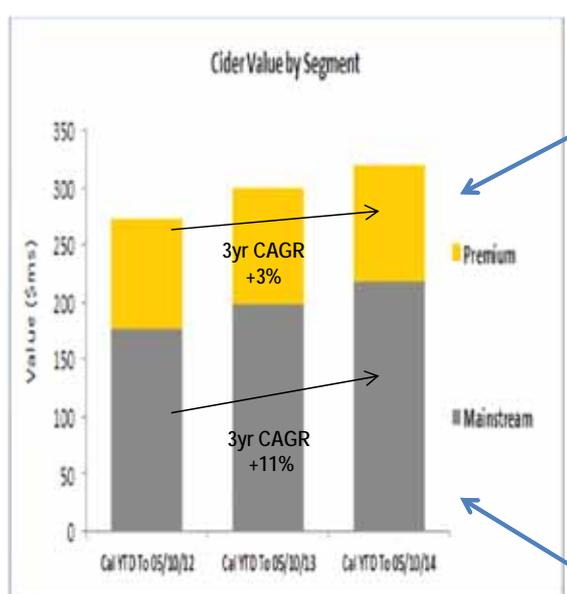




Coming soon

+1300 draught taps across Beer/Cider and RTD

# Strengthen and grow our Cider portfolio - A two pronged strategy to win



### Premium offer with Rekorderlig

- Strong innovation pipeline with flavours, smaller packs and multi-pack offerings
- Dry Apple Packaged and Draught
- Draught offering



### Mainstream offer with Pressman's

- Full & Midstrength offering to contest the exploding mainstream segment
- Locally sourced Goulburn Valley apples
- Produced by Australian Beer Company
- Draught offering



# Grow customer value through complimentary categories



NARTD - Fountain



Draught



NARTD - Pack



Beer - Pack



Hot Beverages



Cider - Pack



Spirits



RTD's



# Grow customer value through complimentary categories



**Windmill & Co**  
Brisbane International Airport  
• 68 Products ranged across all categories

NARTD - Fountain



Draught



Beer - Pack



Spirits



RTD's





## Disclaimer

CCA advises that these presentation slides contain forward looking statements which may be subject to significant uncertainties outside of CCA's control.

No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.

Actual future events may vary from these forward looking statements and you are cautioned not to place undue reliance on any forward looking statement.





# CCA Investor Briefing SPC

30 October 2014

Peter Kelly Managing Director SPC



**Invest to restore SPC to a profitable, modern food business**



- **Reposition SPC and our Brands**
  - Improve current portfolio and develop a strong innovation pipeline
  - SPC -100% Australian Grown and Made
  - Focus on higher margin innovation - Healthy Fruit Snacking
- **Get Retailers on board with SPC**
  - Leverage consumer love of SPC
  - Shelf Position, Shelf Space, Every Day Low Price, Winning PL contracts
- **Fix our internal issues**
  - Fruit Intake, Cost out, Inventory control, productivity
- **Invest the \$100m wisely**
  - 50% Cost out. 50% Innovation
- **Be cash flow positive 2015-2017 including the capital investment**

# Re-position SPC and our brands



- Harness Australian's nostalgic love of SPC
- Build public awareness of our fight
- Leverage SPC's quality "Clean Green" vs Concerns re Imports
- Build SPC's 100% Aussie grown and made position
- Connect Consumers with SPC's Provenance/Growers/Workers
- Health and Wellness - Fix formulations - Less Salt/Sugar
- Connect Consumers with management and marketing team
- Get moving on with meaningful innovation – Category new life



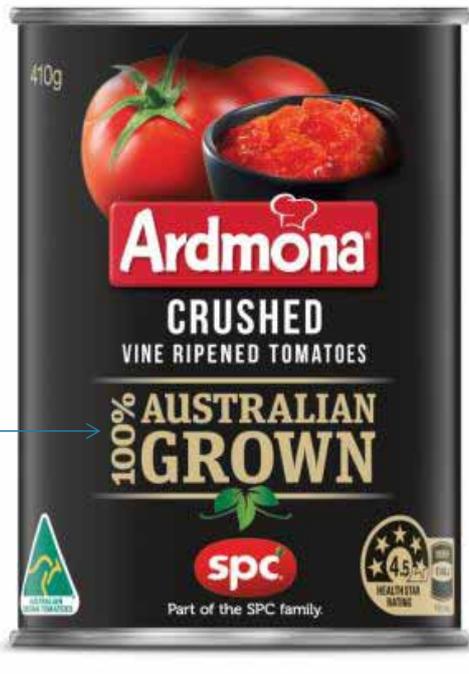
3

# 100% Grown and Made Position



4

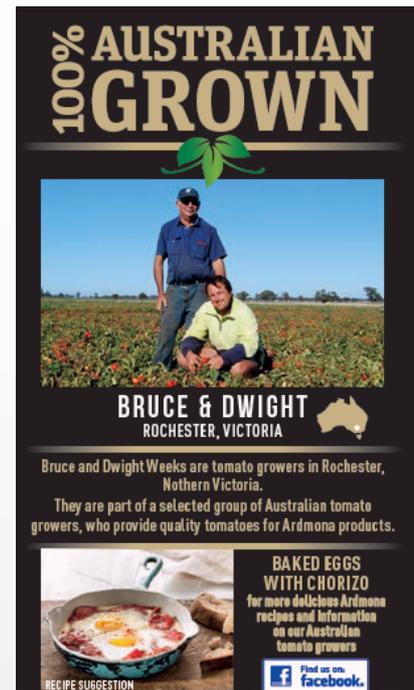
# Connect Consumers with SPC History its Provenance & its Growers



Clear Australian grown & made call outs

Identifying brands as part of the SPC family

Fresh new SPC logo



Strong provenance story relating to local growers

# Health and Wellness – New, Better Formulas



Fruit in Coconut Water Natural hydration  
No cane sugar



IXL Stevia Jam  
Naturally with Stevia 60% less sugar



SPC Sneaky Veg  
Additional hidden serve of vegies  
25% less salt  
25% less sugar



Ardmona Tomatoes  
No added salt  
No added sugar  
Health Star rating 4.5



# Connect with Consumers #SPCSunday



#SPCSunday wins the top prize at the Australasian Promotional Marketing Association (APMA) Awards

SHOW YOUR SUPPORT  
#SPCSUNDAY  
FEBRUARY 9TH

TOP OVERALL PRIZE ACROSS  
18 CATEGORIES  
GRAND PRIX AWARD

against major players like Pepsi, Woolworths, Virgin, Optus, Honda, Tim Tam, Carlton Draught, TAB and Fonterra.

&  
BEST USE OF SOCIAL MARKETING  
IN A CAMPAIGN



"The Government may not support you but this household does." Phil Rowe



# Get moving on meaningful Innovation



2015+

2015+

2016+

2017+



On the go cup range

- On the go pack format
- Improved product quality
- New carriers in line with beverage trends



Fruit soft serve

- Develop Perfect Fruit soft serve proposition
- License proposition to TCCC for Asian markets
- Innovative Equipment



No liquid snacking

- Focus on "Willpower" need state
- Range of no liquid fruit snack
- Target impulse channels & locations



Fruitamins shot

- Launch range of liquid fruit shots with added functionality
- On the go channel expansion, including Pharmacy & Convenience





- 100% Australian Fruit
- Fat FREE
- Dairy FREE
- Gluten FREE
- Less Calories than an Apple

## Get Retailers on board with SPC

- Retailers listen to consumers
- Open book honesty regarding our situation
- Power of social media
- First mover advantage to retailers who support Australian products



Woolworths  
Australia's fresh food people

coles



**GOOD FOR YOU  
GOOD FOR AUSSIE FARMERS**

**Ardmona Whole Peeled**  
AUSTRALIAN WHOLE PEELED TOMATOES  
EVERY DAY  
**\$1.40 ea**

**Beans**  
SPC Family Veg  
Red Kidney or Speckled a 12kg  
**\$3 ea**  
SAVE 50¢ FROM \$1.29

**Goulburn Valley Peaches**  
AUSTRALIAN PEACHES  
Sliced in Juice  
1.6kg  
**\$1.60 ea**  
SAVE 39¢

**Mark Hill**  
**Tomato Farmer**  
Mark Hill's tomato farm in the Tatemaring region of NorthEast Victoria has been a family business for more than 60 years. Mark knows the business of growing Aussie tomatoes from the inside and out, having started farming at just sixteen years old with his father. The Tomatoes are also ripened under the Australian sun and sent to SPC when they are fresh and succulent.

**Nick Parris**  
**Peach Farmer**  
No one knows peaches better than third generation orchardist Nick Parris and his family. The Parris family orchard is just north of Shepparton in Victoria's Goulburn Valley. It's rich, fertile soils are ideal growing conditions to produce the perfect peach. Buying SPC or Goulburn Valley Peaches is supporting our local farmers in Australia.

**Specials**

**Enjoy delicious Aussie fruit everyday!**

**\$3<sup>ea</sup>**  
Introductory offer  
**New**

**\$1.50<sup>ea</sup>**  
Introductory offer  
**New**

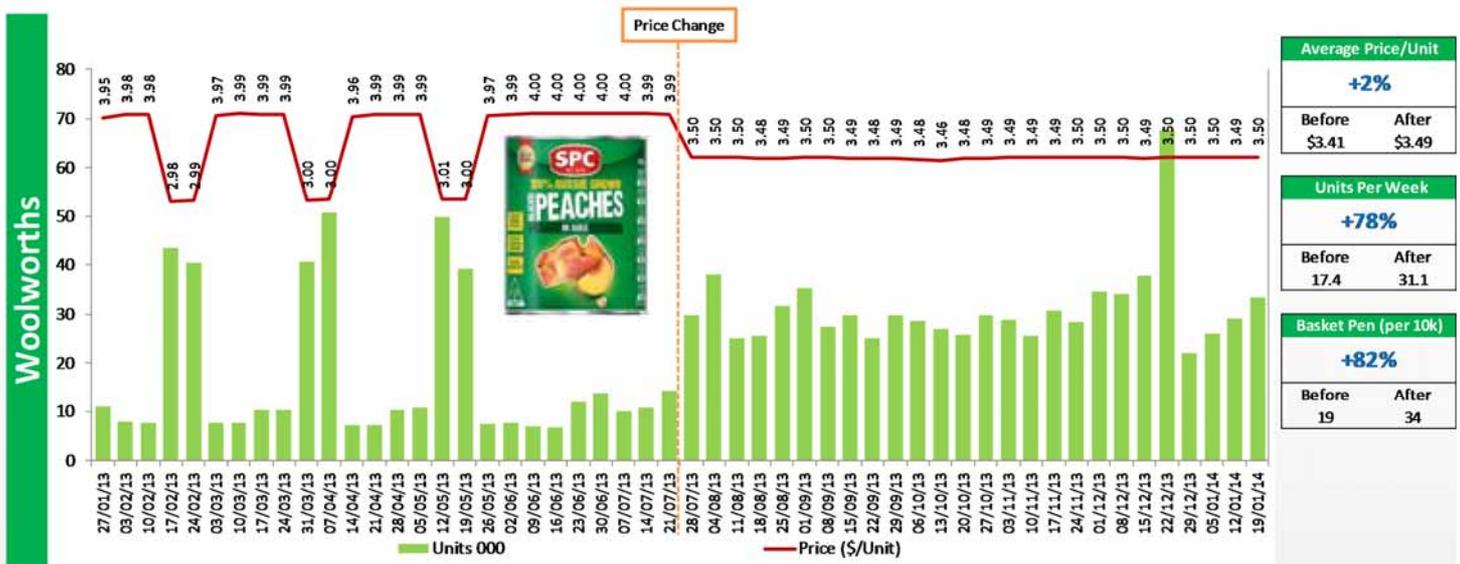
**try me COLD**

**SAVE 98¢**

**\$3<sup>ea</sup>**

Goulburn Valley is a registered trade mark of SPC Australia.

# SPC move to EDLP – Value Every Day



- SPC stopped losing money on Hi-Lo
- EDLP gave consumers value "every day"

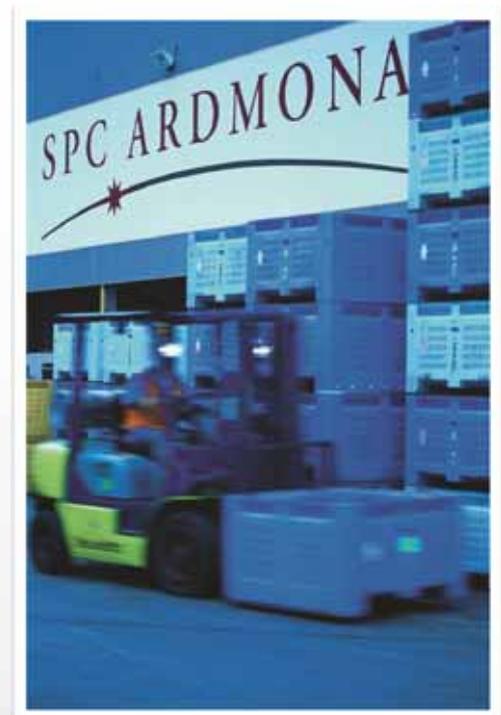
Total Ardmona Std 400g - Woolworths



- SPC stopped losing money on Hi-Lo
- EDLP gave consumers value “every day”

## Fix the internal issues at SPC

- Set a strong strategic direction.
- Change Co-operative mentality – match fruit intake to demand
- Solve productivity issues in Shepparton – Maintenance and new capital
- Reduced inventory and Indirect costs
- Spend the capital wisely - 50/50 Cost out and Innovation/critical replacements



# Set a Strong Strategic Direction



SPC Purpose: "Better for you" snacking

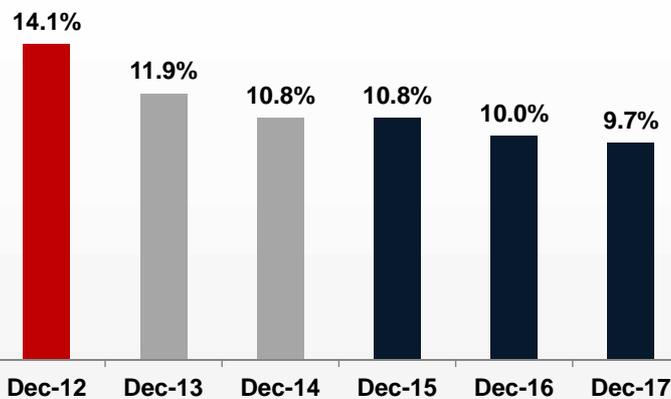
<b><u>Profit</u></b> driving	Impulse Snacking	Pantry Snacking	Wellness Enhanced
<b><u>Volume</u></b> driving	Pantry Meals	International	B2B
<b><u>Enablers</u></b>	Cost-Out		Productivity
	Marketing		Government Policy

15

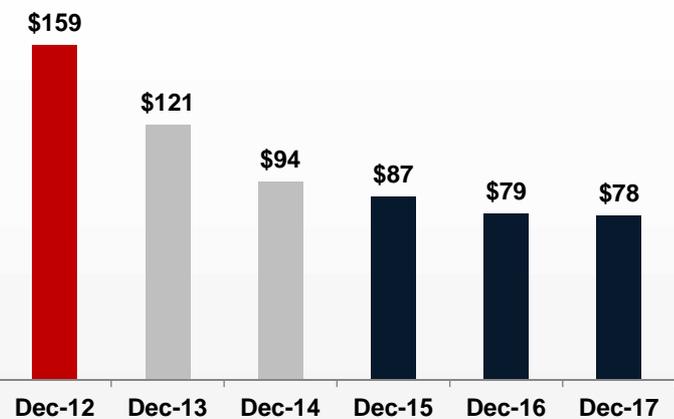
# Costs & Inventory Under Control



Indirect Expenditure % Revenue



Inventory \$M



16

- Buy Local Procurement Policy
- Anti Dumping - Prosecute Cases
- Food standards - Enforcement
- Country Of Origin Labelling – Federal Enquiry
- Brand Australia development – DFAT Export



Australian Government

## Government Procurement in the news

### Buy Aussie push

By Geoff Adams

Victorian political parties have been challenged to come up with a better policy which will enable government departments to buy more Australian-grown food.

SPC Ardmona has brought together a coalition of farmer, business, food and union organisations to push for better consideration of issues like quality, economic benefits, safety, environmental im-



### GO ON, EAT IT

FRUITGROWERS BACK SPC ARDMONA CAMPAIGN TO GET GOVERNMENT BUYING LOCAL PRODUCE

### Food tenders: Aussie farmers want first bite



EXCLUSIVE  
SUE NEALE  
SPECIAL REPORT

UNION and producer groups have joined forces lobbying governments to demand they buy local for their schools, hospitals, public hospitals, schools and other public services. The powerful Australian Food and Grocery Council, the National Farmers Federation and the Australian Meat and Poultry Processors Association have joined forces to demand that governments buy local food. The coalition says that the current procurement policies are not only costly but also do not support local producers. The coalition says that the current procurement policies are not only costly but also do not support local producers.

"We are not asking for subsidies that are above a fair price that does not exceed the cost of production. We are asking for a level playing field where Australian food is recognised as a quality and produced according to standards for things like food safety, environmental protection, animal welfare, environmental protection and food quality and safety standards. We are asking for a level playing field where Australian food is recognised as a quality and produced according to standards for things like food safety, environmental protection, animal welfare, environmental protection and food quality and safety standards. We are asking for a level playing field where Australian food is recognised as a quality and produced according to standards for things like food safety, environmental protection, animal welfare, environmental protection and food quality and safety standards."

### Rural

Home | Horticulture | Livestock | Poultry | Grains | Mining & Ag Industry | Weather | Markets

### Victorian food manufacturers want to see more local food in prisons, hospitals

A month before Victoria goes to the polls, all political parties are being asked to make buying local food a major policy.

Unions, farming organisations and fruit and vegetable processor SPC Ardmona have formed a group to get a policy that forces government buyers of food, including hospitals and prisons, to buy local. Peter Kelly, from SPC, wants a policy that states government food buyers must buy Australian if it's within 50 km of the point of procurement.



# Government co-funding of Investment



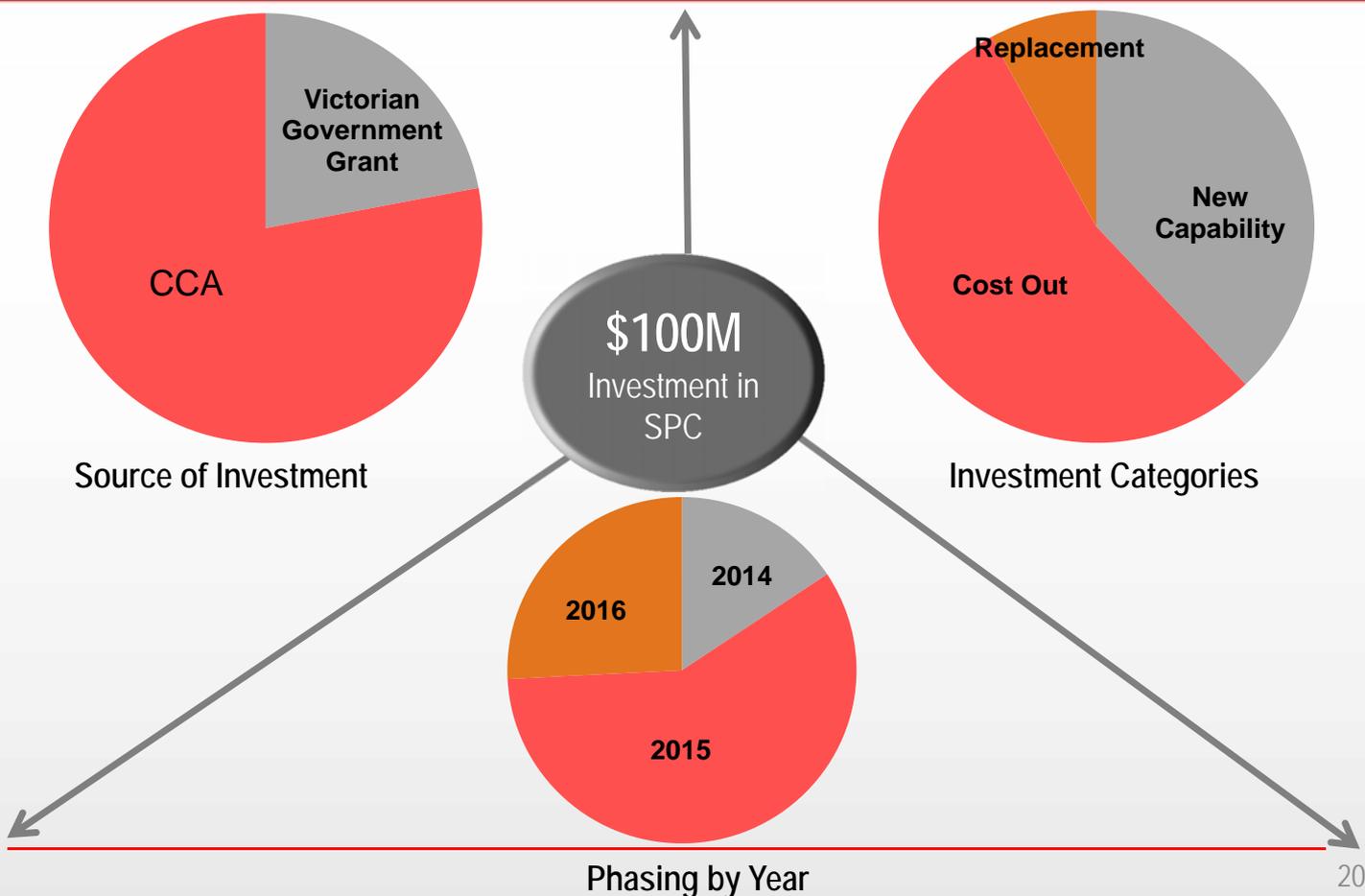
## Victorian Government Funding of 22 million

- Commitment to stay in operation for at least five years
- Employ 500 FTEs
- Front loaded funding - 50% in Year 1



9

# Capital – 50% Cost out, 50% innovation

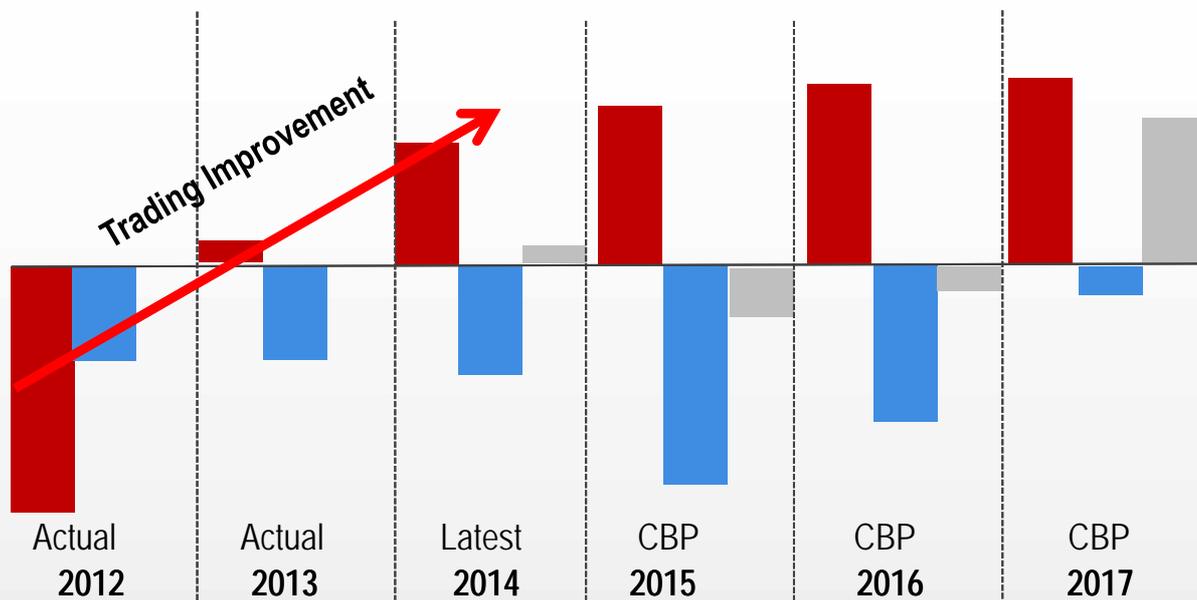


20

# SPC Positive Cash flow after covering our capital investment 2015-2017



- Trading CASH FLOW
- Capital Expenditure
- Cumulative CASHFLOW after Capital Additions



SPC Capex net of Government co-investment



## Disclaimer

CCA advises that these presentation slides contain forward looking statements which may be subject to significant uncertainties outside of CCA's control.

No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.

Actual future events may vary from these forward looking statements and you are cautioned not to place undue reliance on any forward looking statement.

