



# 2015

## Full year result

17 February 2016

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**Alison Watkins** | Group Managing Director  
**Martyn Roberts** | Group Chief Financial Officer  
**Barry O'Connell** | MD Australian Beverages

**CCA**  
COCA-COLA AMATIL

# 2015 Full Year Result Overview



**Full year earnings consistent** with our expectations and guidance previously provided

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**Stabilised Australian Beverages'** earnings, in line with guidance previously provided

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**Evolving earnings profile** with increased contributions from growth segments, especially Alcohol & Coffee

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**Profit growth ahead of EBIT growth** due to a reduction in net debt

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**Ahead of schedule with the three year \$100M** cost savings plan in Australian Beverages

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**On track to return to mid single-digit growth** in EPS over the next few years

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**Final dividend declared is 23.5 cents**, representing a payout ratio of 84.4% for the full year

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**Steady progress implementing strategies** announced in the October 2014 strategic review

# Our sustainability framework



## Our people

- 2012-2015: 50% injury reduction via the “Live Safe” program
- 2015: >3,000 employees trained in the Behavioural Safety Program

## Our environment

- Focus on:
- Minimising water and energy use
  - Improving recycling rates
  - Reducing litter

## Our wellbeing

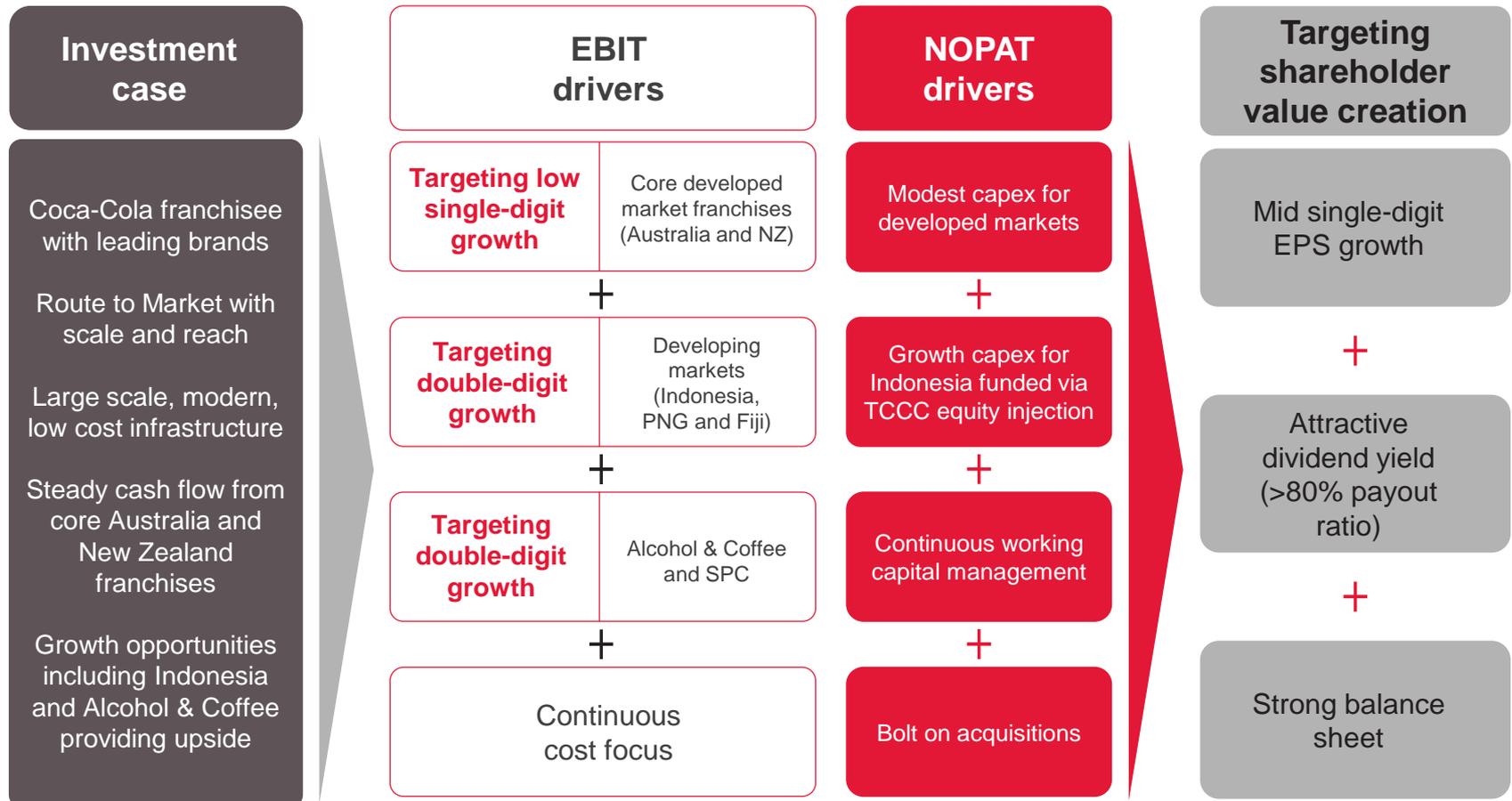
- Expanding range of low or no kilojoule options
- Provision of smaller portion sizes
- On pack and on vending consumer information and education about kilojoules

## Our community

- Contributing to the economic and social development of local communities in which we operate both directly and in partnership with The Coca-Cola Foundation

# Shareholder value proposition

Our focus is on generating attractive sustainable returns for shareholders





# Our plans reflect 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

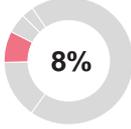
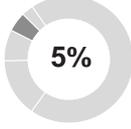
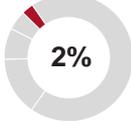
- World-class customer servicing capability
- Route to market that provides customer diversification and real competitive advantage
- Effective leverage of our large-scale, low-cost manufacturing, sales and distribution capability

## Better alignment with The Coca-Cola Company and our other partners

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

# Segment EBIT contributions

## A balance of leadership and growth

EBIT \$M Year ended 31 December	FY15	FY14	Change	% of Group EBIT
 Australian Beverages	<b>463.8</b>	462.9	0.2%	 70%
 New Zealand & Fiji	<b>98.8</b>	92.3	7.0%	 15%
 Indonesia & PNG	<b>48.7</b>	44.3	9.9%	 8%
 Alcohol & Coffee	<b>34.1</b>	25.9	31.7%	 5%
 Corporate, Food & Services	<b>15.2</b>	26.1	(41.8)%	 2%
<b>Total</b>	<b>660.6</b>	651.5	1.4%	



# Australian Beverages



## Earnings stabilised despite challenging conditions

\$M	FY15	FY14	Change
<b>Trading revenue</b>	<b>2,763.0</b>	2,785.3	(0.8%)
Revenue per unit case	\$8.48	\$8.59	(1.3%)
Volume (Million unit cases)	326.0	324.4	0.5%
<b>EBIT</b>	<b>463.8</b>	462.9	0.2%
EBIT margin	<b>16.8%</b>	16.6%	0.2ppts
ROCE	<b>32.6%</b>	31.1%	1.5ppts

### Portfolio

Focus on Sparkling Beverages  
Accelerate Still Beverages  
Revenue Growth Management

### Route to Market

### Cost Optimisation



# Australian Beverages



## Transaction led growth in sparkling and return to stills growth from Q4

Volume (Million unit cases)	FY15	FY14	Change
Sparkling			
Beverages	224	222	0.9%
Frozen	22	17	26.2%
Still	80	85	(5.6%)
<b>Total</b>	<b>326</b>	<b>324</b>	<b>0.5%</b>

- Strong Sparkling Beverages transaction growth led by Frozen and small formats
- Moderate volume share gains in Sparkling Beverages
- Defended category price erosion in sports and water with Q4 performance recovery
- Volume and value share gains in branded water as strategic initiatives took effect in H2
- Pricing competitiveness and channel mix shifts impacted net sales revenue rate in H1, but with an improved position in H2

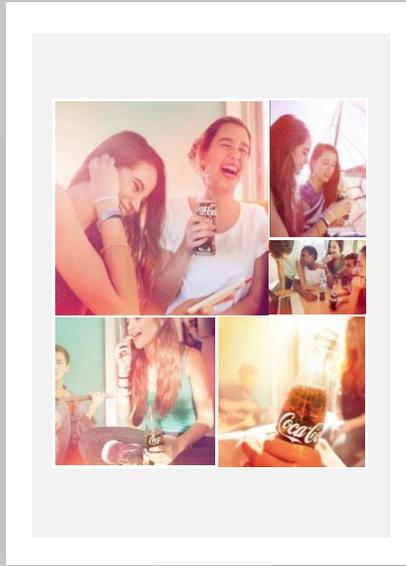
Source: CCA ex-factory sales



# Portfolio:

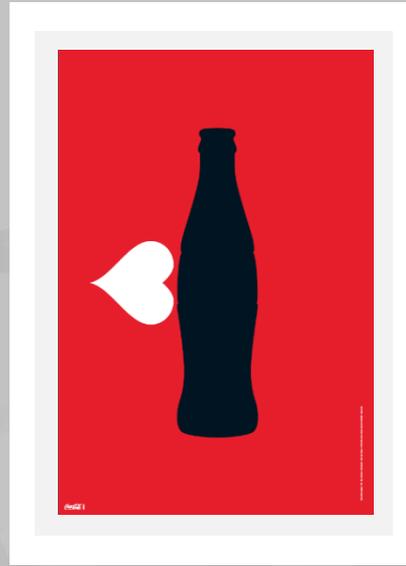
Focus on Sparkling Beverages

Innovation, marketing and up-weighted media spend driving product and brand relevance



## Coca-Cola

- “Always On” Teen Activity
- 3ppt improvement in “Favourite brand” measure<sup>(1)</sup>



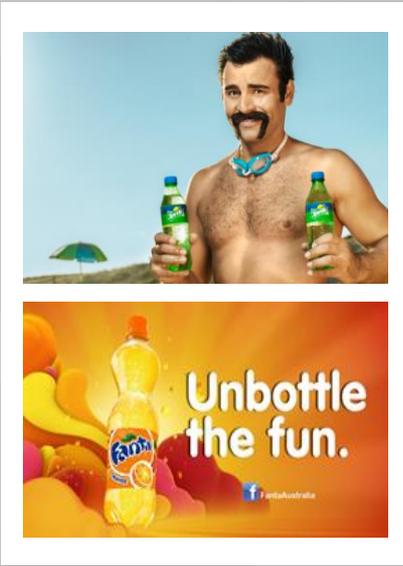
## Coca-Cola

- 100-year contour bottle celebrations
- 14% growth in high margin contour glass packs<sup>(2)</sup>



## Coca-Cola Life

- Biggest beverage launch in last eight years<sup>(3)</sup>
- Increased Coca-Cola trademark household penetration to 60%<sup>(4)</sup>



## Flavoured Brands

- Combined volume growth of 5% across core flavours brands – Sprite, Fanta and Kirks including frozen<sup>(2)</sup>

1. Database - Australia B<sup>3</sup> Survey - RefCom© - October 2014 to December 2015  
2. Ex-factory sales for full year 2014 versus full year 2015  
3. Aztec grocery database; 1<sup>st</sup> 52 weeks of sales, beverage launches since 2008  
4. Nielsen Homescan for MAT to 26 December 2015



# Portfolio:

Focus on Sparkling Beverages

World class innovation in packaging and communication



## “Come Alive” summer campaign

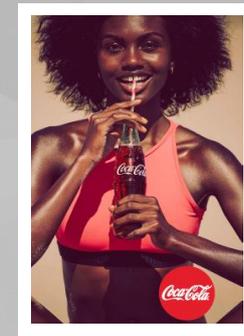
- Innovative thermochromatic cans that change colour when chilled
- Supported by extensive marketing campaign
- Improvements in “Favourite brand”, “for someone like me” and “different from other brands” measures
- Improvement in Coca-Cola trademark daily drinkers



# Portfolio:

Focus on Sparkling Beverages

“Taste the Feeling” is the first global Coca-Cola master brand campaign since 2009





# Portfolio:

Focus on Sparkling Beverages

Widening choice through product innovation



## Increasing product and brand relevance and addressing changing consumer trends

- Launched Coca-Cola Life with positive impact on household penetration – sales settled at 1-2% of Coca-Cola trademark
- Strong pipeline of lower and naturally reduced sugar products across the portfolio



# Portfolio:

Focus on Sparkling Beverages

Widening choice through improved portion options



## Increasing product and brand relevance and addressing changing consumer trends

- Introduction of 250ml can and expanded availability of the 390ml pack
- Focus on more premium glass packaging and the 200ml multipack



# Portfolio:

## Accelerate Still Beverages

Driving growth in high-value water segments



## Enhanced

- Two thirds of category value growth in 2015
- Now 35% of category value
- Increased focus and innovation in 2016

Sources: Aztec Grocery Weighted



## Mainstream

- New packaging and pricing
- “The Nation’s Hydration” campaign
- Increased media weight
- Q4 15 v 14 volume up 15%

Sources: CCA ex-factory sales (volume / trading day)



## Value

- Selectively utilise as branded value offering



# Portfolio:

Accelerate Still Beverages

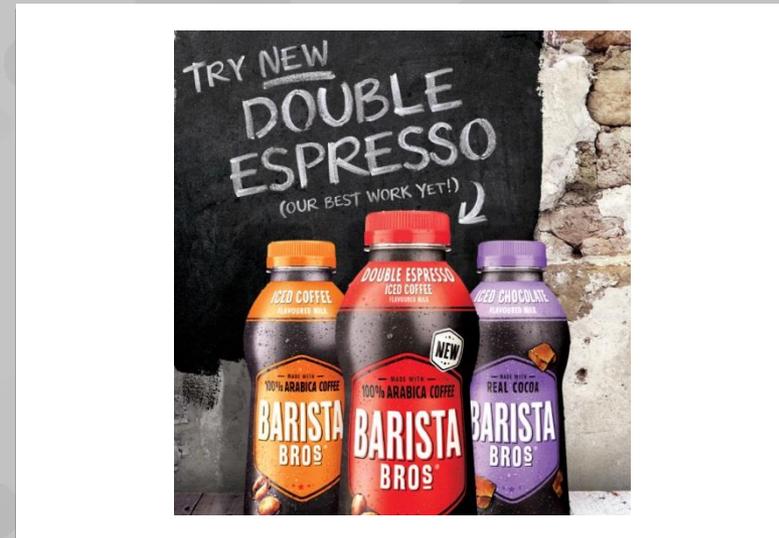
Innovation driving growth  
in sports and dairy



## Sports

- Return to growth / strong share gains
- ION4 formulation launch
- Q4 15 v 14 volume up 3%

Sources: CCA ex-factory sales (volume / trading day)



## Dairy

- Double Espresso launch
- 6% share of convenience and petrol channel
- Strong growth momentum

Sources: CCA ex-factory sales 2015



# Portfolio:

Accelerate Still Beverages

In advanced discussions  
with Monster Energy



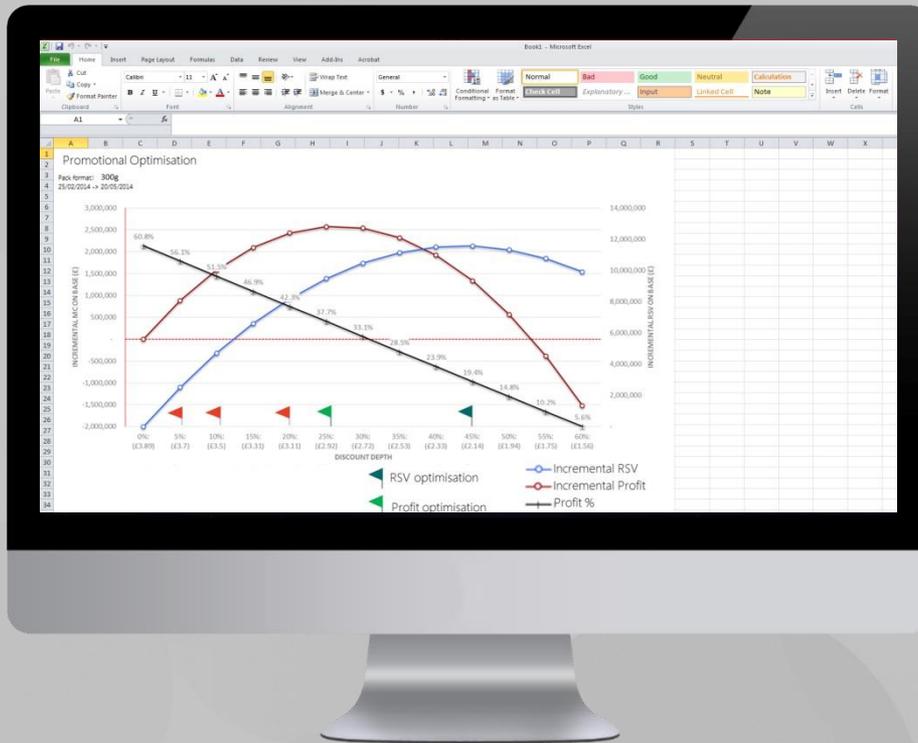
**Leading global player in  
energy drinks market**

**Strong portfolio of  
innovative products  
and marketing properties**



# Portfolio: Revenue Growth Management

Strong focus on building revenue growth management capability



**Dedicated revenue growth management team**

**Investment in leading edge analytics**

**Optimised promotional spend strategy**

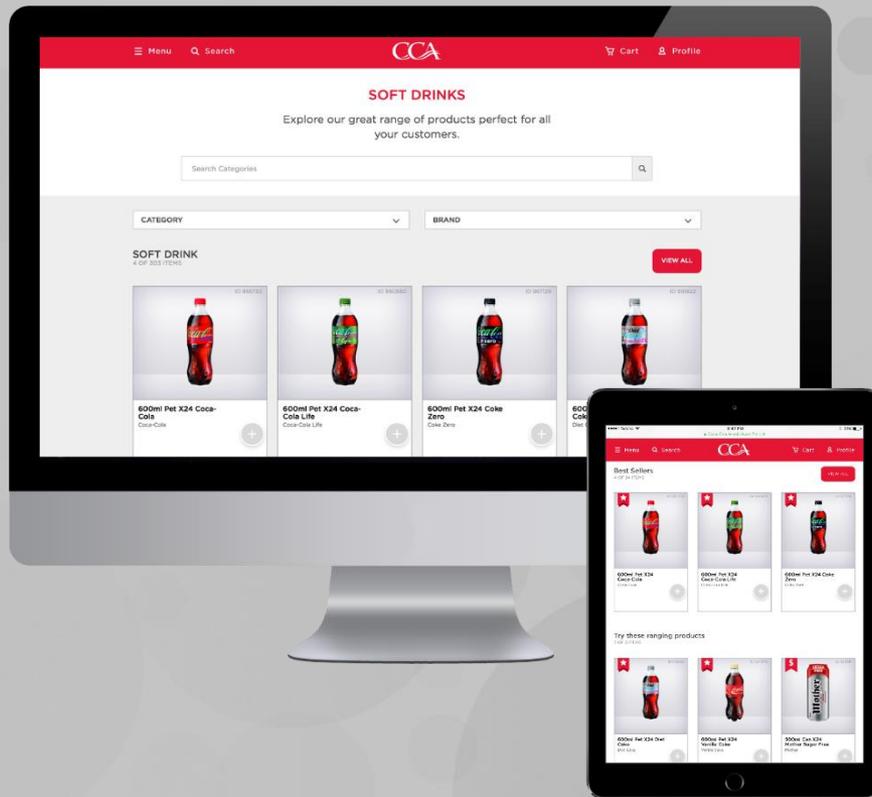
**Innovation focussed on higher margin products**

**NSR rate stabilised after targeted pricing investments during 2014 and H1 2015**



# Route to Market

World class sales capability and systems driving strong executional outcomes



## Increased efficiency

- Optimised routing
- Increased telesales and online ordering
- Dedicated “new business hunters”
- Technology solutions

## Improving execution

- Stabilised outlet count
- Improved mix to higher value accounts
- Increased share of visible inventory and range

## Reduced cost to serve route trade

## Excellent relationship with main grocery customers



# Cost Optimisation

Ahead of schedule with the three year \$100M cost savings plan



## Continuing to deliver supply chain and operational efficiencies

- Several cost optimisation initiatives implemented including:
  - Procurement optimisation
  - Reduction of manufacturing overheads
  - Reduction of headcount by ~600 primarily in supply chain and support areas
  - Shift to technology-led back office automation
- Savings reinvested into promotional activity and brand development
- Continue to challenge ourselves to find ways to operate on a lower cost model



# Summary

Whilst expecting continued external challenges we are confident our journey of transformation remains on track



## Portfolio

Focus on Sparkling Beverages  
Accelerate Still Beverage  
Revenue Growth Management

## Route to Market

## Cost Optimisation



- **Significant progress against strategy**
- **Ongoing category shifts** and challenges ahead with **turnaround of the business to be gradual and steady**
- Comprehensive category and brand programmes in place supported by **strong innovation pipeline**
- Continued focus on **route to market** and **revenue growth management**
- Ahead of schedule with cost-out plan and on track to meet at least **\$100M of cost savings**, with confidence of further opportunities in 2016 and beyond



# New Zealand & Fiji



**Earnings up 7.0% driven by strong performances across Sparkling Beverages and water**

\$M	FY15	FY14	Change
<b>Trading revenue</b>	<b>513.0</b>	488.0	5.1%
Revenue per unit case	\$7.97	\$7.96	0.1%
Volume (Million unit cases)	64.4	61.3	5.1%
<b>EBIT</b>	<b>98.8</b>	92.3	7.0%
EBIT margin	<b>19.3%</b>	18.9%	0.4ppts

**2016 priority: Maintain momentum and leadership by continuing to grow trust and equity in the Sparkling Beverages category**

## New Zealand

- Volume growth of 4.6% achieved through market innovation and targeted channel and market activation
- Core Sparkling Beverages category volumes up by 3%
- Volumes across water brands increased in H2
- Market share gains in juice in H2, driven by innovation of the Keri Pulp range and MOST organic juice
- Successful launch of Fuze Tea and Zico Coconut Water

## Fiji

- Delivered strong volume and earnings growth assisted by a revitalised economy



# Indonesia & PNG



**Earnings increase of 9.9% with Indonesia facing headwinds stemming from a slowing economy**

\$M	FY15	FY14	Change
<b>Trading revenue</b>	<b>1,008.9</b>	927.5	8.8%
Revenue per unit case	\$4.71	\$4.41	6.8%
Volume (Million unit cases)	214.4	210.1	2.0%
<b>EBIT</b>	<b>48.7</b>	44.3	9.9%
EBIT margin	<b>4.8%</b>	4.8%	0.0ppts

**2016 priority: Work closely with TCCC to build the Sparkling Beverages market and increase our presence in Still Beverages**

## Indonesia

- Reiterated the joint commitment of CCA and TCCC to the Indonesian market
- Challenging environment with economic growth at its lowest level in five years impacting speed of volume increases
- Significant depreciation of the rupiah against the US dollar resulting in increased cost of goods sold
- Strong revenue management and cost initiatives offset lower growth volume
- Volume share increase in Sparkling Beverages and tea

## PNG

- Volume and transaction growth from successful execution of revised pack strategy
- Kina appreciation positively impacted earnings



# Alcohol & Coffee



**Momentum continued with earnings growth of 31.7%**

\$M	FY15	FY14	Change
Trading revenue	434.4	355.5	22.2%
EBIT	34.1	25.9	31.7%
EBIT margin	7.8%	7.3%	0.5ppts

## Alcohol & Coffee

- Sales benefited from a redesigned partnership with Beam Suntory now encompassing the Suntory range of spirits and expanding the relationship to New Zealand
- Delivered volume and value growth through improved performance of existing spirits portfolio
- Yenda craft beer range continues to expand distribution and increase recognition, winning numerous craft beer awards
- Paradise Beverages in Fiji reported double digit EBIT growth
- The fastest growing roast & ground coffee manufacturer in the grocery channel at the end of 2015

**2016 priority:** *Work closely with partners to develop our brands and take advantage of significant opportunities*



# Corporate, Food & Services



## Reduction in segment earnings of \$10.9M

\$M	FY15	FY14	Change
Trading revenue	374.3	386.5	(3.2%)
EBIT	15.2	26.1	(41.8%)

## Corporate, Food & Services

- SPC continues to revitalise its brand portfolio to return to profitability
- New innovative healthy fruit snacks, including Provital, from the new snack line have been successful
- Continuing to modernise the production facilities to establish a lower cost base
- Reduction in segment earnings driven by:
  - costs to support Group strategy including the new Beam Suntory agreement and Monster Energy discussions
  - one-off provisions in SPC including the closure of the Mooroopna plant

**2016 priority:** *Revitalise SPC brand portfolio to return to profitability*



# Income Statement



**Full year earnings consistent with our expectations and guidance previously provided**

\$M	FY15	FY14	Change	<b>Commentary</b>
EBIT (before significant items)	660.6	651.5	1.4%	<ul style="list-style-type: none"> <li>• Australian EBIT flat with strong growth in New Zealand, Fiji, PNG and Alcohol &amp; Coffee</li> <li>• Lower finance costs mainly driven by equity injection in Indonesia and one-off foreign exchange hedging gains</li> <li>• Effective tax rate increased to 29.8% after release of withholding tax provisions in 2014</li> <li>• Non-controlling interests now includes TCCC's 29.4% shareholding in our Indonesian business</li> <li>• No significant items recorded in 2015 resulting in statutory profit after tax increasing by 44.6%</li> </ul>
Net finance costs	(86.2)	(121.9)	(29.3%)	
Taxation expense (before significant items)	(171.0)	(153.4)	11.5%	
Non-controlling interests	(10.0)	(0.7)		
<b>Before significant items profit attributable to CCA shareholders</b>	<b>393.4</b>	<b>375.5</b>	<b>4.8%</b>	
Significant items after income tax	-	(103.4)		
<b>Profit attributable to CCA shareholders</b>	<b>393.4</b>	<b>272.1</b>	<b>44.6%</b>	



# Capital Employed



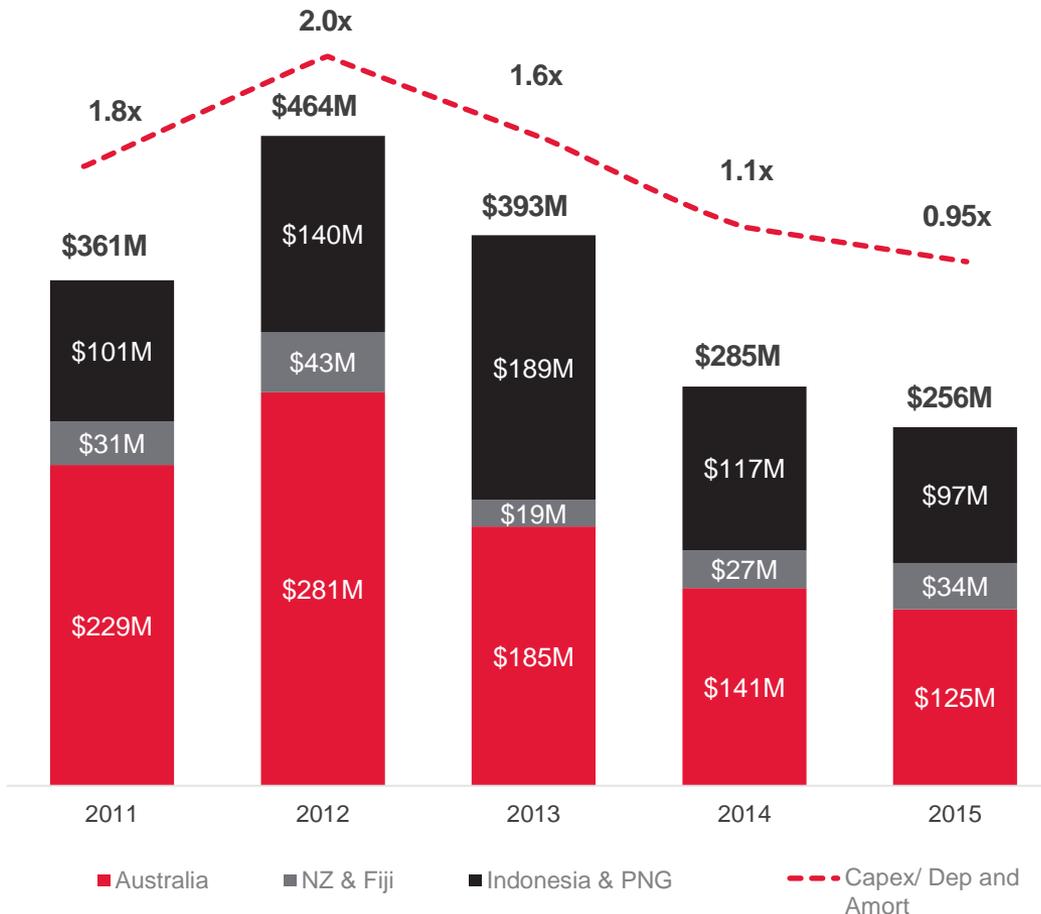
**Capital employed held flat with ROCE of 18.6% for the year well above CCA's cost of capital**

\$M	FY15	FY14	\$ Change	<b>Commentary</b>
Working capital	525.1	474.5	50.6	<ul style="list-style-type: none"> <li>• Working capital increase due to growth in Alcohol business and safety stock in SPC</li> <li>• Reduction in Australian Beverages working capital</li> <li>• PP&amp;E reduced due to sale of two sites in Australia</li> <li>• Lower Australian dollar, commodity prices and interest rates led to \$39M increase in non-debt derivative liabilities</li> <li>• Other net liabilities reduced due to change in discount rate for superannuation liabilities and increase in prepayments</li> </ul>
Property, plant and equipment	2,019.9	2,031.2	(11.3)	
Intangible assets	1,265.9	1,277.0	(11.1)	
Current and deferred tax liabilities	(188.6)	(167.4)	(21.2)	
Net non-debt derivatives (liabilities) / assets	(24.2)	15.0	(39.2)	
Other net liabilities	(42.0)	(72.3)	30.3	
<b>Capital employed</b>	<b>3,556.1</b>	<b>3,558.0</b>	<b>(1.9)</b>	
<b>Return on Capital Employed (ROCE) pre significant items</b>	<b>18.6%</b>	<b>18.5%</b>	<b>0.1ppts</b>	



# Capital Expenditure

Capital expenditure reduced by \$29M to \$256M due to deferral of spend on projects



## Commentary

- **Capital expenditure:** reduced to 0.95 times depreciation and amortisation
- **Australia**
  - **Australian Beverages:** completion of aseptic production line, investment in production facilities to enable the closure of sites, cold drink cooler investments and investment in IT solutions
  - **SPC:** new fruit snack line commissioned in Q3 and a tomato production line being commissioned in Q1 2016
- **Indonesia:** installation of three new production lines as well as the continued rollout of coolers
- **Capex:** to remain as previously forecast at or around depreciation during current business cycle with 2015 deferral of spend to be incurred in 2016



# Cash Flow

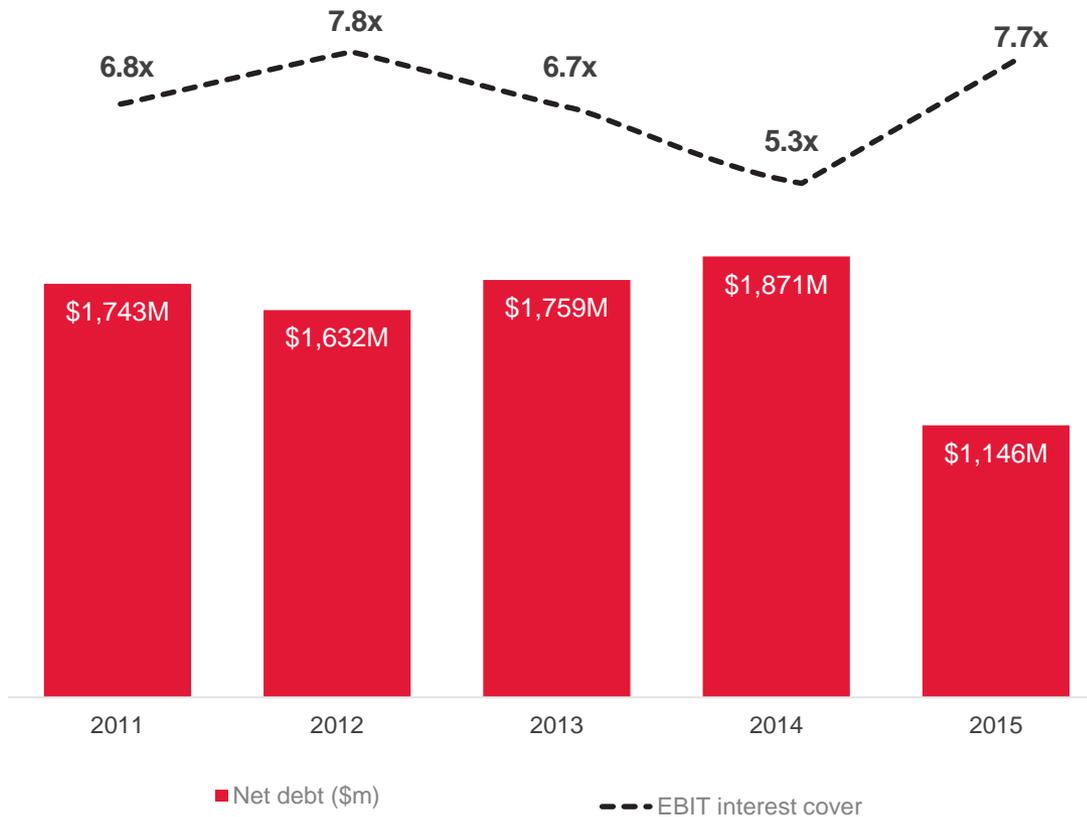
**Cash realisation increased to 93.1% with free cash flow sufficient to cover dividend payments**

<b>\$M</b>	<b>FY15</b>	<b>FY14</b>	<b>\$ Change</b>	<b>Commentary</b>
EBIT	660.6	507.1	153.5	<ul style="list-style-type: none"> <li>• Year on year movements impacted by significant items in 2014</li> <li>• Taxation paid lower due to impact of decline in earnings in 2014 on 2015 tax instalments</li> <li>• Proceeds from sale of two manufacturing sites in Australia</li> </ul>
Depreciation and amortisation	270.2	266.6	3.6	
Impairments – non-cash	4.9	57.2	(52.3)	
Change in adjusted working capital	(57.3)	(12.2)	(45.1)	
Net interest paid	(91.6)	(129.3)	37.7	
Taxation paid	(148.2)	(179.0)	30.8	
Movements in other items	(11.8)	79.8	(91.6)	
<b>Operating cash flow</b>	<b>626.8</b>	<b>590.2</b>	<b>36.6</b>	
Capital expenditure	(256.2)	(285.3)	29.1	
Proceeds from disposal of property, plant and equipment	19.7	6.7	13.0	
<b>Free cash flow</b>	<b>390.3</b>	<b>311.6</b>	<b>78.7</b>	



# Net Debt and Interest Cover

**EBIT interest cover strong at 7.7x**



## Commentary

- Net debt decreased by \$725M to \$1,146M reflecting the receipt of the equity injection by TCCC in CCA's Indonesian business which equated to \$647M in Australian dollars
- Total available debt facilities at year end was \$2.5B with an average maturity of 3.7 years

# Strategic pillars delivering outcomes

**Strengthening  
category leadership  
position**

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

**Better alignment with  
The Coca-Cola  
Company and our  
other partners**

- Well positioned in each of our markets with leading brands, unrivalled route to market and modern, large scale infrastructure
- Strong core Australia and New Zealand franchises plus growth opportunities (Indonesia and Alcohol & Coffee) providing upside
- 2015 result reinforces the confidence we have in our strategy
- 2016 focus on maintaining momentum in the face of challenging conditions
  - **Australia & New Zealand** – anticipating and adapting to changing consumer preferences
  - **Indonesia** – managing through the tough economic conditions and preparing for the growth of tomorrow
  - **Alcohol & Coffee** – continuing to grow



# Financial targets

## Group EPS

- 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 around \$300M pa during this business cycle
- 2016 capex expected to be higher with deferred capex spend from 2015 being incurred

## Dividend Outlook

- Continue to target medium term dividend payout ratio of over 80%

## Balance Sheet

- Balance Sheet to remain conservative with flexibility to fund future growth opportunities

# Q&A

17 February 2016

## Coca-Cola Amatil

2015 Full Year Result

**CCA**  
COCA-COLA AMATIL



# Disclaimer

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