9M 2019 Results

November 7th, 2019

verallia

2019 first nine months financial highlights: continued strong performance

- Success of the Group's **Initial Public Offering on Euronext Paris in October 2019** and the associated **refinancing**
- **Revenue**
  - **Reported revenue** at **€1,976m during the first nine months 2019**
  - **Sustained growth in revenue of 7.2%** (**up 10.1%** at constant exchange rates and scope*) vs. 9M 2018
- **Adjusted EBITDA**
  - **Up 12.9% at €478m** (+16.9% at constant exchange rates and scope*) vs. 9M 2018
  - **Margin** reached **24.2%**, up 122 bps vs. 9M 2018
  - **IFRS 16** impact: **€16m** on adj. EBITDA representing 80 bps of margin
- **Reduction in net debt to €1,627m** vs. €1,772m in 9M 2018, i.e. **2.7x adjusted EBITDA** for the past 12 months(**)
- **2019 guidance upgrade for organic growth** and **adjusted EBITDA**

(*) Excluding hyperinflation impact in Argentina (IAS 29).
(**) Net debt at €1,627.0m including rights-of-use for €50.6m. LTM Adjusted EBITDA at €602.3m including €20m of IFRS16 impact on a yearly basis.

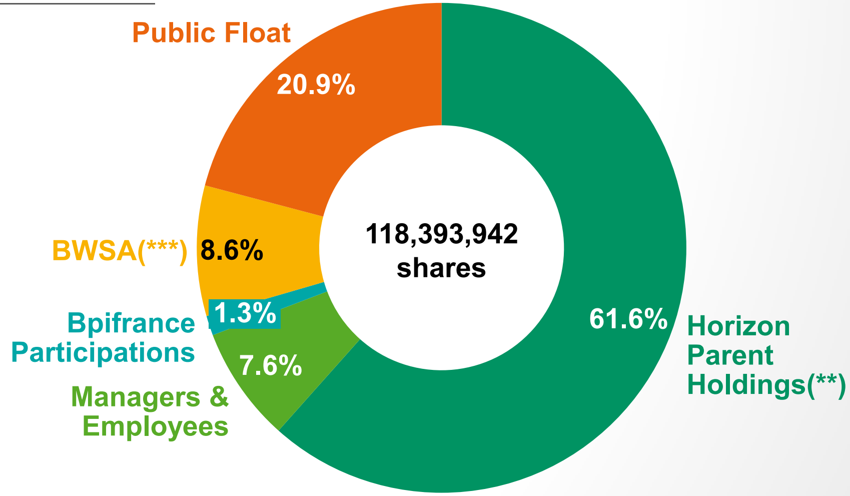
SUCCESS OF THE IPO!

- ✓ **Largest IPO** since 2017 on Euronext Paris
- ✓ Offering price of **€27 per share** corresponding to a total offering size of **€963m** i.e. **35,654,092 shares**

Board of Directors Composition

Michel Giannuzzi	Chairman
Robert Seminara	Apollo
Claudia Scarico	Apollo
Pierre Vareille	Apollo
Sébastien Moynot	Bpifrance Participations
Cécile Tandeau de Marsac	Independent
Marie-José Donsion	Independent
Virginie Hélias	Independent
José Arozamena	Independent
João Salles / BWSA(***)	Independent

Capital Structure(*)



Committees of the Board of Directors

Audit Committee
- Marie-José Donsion (Chairwoman)
- Claudia Scarico
- José Arozamena

Appointments and Compensation Committee
- Cécile Tandeau de Marsac (Chairwoman)
- Robert Seminara
- João Salles
- José Arozamena

Sustainable Development Committee
- Virginie Hélias (Chairwoman)
- Michel Giannuzzi
- Claudia Scarico
- 2 employee representatives

(*) Co-investors have been considered as public float.
(**) Company 90%-owned by AIF VII Euro Leverage, L.P., an investment fund managed by an affiliate of Apollo Global Management, Inc., and 10%-owned by Bpifrance Participations.
(***) Acting through Lepton Fund Ltd., a fund managed by BW Gestão de Investimentos Ltda., a wholly-owned subsidiary of Brasil Warrant Administração de Bens e Empresas S.A.

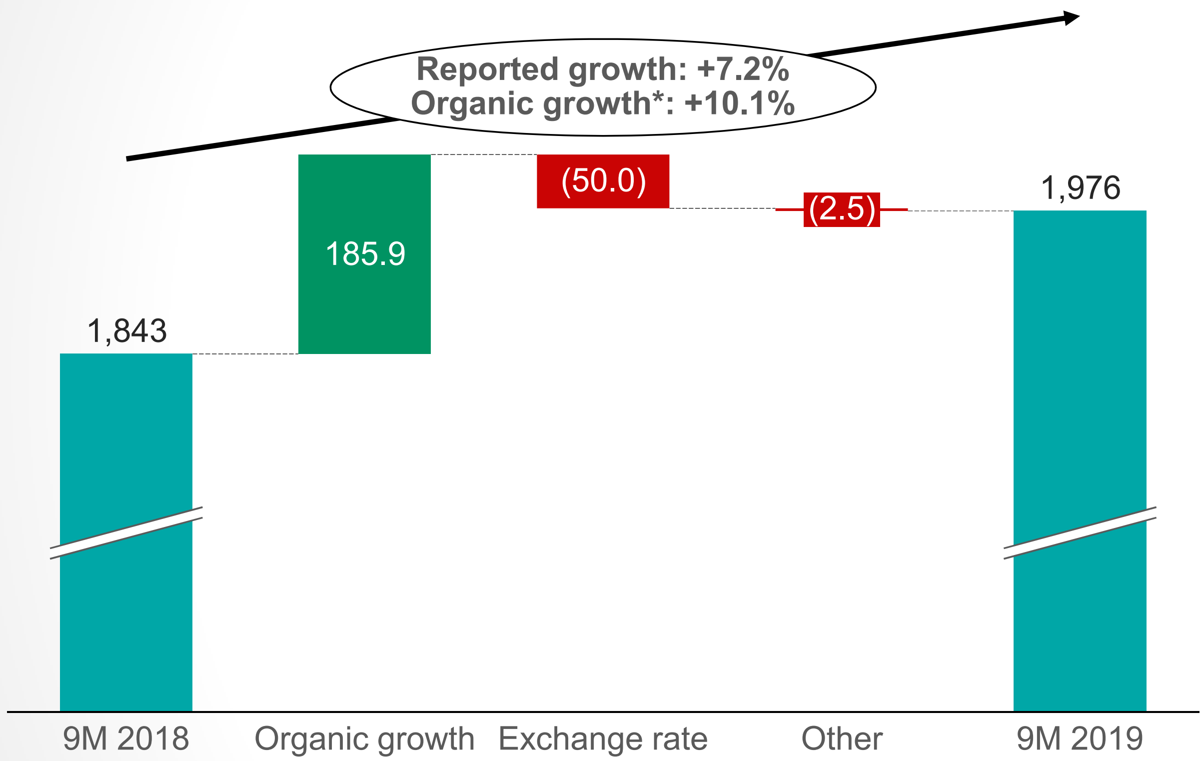
€24 million investment to modernize the Lagnieu plant

France

- Site specialized in the manufacturing of glass food containers
- Investment of **€24m**
- Reconstruction of **one of the plant's two furnaces**
- Modernization of the **5 production lines**
- Improvement of energy performance and environmental impact
- **Training program** of more than 1,000 hours

Sustained revenue growth supported by volume, price and mix in all segments

Reported revenue bridge (in €m)

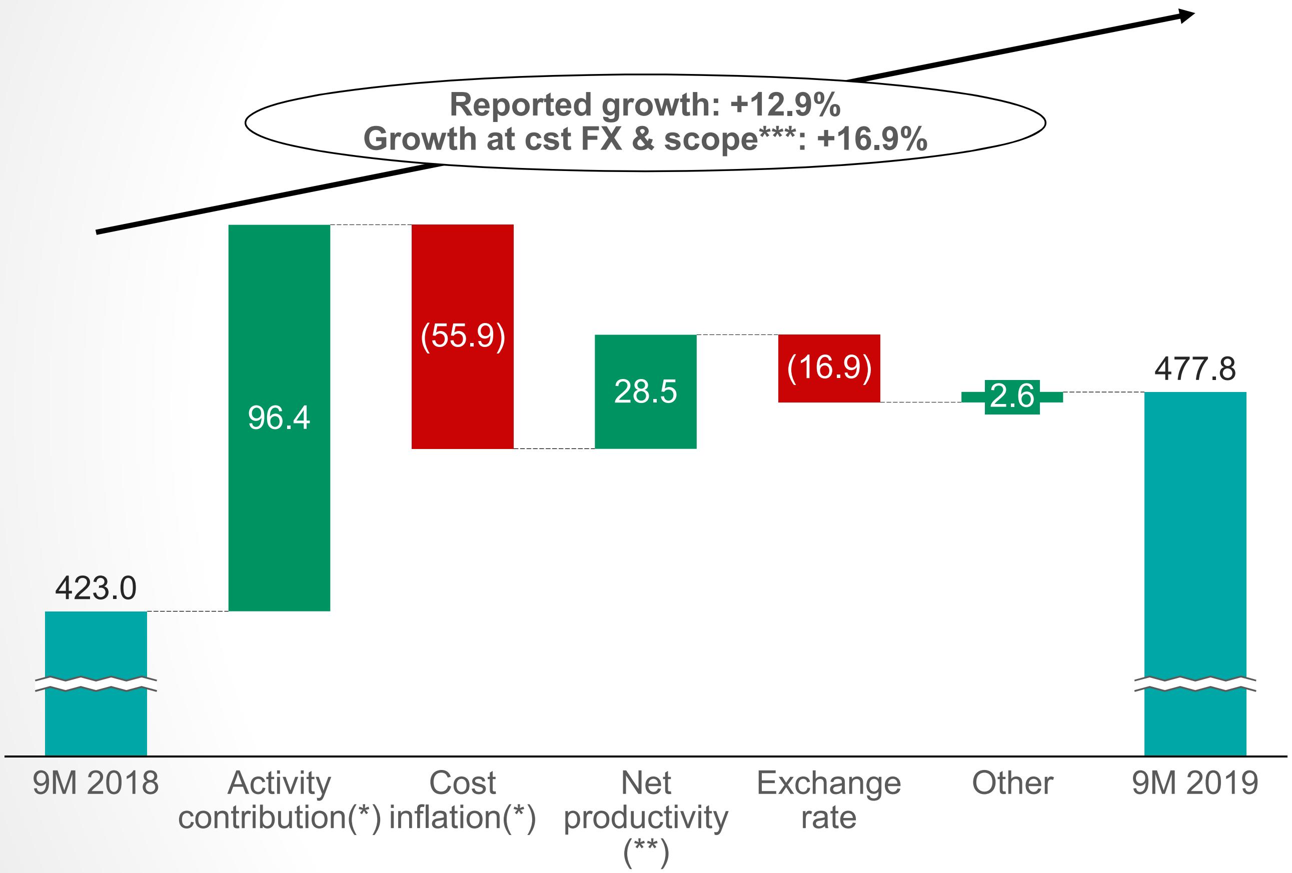


- **Continuing organic growth of 10.6%** YoY in Q3
- **Negative exchange rates** impact due to continued **depreciation of the Argentine peso** not being offset by hyperinflation
- **Continuous volume improvement**
- **Full impact of selling price increases** mainly to pass on the rise in energy and raw material costs
- **Product mix improvement**: confirming premiumization of product range
- Growth driven by **the dynamism of all market segments**

(*) Excluding hyperinflation impact in Argentina (IAS 29).

Strong growth in adjusted EBITDA and margin expansion

Adjusted EBITDA bridge (in €m)



Adjusted EBITDA margin

9M 2018		9M 2019
23.0%	+ 122 bps	24.2%

- **Strong growth in adjusted EBITDA** driven by:
  - Continuous volume growth
  - Positive price/cost spread
  - PAP still on track
- **Improvement in operating leverage** partly offset by **destocking from the beginning of the year**
- **"Other"** includes IFRS 16 impact of +€16m (80 bps of margin)
- **Significant adjusted EBITDA margin expansion reaching 24.2%, up 122 bps** vs. 9M 2018

(*) For presentation purpose, the impact of inflation in Argentina has been reallocated from "Cost inflation" to "Activity contribution" (negative) bucket.
(**) PAP of €33m partly offset by €(4)m of industrial variances.
(***) Excluding hyperinflation impact in Argentina (IAS 29).

1. Financial highlights and key initiatives

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Continuous deleveraging capabilities(*)

In € million	30/09/2018	30/09/2019
Net Debt	1,772.0	1,627.0
LTM Adjusted EBITDA	541.3	602.3
Net Debt / LTM Adjusted EBITDA	**3.3x**	**2.7x**

- **2.7x ratio of net debt over LTM adjusted EBITDA in September 30, 2019**:
  - Net debt at €1,627.0 million including rights-of-use for €50.6 million
  - LTM Adjusted EBITDA at €602.3 million including €20 million of IFRS16 impact on a yearly basis
- **Continuous deleveraging** since 2017 driven by:
  - **Increase of LTM adjusted EBITDA**
  - **Decrease of net debt**
- **Total available liquidity(**)** is at **€495.7m at September 30, 2019**

(*) Excluding the shareholder loan between Verallia SA and Horizon Intermediate Holdings, its former parent company.
(**) Calculated as the Cash + Undrawn Revolving Credit Facility – Outstanding Commercial Papers.

Verallia's net debt : €1,657.9 million at September 30, 2019 (Proforma IPO refinancing(*))

In € million	Nominal amount or maximum amount drawable	Nominal rate	Final maturity	September 30, 2019 PF
Term Loan A	1,500.0	Euribor +1.75%	07/10/2024	1,487.0
Revolving Credit Facility	500.0	Euribor +1.35%	07/10/2024	-
Commercial Papers	400.0			192.3
Other debt				139.9
Total borrowings				**1,819.2**
Cash				(161.3)
Net Debt				**1,657.9**

- **€20m p.a. interest cost reduction (c. 0.6 year payback(**))**
- **< 5.0x new leverage covenant ratio**
- **Interest rate swap put in place in 2018 to hedge a significant part of the Group's floating rate exposure**
- **Total available liquidity(***) is at €469.0m at September 30, 2019 (PF refinancing)**

(*) Settlement-delivery date on the 7th of October.
(**) Represents the charge of the upfront refinancing fees divided by the reduction of the cost of interest.
(***) Calculated as the Cash + Undrawn Revolving Credit Facility – Outstanding Commercial Papers.

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Conclusion

- Our **strategy** remains based on the following **4 pillars:**
  - **Disciplined growth (profitable and durable);**
  - **Operational excellence deployment;**
  - **Wise investments;**
  - **Strong entrepreneurial culture**

- And is being **successfully deployed**, triggering the following **profitability levers** over the first 9 months of the year:
  - **Sustained volume growth;**
  - **Positive inflation spread** (price increases versus cost inflation);
  - **Performance Action Plan (PAP)**

2019 guidance upgrade for organic growth and adjusted EBITDA

- **2019 guidance upgrade for organic growth** and **adjusted EBITDA:**
  - **Consolidated revenue organic growth(*) of *between 8% and 10%*** instead of organic growth between 6% and 8% initially;
  - **Adjusted EBITDA(**) *above* €610m**, compared to *around* €610m initially.
- The **other objectives for 2019 remain unchanged**:
  - The Group still plans to achieve an **net financial debt/adjusted EBITDA(**) ratio of around 2.7x** as of 31 December 2019;
  - In addition, the Group intends to pursue its disciplined capital expenditure policy by maintaining **recurring investments at around 8% of its annual consolidated revenue** (excluding capitalization of the right of use associated with the application of IFRS 16) for the year ending 31 December 2019;
  - Finally, subject to the approval of the Company's Annual General Shareholders' Meeting, the Group expects to distribute **an annual dividend in 2020 to the amount of €100m** for the year ending 31 December 2019.

(*) At constant exchange rates and constant scope.
(**) Excluding the impact of the management share ownership plan set up as part of the IPO.

Appendices

Glossary

- **Organic growth:** corresponds to revenue growth at constant exchange rates and scope. Revenue growth at constant exchange rates is calculated by applying the average exchange rates of the comparative period to revenue for the current period of each Group entity, expressed in its reporting currency.
- **Adjusted EBITDA:** This is a non-IFRS financial measure and the definition of the term used by the Group may not be comparable to similar terms used by other companies. Adjusted EBITDA corresponds to operating profit adjusted for certain expenses and/or income of a non-recurring nature or likely to distort the interpretation of the Group's performance, such as depreciation and amortisation, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plans, disposal effects, closing and carve-out expenses, and other items.
- **Capex:** Short for "capital expenditure", this represents purchases of property, plant and equipment and intangible assets necessary to maintain the value of an asset and/or adapt to market demand or to environmental and health and safety constraints, or to increase the Group's capacity. It excludes the purchase of securities.
- **Recurring capex:** represent acquisitions of property, plant and equipment and intangible assets necessary to maintain the value of an asset and/or adapt to market demands and to environmental, health and safety requirements. It mainly includes furnace renovation and maintenance of IS machines.
- **Strategic investments:** Capex corresponds to acquisitions of strategic assets that significantly enhance the Group's capacity or its scope (for example, the acquisition of plants or similar facilities, greenfield or brownfield investments), including the building of additional new furnaces.
- **Cash conversion:** refers to the ratio between cash flows and adjusted EBITDA. Cash flows refers to adjusted EBITDA less Capex.
- **The segment Southern and Western Europe** comprises production plants located in France, Spain, Portugal and Italy. It is also denominated as "SWE".
- **The segment Northern and Eastern Europe** comprises production plants located in Germany, Russia, Ukraine and Poland. It is also denominated as "NEE".
- **The segment Latin America** comprises production plants located in Brazil, Argentina and Chile.
- **Liquidity:** Calculated as the Cash + Undrawn Revolving Credit Facility – Outstanding Commercial Papers.

Key figures in Q3

In € million	Q3 2018	Q3 2019
Revenue	**599.6**	**647.0**
Reported growth		*+7.9%*
Organic growth		*+10.6%*
Adjusted EBITDA	**147.6**	**165.0**
Adjusted EBITDA margin	*24.6%*	*25.5%*

Reconciliation of operating profit to adjusted EBITDA

In € million	9M 2018	9M 2019
Operating profit	**186.0**	**241.9**
Depreciation, amortisation and impairment (i)	217.7	211.9
Restructuring costs (ii)	4.5	2.8
Acquisition, M&A and IPO costs	0.2	8.3
IAS 29, Hyperinflation (Argentina) (iii)	0.0	2.1
Management equity plan related costs (iv)	3.5	6.5
Disposals and risks related to subsidiaries (v)	5.1	0.0
Closure project of Agua Branca (Brazil)	0.0	2.0
Others (vi)	6.0	2.4
Adjusted EBITDA	**423.0**	**477.8**

(i) Includes depreciation and amortisation of intangible assets and property, plant and equipment, amortisation of intangible assets acquired through business combinations and impairment of property, plant and equipment.
(ii) Corresponds to restructuring costs.
(iii) Following the strong increase of the cumulated inflation rate over several years in Argentina, the Group is required to apply IAS 29 (Hyperinflation) to its Argentina operations since the second half of 2018.
(iv) Corresponds to share-based compensation plan.
(v) Corresponds mainly to the effects related to the disposal of Alver in 2018.
(vi) Corresponds to various other non-recurring items.

Verallia's net debt: €1,627m as of September 30, 2019 (before refinancing associated to the IPO)

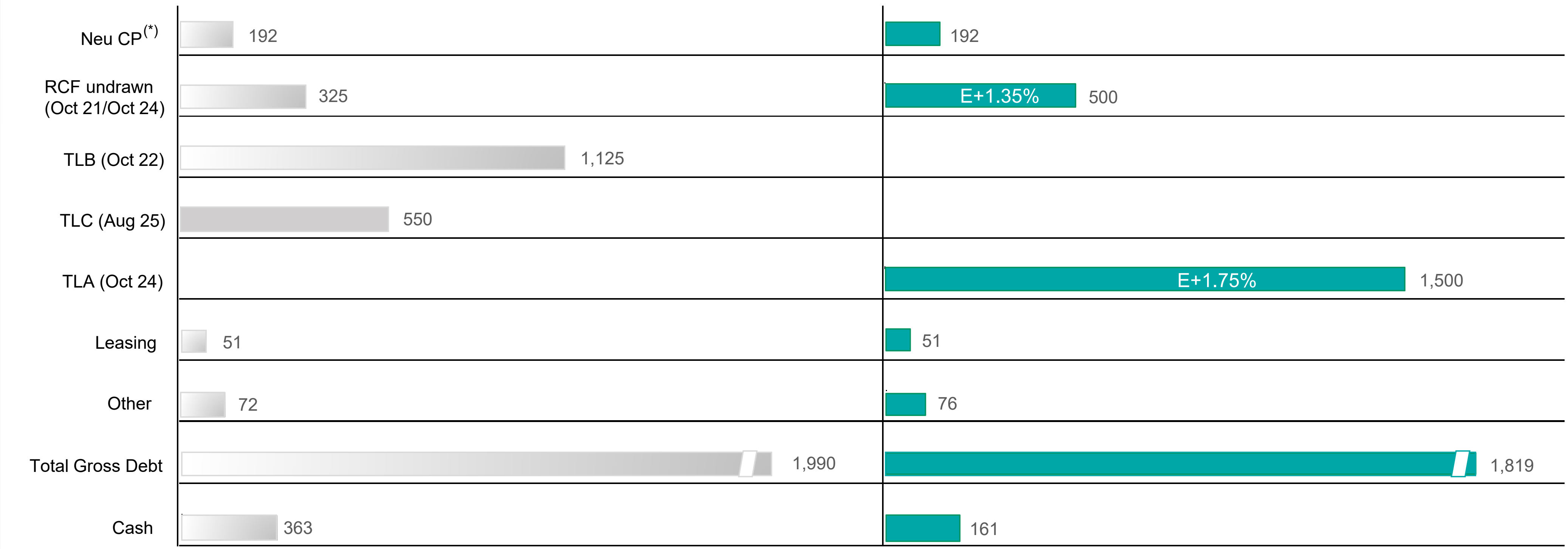
In € million	Nominal amount or maximum amount drawable	Nominal rate	Final maturity	September 30, 2019
Term Loan B	1,125.0	Euribor +2.75%	29/10/2022	1,109.6
Term Loan C	550.0	Euribor +2.75%	01/08/2025	544.5
Revolving Credit Facility	325.0	Euribor +2.50%	29/10/2021	-
Commercial Papers	400.0			192.3
Other debt				143.6
Total borrowings				**1,990.0**
Cash				(363.0)
Net Debt				**1,627.0**

- **Interest rate swap put in place in 2018 to hedge a significant part of the Group's floating rate exposure**
- **Total available liquidity**(*) is at **€495.7 million as of September 30, 2019**

(*) Calculated as the Cash + Undrawn Revolving Credit Facility – Outstanding Commercial Papers.

New refinancing at IPO: €1,500m Term loan + €500m RCF

Financial indebtedness as of September 30, 2019 (in €m) | **Pro forma IPO refinancing as of September 30, 2019 (in €m)**



€20m p.a. interest cost reduction (c. 0.6 year payback(**))
2.7x leverage at September 30, 2019
< 5.0x new leverage covenant ratio

(*) €126m outstanding as of 30/06/2019.
(**) Represents the charge of the upfront refinancing fees divided by the reduction of the cost of interest.

Reminder of the 2020-2022 Outlook

Over the 2020-2022 period, assuming moderate inflation in raw material and energy costs and an effective tax rate going down from 30% to 26%, the Group aims to achieve the following:

- Consolidated revenue **organic growth**(*) at a compound annual growth rate (CAGR) of **between 3% and 5%**, based on (i) growth in demand in the markets in which the Group operates, (ii) ongoing improvement to the mix due to premiumisation trends in its product range and (iii) an increase in the Group's selling prices to reflect inflation in production costs. The Group also expects to benefit from past and future investments to increase its production capacity;
- An **adjusted EBITDA**(**) **margin exceeding 25% in 2022**, mainly due to (i) the growth in sales volumes and the improvement in associated operating leverage, (ii) the continuation of its dynamic pricing policy aimed at offsetting cost increases and (iii) the ongoing implementation of the performance action plan and the reduction of production costs;
- The continuation of its disciplined investment policy aimed at maintaining **recurring capex**(***) **at around 8%** of consolidated annual revenue;
- A **net financial debt/adjusted EBITDA**(**) **ratio of between 2x and 3x**;
- An annual **dividend payout ratio exceeding 40% of consolidated net income**, with an annual amount of **at least €100 million**, subject to approval by Verallia's General Shareholders' meeting.

(*) At constant exchange rates and constant scope.
(**) Excluding the impact of the management share ownership plan set up as part of the IPO.
(***) Excluding capitalization of the right of use associated with the application of IFRS 16.

Impact of IFRS 16 “Leases”

Verallia has applied IFRS 16 since January 1, 2019 using the simplified retrospective transition method. IFRS 16 (Leases) eliminates the distinction between operating and finance leases and requires the lessee to recognize an asset (the right to use the leased asset) and a financial liability to pay lease payments, subject to minor exceptions.

As a result of the adoption of IFRS 16, as of September 30, 2019, right of use assets were recognized for €49 million and an additional financial liability was recorded for €51 million.

In the income statement, IFRS 16 will lead to a reduction in lease expenses recorded under adjusted EBITDA of €11 million, and an increase in depreciation & amortization of non-current assets and finance costs. Based on existing lease contracts as of January 1, 2019, the full-year improvement in adjusted EBITDA is estimated to be around €20 million in 2019.

The impact on net income attributable to owners of the Company is not material.

IAS 29: Hyperinflation in Argentina

Since the second half of 2018, the Group applied IAS 29 in Argentina. The adoption of IAS 29 requires the restatement of non-monetary assets and liabilities and of the income statement to reflect changes in purchasing power in the local currency, leading to a gain or loss on the net monetary position included in finance costs.

Financial information of the Argentinian subsidiary is converted into euros using the closing exchange rate for the relevant period.

In the first 9 months, the net impact on revenue is €(6.7) million. The hyperinflation impact has been excluded from Group adjusted EBITDA as shown in the table “Reconciliation of operating profit to adjusted EBITDA”.

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