# Q1 2023 results

20 April 2023

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# Summary

# INTRODUCTION

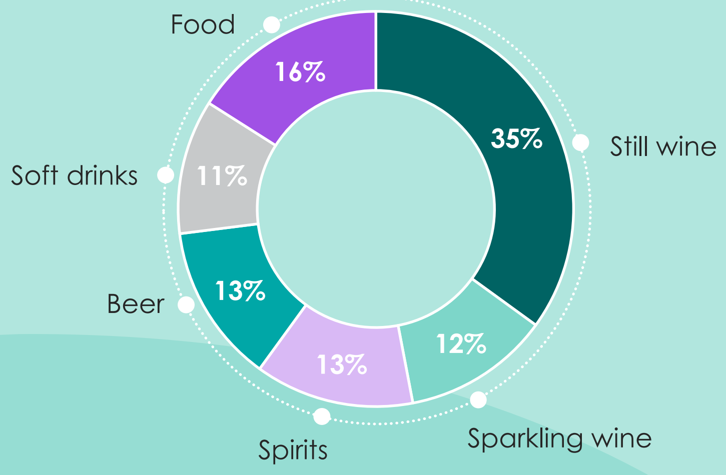
Patrice LUCAS
CEO

01

# A global leader in glass packaging

## DIVERSIFIED AND BALANCED END-MARKETS

2022 Glass packaging(1) sales split by end-market




**N°1**
in Europe(2)
87% of 2022 sales

**N°2**
in Latin America(3)
13% of 2022 sales

**N°3**
Globally

12 countries

10,000 employees

5 decoration plants

17 billion bottles/jars p.a.

34 glass plants

12 cullet recycling centers

63 furnaces

Sources: Companies public information, management estimates and Advancy (IPO related study).
Notes: (1) For bottles and jars only (97% of total Verallia sales). (2) Based on 2021 sales; "Europe" using each company's definition/management estimates. (3) Based on 2022 volumes in Argentina, Brazil and Chile.

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# KEY HIGHLIGHTS

Patrice LUCAS
CEO

# ESG: We pursue our action plan for decarbonation

## SOLAR PANELS DEPLOYMENT

**In line with its commitment to reduce $CO_2$ emissions (Sc1 & 2) by 46% by 2030, Verallia continues its program to install Solar panels in its factories**

- After Mondego plant in Portugal last summer, our plant of **Gazzo Veronese in Veronese** switched on its installation in April
- This installation has an installed capacity of 4.7 GW, **supplying up to 5% of the plant consumption**
- Per our plan this deployment is going on in other factories of the Group

## OXY-COMBUSTION FURNACES – OXYGEN SUPPLIES PARTNESHIP

- **In 2024 Verallia will start a new furnace in Italy, in Pescia**
- This Furnace will use Oxy-combustion to reduce its $CO_2$ emissions by **~18%**
- This technology requires the installation of **Oxygen production facilities on our sites**, to supply the furnace on a continuous basis
- **Verallia has selected Air Liquide for this project**
- This partnership with a market leader will ensure Verallia benefits from the **most advanced technologies** to optimize energy consumption and $CO_2$ emissions on this new furnace

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# RE-USE LAB Verallia Italy hold on March 16th

## Event

+85 ATTENDEES
(+30 CLIENTS)
12 SPEAKERS

## Workshop

25 ATTENDEES

2 Roundtables: Focus on delivery & mass distribution


**Next steps:** development of workshop insights with the aim of a **Pilot Project** in 2024

# Ukraine: Restart of Furnace 2

- Since April 7th , **2nd furnace of the plant restarted**
- During this stoppage, the furnace has been **partially renovated**
- Those activities have been conducted by the local team, with the **remote support from the Group experts in Germany and in France**
- Thanks to this great team effort, our plant in Ukraine is now running at **full capacity** again

# Verallia UK Integration on Track

- **Integration** of Allied Glass, renamed **Verallia UK** on January1st 2023, is **on track**
- **Procurement** incorporated into the Group's purchasing contracts and policies
- First **purchasing synergy** achieved
- **Roll-out of PAP methodology** underway with first actions to be launched in H2





# Very good start to the year

### REVENUE

- **+40.2%** to **€1.052Bn**
- **+34.7%** organic growth(1)

### ADJUSTED EBITDA

- **€307m**
  (+68.3% vs. Q1 2022)
- **Margin** at **29.2%** vs. 24.4% in Q1 2022 (+487 bps)

### NET DEBT

- **Leverage: 1.3x LTM Adj EBITDA**
  (vs. 1.6x end of Dec 22)

(1) Growth in revenue at constant exchange rates and scope excluding Argentina of +31.3% in Q1 2023 compared to Q1 2022.

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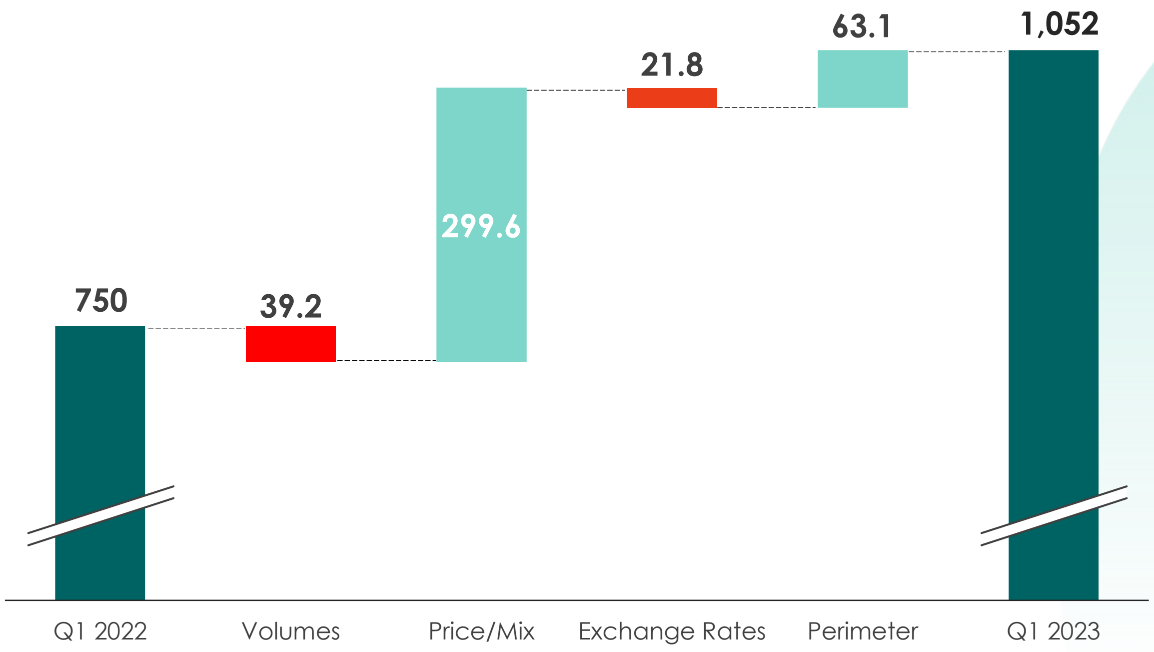
# Q1 2023
# FINANCIAL RESULTS

Nathalie DELBREUVE
CFO

03

# Q1 2023 Consolidated Revenue Variance Analysis

REPORTED REVENUE (IN €M)

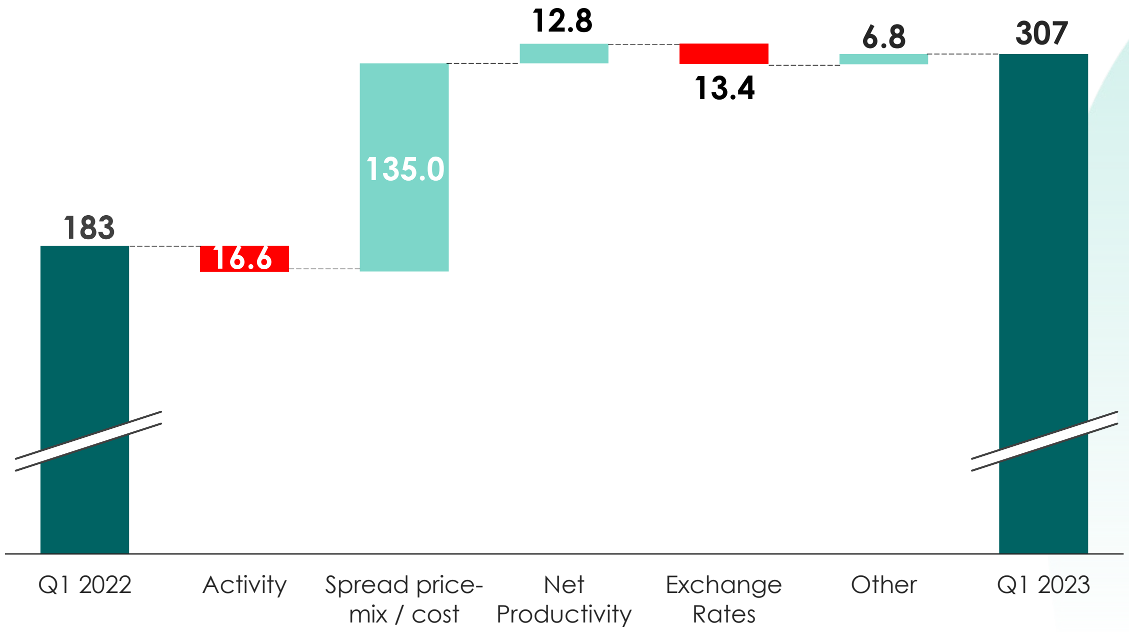



- Organic growth: +34.7% in Q1 23
- Lower volumes versus strong Q1 last year (volumes up +9% in Q1 22)
  - France penalized by national strikes
  - Soft start in beer, especially in Germany
  - LatAm: growing volumes in Brazil, lower than expected Argentina and Chile
- Price / mix
  - Carry over impact from last year selling price increases
  - New selling price increases linked to the rise in production costs
  - Positive contribution from mix
- FX
  - Mainly Argentinian peso and Ukrainian hryvnia
- Perimeter effect
  - From Allied Glass acquisition in Nov 2022
  - Boosting the Group spirits' sales

**STRONG ORGANIC GROWTH AND CONTRIBUTION FROM NEWLY ACQUIRED UK BUSINESS**

# Q1 2023 Consolidated Adjusted EBITDA Variance Analysis

ADJUSTED EBITDA (IN €M AND % OF SALES)




+487bps

| | Q1 2023 | Q1 2022 |
|---|---|---|
| Adjusted EBITDA margin | 29.2% | 24.4% |

- Activity / Operating leverage
  - Lower volumes in Q1 as anticipated, after a strong Q1 22
- Positive price-mix / cost spread
  - Q1 23 very positive spread after a negative spread in Q1 22
  - Positive mix contribution
- Net PAP
  - Good performance at 2.0% cash production cost reduction
- Adverse FX effect
- Other
  - Including exceptional income from insurance compensation linked to a fire in Argentina in Q4 21, perimeter effect and other negative one offs

**STRONG INCREASE IN ADJUSTED EBITDA AND MARGIN**

# 31 March 2023 Group Net Debt Evolution and Leverage

| In € million | 31/03/2023 | 31/12/2022 | 31/03/2022 |
|---|---|---|---|
| Net Debt | 1,304.4 | 1,405.9 | 1,221.8 |
| LTM Adjusted EBITDA | 990.3 | 865.5 | 709.1 |
| **Net Debt / LTM Adjusted EBITDA** | **1.3x** | **1.6x** | **1.7x** |

- **Moody's upgrades Verallia's credit rating** from Ba1 to **Baa3**, **Investment Grade** with a **stable outlook**
- Net debt at €1,304m including rights-of-use for €53.3m

**CONTINUOUS DELEVERAGING AND IMPROVED CREDIT PROFILE LEADING TO CREDIT RATING UPGRADE TO INVESTMENT GRADE CATEGORY**

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# 31 March 2023 Financial Structure and Liquidity

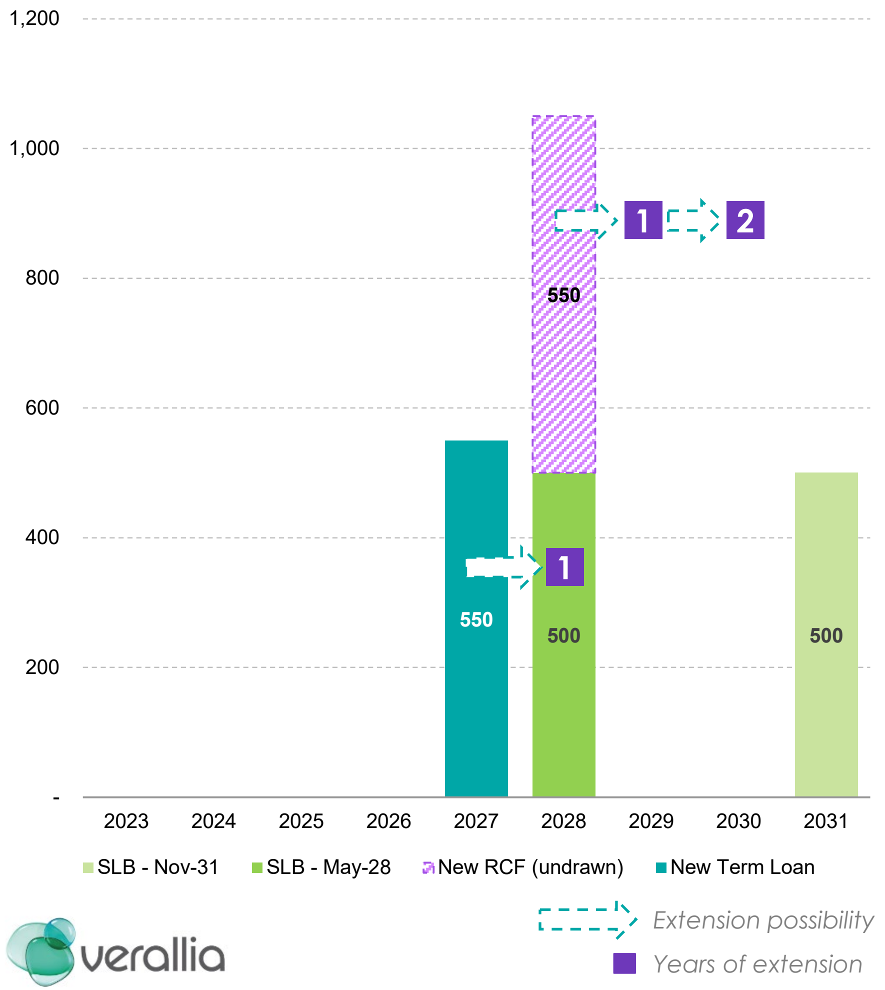
| In € million | Nominal amount or max. Amount drawable | Maturity | Nominal rate | 31 March 2023 |
|---|---|---|---|---|
| Sustainability-Linked Bond – May 2021[1] | 500.0 | May 2028 | 1.625% | 504.8 |
| Sustainability-Linked Bond – November 2021[1] | 500.0 | November 2031 | 1.875% | 496.3 |
| Term Loan A (TLA)[1] | 500.0 | October 2024 | Euribor+1.25% | 501.4 |
| Revolving Credit Facility (RCF1) | 500.0 | October 2024 | Euribor+0.85% | - |
| Negotiable Commercial Papers Neu CP[1] | 400.0 | | | 189.3 |
| Other debt[2] | | | | 140.2 |
| **Total borrowings** | | | | **1,832.0** |
| Cash | | | | 527.7 |
| **Net Debt** | | | | **1,304.4** |

- A significant part of the **Group's floating rate exposure is hedged** through interest rate CAPs (*i.e. 92% of total long-term debt is fixed either by being at fixed rate or by being hedged)*
- **Total available liquidity**[3] reaches **€837.7** million as of March 31st, 2023

(1) Including accrued interest
(2) o/w IFRS16 leasing (€53.3m), Collateral Engie (€50.0m), local debts (€15.8m), factoring recourse and double cash (€22.3m)
(3) Calculated as the Cash + Undrawn Revolving Credit Facilities – Outstanding Commercial Papers

# Successful Refinancing of Verallia's bank facilities through new Sustainability-Linked Term Loan and RCF in April

## MATURITY PROFILE *(in €m)*




- **Material oversubscription**, reflecting strong banks' support
- **Maturities pushed from 2024 to 2027/2028** plus additional extension options
- Key features include:

1. **Increase of the bank facilities from €1.0bn to €1.1bn**, equally split between a Term Loan ("TL") and a Revolving Credit Facility ("RCF"), further reinforcing the Group's strong liquidity;
2. **Maturities extended to 2027 on the TL** (with a +1 year extension option) **and 2028 on the RCF** (with a +1 + 1 years extension options);
3. **Sustainability-linked instruments** with KPIs related to $CO_2$ emissions (Scopes 1 & 2), water consumption and proportion of women managers;
4. **Broad and international pool of banks**, reflecting Verallia's scale and footprint
5. **Revamped Investment Grade-style documentation**

# 2023 GUIDANCE

Patrice LUCAS
CEO

04

# Reinforced 2023 Guidance

**REVENUE**

2023 revenue growth of
**more than 20%**

*Market expected to remain supportive in Europe and in Latin America*

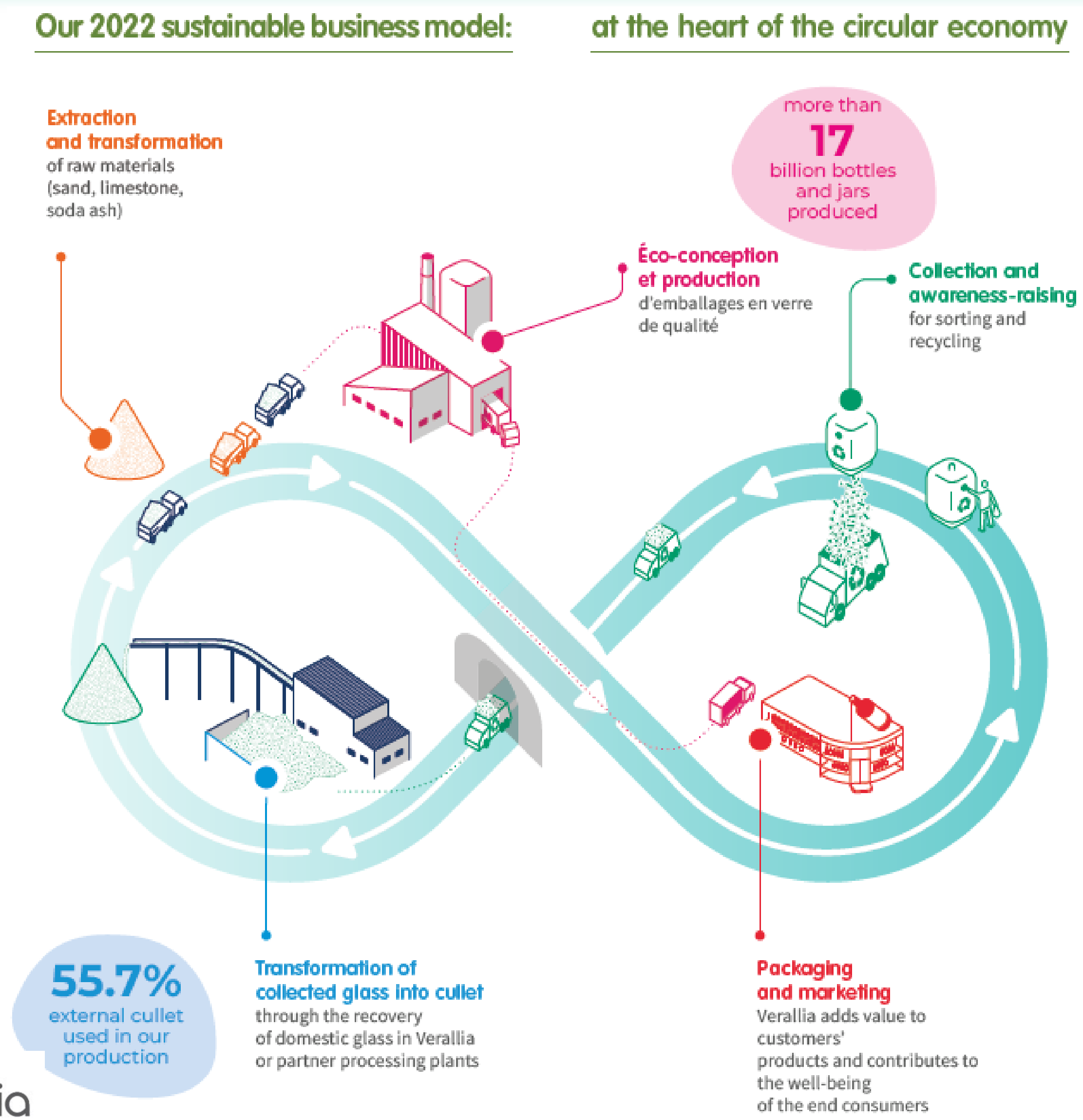
**ADJUSTED EBITDA**

Adjusted EBITDA of
**more than €1Bn**


# Q&A

# APPENDICES

# Circularity is core to our model




**SAVINGS***

**+10pts**
of cullet

**-5%**
of $CO_2$ emissions

**-2.5%**
of energy consumption

Source: Company.
* Press release from the Fédération Européenne du Verre d'Emballage (FEVE), 12 April 2018.

# Disciplined and dynamic risk hedging policy

## ENERGY

- Disciplined fuel, gas and electricity hedging policy limiting energy cost volatility in Western Europe and levelling market bursts
  - Hedging horizon: **next 3 years for a target of 85% of our needs**
  - Progressive hedging during year N with targeted hedge rates in October year N of: **100% of target in year N+1, 50% in year N+2, 25% in year N+3**

## $CO_2$

- Disciplined carbon emission quotas hedging policy in Western Europe
  - Hedging horizon: next 3 years
  - Forward purchases during year N with targeted deficit hedge rates in October year N of: **100% in year N+1, 75% in year N+2, 50% in year N+3**

## EXCHANGE RATES & INTEREST RATE

- Very limited transactional FX risk with ca 2% of the Group's receivables / payables exposed
- Strict hedging policy applied with targeted hedge rates of:
  - 100% for all firm commitments
  - 75% for budgeted cash flows over a 12-month rolling period (subject to specific local regulations)
- 80% of total Group's long-term debt is fixed either by being at fixed rate or by being hedged

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# Reconciliation of operating profit to adjusted EBITDA

| In €m | Q1 2023 | Q1 2022 |
|---|---|---|
| **Operating profit** | **224.7** | **109.1** |
| Depreciation, amortisation and impairment (i) | 79.0 | 69.9 |
| Restructuring costs | 0.5 | 0.6 |
| Acquisition and M&A costs | 0.1 | 0.1 |
| IAS 29, Hyperinflation (Argentina) | 0.3 | 0.0 |
| Management share ownership plan and associated costs | 2.8 | 2.5 |
| Other | | 0.5 |
| **Adjusted EBITDA** | **307.4** | **182.7** |

(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) The Group has applied IAS 29 (Hyperinflation) since 2018.

# Glossary

- Activity category: corresponds to the sum of the volumes variations plus or minus changes in inventories variation.
- 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. It is an indicator for monitoring the underlying performance of businesses adjusted for certain expenses and/or non-recurring items liable to distort the company's performance. The Adjusted EBITDA is calculated based on operating profit adjusted for depreciation, amortisation and impairment, restructuring costs, acquisition and M&A costs, hyperinflationary effects, management share ownership plans, subsidiary disposal-related effects and contingencies, plant closure costs 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 investments: 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: Strategic investments represent the 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. Since 2021, they have also included investments related to the implementation of the plan to reduce $CO_2$ emissions.
- Cash conversion: refers to the ratio between cash flow and adjusted EBITDA. Cash flow refers to adjusted EBITDA less Capex.
- Free Cash-Flow: defined as the Operating Cash Flow - Other operating impact - Interest paid & other financing costs - Cash Tax.
- 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, UK, Russia, Ukraine and Poland. It is also denominated as "NEE".
- The segment Latin America comprises production plants located in Brazil, Argentina and Chile. And one sales office in the US.
- Liquidity: calculated as the Cash + Undrawn Revolving Credit Facilities – Outstanding Commercial Papers.
- Amortisation of intangible assets acquired through business combinations: Corresponds to the amortisation of customer relations recorded during the acquisition of the Saint-Gobain packaging business in 2015 (initial gross value of €740 million over a useful life of 12 years).

# Disclaimer

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# Thank you

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