Verallia Q1 2024 Results

Thursday, 25th April 2024

Transcript produced by Global Lingo
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Introduction & Key Highlights

Patrice Lucas

CEO, Verallia

Welcome

Good morning everyone and welcome to our Q1 2024 Results Call. As usual, Nathalie and I will go through our presentation and we will have our Q&A session. I will start with some key highlights, Nathalie will present in detail our numbers, and I will be back for conclusion.

A global leader in glass packaging

To start with, just to remind you that Verallia is a global leader in glass packaging for food and beverage. We are the number one in Europe, number two in Latin America and number three worldwide.

On this chart, you have our ID card with our numbers. One of our strong assets, as you know, is our customer base. More than 10,000 customers and the diversified and balanced end markets in which we operate. We do operate in 12 countries with 34 plants and 63 furnaces. We have 19 cullet treatment facilities, and with more than 10,000 employees, we are producing more than 16 billion bottles and jars per year.

Let us move to some key highlights of the quarter I want to share with you.

Verallia has entered into an agreement to acquire Vidrala's glass business in Italy

The first one is about the Vidrala acquisition. We announced at the end of February our acquisition of Vidrala's glass business in Italy. This project is fully aligned with our strategy to invest in growing markets and get some external growth each time it makes sense for us. This acquisition will reinforce our offer to the Italian market for the benefit of all our customers.

This acquisition is about one manufacturing site with two furnaces located in Corsico near Milan. And in 2023, the activity represented a revenue of €131 million and an EBITDA of €33 million. We are now between signing and closing, completion of the transaction is subject to the approval of competition and foreign investment Italian authorities. Completion of the acquisition should take place in the course of the second and third quarters.

Start of the first 100% electrical furnace in Cognac, France

Second highlight is about innovation. Innovation is on at Verallia, to prepare the future and to propose low CO2 product to our customers. Our electrical furnace technology is one of the key technologies which will contribute to our CO2 emission roadmap reduction, and on behalf of our technical teams, I am glad and proud to tell you that we have turned on our first 100% electrical furnace in Cognac on 18th March.

This is a world premiere for food and beverage with the largest capacity, 180 tons per day. This furnace will operate with 60% less CO2 emissions compared to a traditional furnace and will be dedicated for flint and extra-flint bottles for Cognac customers. We are now ramping up and first deliveries are scheduled for the end of Q2. So we are on track, and again, proud of the job done by the teams.

Group CSR performance once again recognised and rewarded

Next is about EcoVadis. CSR being at the core of our strategy, I am pleased to share with you our last EcoVadis rating. We got again the platinum medal for the third year, meaning being part of the top 1% company in terms of environment, human rights, ethics, and responsible purchasing. And our rating has improved from 78% to 85%.

This evaluation is a reward to the robustness of our actions and our commitment as a leader to pave the way on CSR. There is no doubt that by doing so, and especially with our decarbonation roadmap, we are well positioned for future growth to serve our customers with high-quality and low-carbon products.

Bordelaise Air 300g moves forward

Last, lightweighting is a trend and we are preparing our offer, Bordelaise Air is the first one. Get the most with the least, this is the value proposal. We are in production now in France, Spain, Germany, Italy, and Chile will come. And we are signing orders. We have signed first contracts for more than 10 million bottles for 2024 and this is just the beginning.

Activity down vs Q1 2023 as expected, gradual recovery in line with the outlook presented in the full-year results

About our financial performance of Q1. As expected due to the market condition and the high comparison base of Q1 2023, our activity is down versus Q1 2023 with a positive gradual recovery of volumes. January was still low, similar to last December and activity increased in February and again in March, confirming our perspective of gradual recovery in 2024.

This is giving us for Q1 a revenue of €836 million, minus 20.5% versus last year, and an organic growth of minus 12.7%. An adjusted EBITDA of €204 million, minus 33.7% versus Q1 2023, and an EBITDA margin of 24.4% versus 29.2% last year. And a leverage of 1.5x compared to 1.2x at the end of 2023.

Now I let the floor to Nathalie to comment in detail our Q1 financial numbers.

Q1 2024 Financial Results

Nathalie Delbreuve

CFO, Verallia

Q1 2024 Consolidated Revenue Variance Analysis

Thank you, Patrice, and good morning to you all. So let me lead you through our sales and EBITDA and debt for the quarter.

So you see here our usual bridge for the consolidated revenue in Q1. So we achieved a turnover of €836 million. And you remember, in Q1 2023, it was €1,052 million. Our organic growth is minus 12.7%, but if you exclude Argentina, where we always have price increases due to the hyperinflation, the organic growth, in fact, is minus 20.7%.

So as you can see in the bridge, we have lower volumes versus Q1. So let us remember that we have very high comps when we compare ourselves to Q1 2023.

If we move to geographies and segments. In Europe, we have a soft start in beer, so we see some recovery in beer volumes but quite a bit soft. We have spirits and soft drinks, sparkling and food are showing greater resilience.

In Latin America, we have a strong rebound in Chile. And we see some slight pick-up in Argentina and some softness in Brazil. So again, quite a low quarter, but again, versus a very strong Q1 and a gradual recovery in volumes, as Patrice said, month after month, as we expected.

If we move to the price/mix, we have year-on-year decline in selling prices, again, expected; in Q1 and Q2 2023 we were at a peak in prices to offset the strong inflation that we had last year. And here in this bridge, you see €7.7 million negative, but this includes some strong positive Argentinian impact that you can read down in the bottom of the page. We have stated very clearly the Argentinian impacts. So on prices, it is €68 million positive from Argentina.

The forex exchange is negative, and it is mainly Argentina, and you see some perimeter effect, plus €4 million, this is the acquisition of the cullet treatment centres that we did in Iberia in the fourth quarter last year.

Q1 2024 Consolidated Adjusted EBITDA Variance Analysis

If we move to the EBITDA variance analysis, so we moved from €307 million in Q1 2023 down to €204 million in this quarter. So no surprise, this is the activity operating leverage that is showing the strongest negative impact. So we have the impact of the lower volumes, which we just commented. And also let us remember that last year we were in Q1 and also Q2 restocking, coming from low level of inventories that was also supporting the activity pillar. This year we are not doing the same: we are keeping our inventories strictly under control, so as in the bridge, it is also a negative impact here.

The spread is negative by €8.8 million. Again, here, let us be careful, we have a positive offset from Argentina that you can read below. It is plus €24 million, so meaning that our spread, excluding Argentina, is minus €33 million. So here, again, anticipated we had a very positive Q1 last year. And we are now in a deflation mode and we did decrease prices.

The mixed contribution has been positive for several years, if you remember, so now in a comparison basis, it is slightly negative in this quarter as the mix is now more stabilised.

You can see that the net PAP is strongly positive with plus €17.5 million. We have an excellent performance in the quarter. We reduced by 2.8% our cash production costs. Of course, we concentrate even more on cost reduction in the context, and so it is very good to see this contribution.

We have some positive other as well, it is €4.8 million. As usual, we have a list of positives and negatives. And we have also here embedded a tight control on SG&A that is contributing. In the forex exchange rate pillar, minus €26.2 million is almost only Argentina.

31 March 2024 Group Net Debt Evolution and Leverage

If we move to the Group net debt evolution and the leverage. So the net debt moved from €1,364.5 million at the end of December and increased a bit to €1,496.3 million. This is due to a combination of seasonality in our WCR and to the CAPEX roadmap.

You see that it leads to a very good leverage at 1.5 times. Two other information: our credit rating has been recently confirmed by Moody's, Baa3 outlook stable and for your information, we did extend our €1.1 billion of credit facility by one year as we had the option.

31 March 2024 Financial Structure and Liquidity

And here you can find, as usual, the financial structure and liquidity profile of the Group. So remember that most of our long-term debt is fixed or hedged, and the available liquidity is comfortable at €725.4 million.

FY 2024 Guidance

Patrice Lucas

CEO, Verallia

2024 Guidance confirmed

Thanks, Nathalie. So to conclude with our guidance and to make it simple, we confirm our guidance for 2024. We foresee a gradual rebound of the activity through the year, meaning with volume up year-on-year. So as a consequence for our profitability, we maintain our objective of EBITDA for 2024 around €1 billion, with sequential improvement through the year, with an H1 below last H1 2023, with an H2 above H2 2023, and H2 2024 above H1 2024.

So thanks for your attention. I propose that we move to the Q&A session. You have the floor. Thanks.

Questions and Answers

Lars Kjellberg (Stifel): I have a couple. Starting with price/mix, relative to what I expected, it was fairly small, even if you adjust for Argentina. So how should we think about that price/mix component as we progress through the year? That is my first question.

The other one is about the volume, the activity part. You talked about stock effects there as well. Could you share with us how we should think about sales volume in that contribution to the activity and stock levels, how they fell and the impact of that?

And then I just wanted to discuss a bit on the Corsico plant acquisition, the Vidrala asset. I mean, you were reasonably well positioned in Italy. What does this plant add to your offer in the region? And how should we think about the synergies in that region from an acquisition, if any?

Patrice Lucas: Okay, thanks for your question. So, I mean, Nathalie, you go first?

Nathalie Delbreuve: Yes, I will start and you can complete it. Thank you very much for your questions. So the price/mix and what is the progression that we can expect through the year; so indeed, the spread is minus €33 million, again if we exclude Argentina.

If we think of the dynamics of the pricing first, we have pricing negotiations throughout the quarter in Q1. And some of the price effects will continue to come in the second quarter, as all negotiations are not fully completed. So you always have some lag in the price adjustments at the beginning of a year.

Last year was very specific because of the volume shortage. We could get quicker in closing negotiations. This year, frankly, we are not in such a hurry to close negotiations, one and second, we are back to a more normal timing. So again, some more pricing effect in Q2 is embedded in our forecast.

As for the mix, you know, it is more that usually we forecast a neutral mix and we were very good into optimising our mix in the previous years. So now first we see some negative when we compare ourselves to previous year and moving forward, we do not plan for positive mix impact again.

I think your second question was on the activity pillar in the EBITDA bridge, what is relating to stock. So basically it is around €30 million. One-third of the negative effect that you see in this activity pillar is coming from inventories. Again, one year ago, so in Q1 2023, we were increasing our inventory level because if you remember, we were really short in inventory.

So in H1 last year, we were rebuilding inventory and we explained to you that at the end of June, we were at the right level, what we believe is the right level and quality to serve our customers. Since then, we have been holding on this inventory level. So now we do not have any positive impact from stocking anymore. And again, it is very important for us to keep our inventory under control.

Patrice Lucas: And about your question concerning Vidrala acquisition in Italy. I mean, as we have always explained through our capital allocation rules, it is fully aligned. It makes sense. This is what we want to do each time is going to make sense. And here in Italy, it is the opportunity for us to strengthen our position, complying obviously with all the competition laws.

This is an opportunity to add some new customers, new products and obviously to integrate this single manufacturing site in our ecosystem with all the synergy we could expect. So this is clearly a good move for us, which is going to create value in the months and the years to come.

Lars Kjellberg: Few follow-ups, if I may. Just on the stock component, should we expect a bit more drag from that as we progress in H2 through H1 and then it is going to be more neutral to positive in H2? And then just on the other hand synergies you want to share with us when it comes to the Vidrala acquisition.

Nathalie Delbreuve: So on the stock, again, in Q2 last year, we were still rebuilding. So with the comparison basis, you will have the same, a bit lower, I guess, you have the same effect in Q2, but then it will end because again, since June last year, we believe we are at the right level of volumes quantity of inventories in the different geographics.

And as you know, we are adjusting our production capacity to the level of length to keep this stock level. So again, in Q2, and then not more.

Patrice Lucas: About your follow-up on Vidrala's deal and synergy: it is early to share that. I mean, let us close the business, But as you can imagine, we are going to have some purchasing strategy as any – each time you can integrate a company or asite within our ecosystem. So too early to speak about it, but we will be back when completion of the deal is done.

Patrick Mann (Bank of America): I just wanted to ask a little bit more around capacity and your outlook for volume growth. So you have said you are seeing a sequential improvement month-on-month. I mean, how long do you think it would take for you to return to close to full capacity?

I suppose, I am thinking also that you have deferred some of your new furnace investments and making an acquisition here and consolidating production. In the light of the current market conditions, are there other opportunities to maybe make similar bolt-on acquisitions and further consolidate production? And in which markets are you looking? That is the first question, thanks.

Patrice Lucas: Thanks, Patrick, for your question. So about activity again, the good news is that we see the sequential improvement of the activity, as I have commented. So January was still low. It was still at the level of December. And we have seen some increase of activity in February and again in March. So this is confirming the scenario on which we built our assumptions for 2024, which is this gradual recovery, with a big impact coming from the end of destocking but we are expecting this to end at the end of Q2.

So we see a Q2 which could be close to last year, and then obviously due to the comparison basis of last year for the second semester, we do expect growth in the second semester, let us say, high single-digit growth, which will lead year-on-year to a low single-digit activity growth.

Back to the capacity, you are right, as we announced during our full year results, so we decided to postpone additional capacities that we had in mind in 2022. And here I am speaking about two additional capacities: one which was scheduled for 2025 in our initial plan in Spain and 2026 in Italy. Due to the market conditions and the way, as we have explained before, the market does this-normalisation in 2024, etc., we have decided to postpone them.

So it means that we are going to push the CAPEX button for this additional capacity much later on. And as we speak, we do not see the need for this additional capacity. Best case for Spain to be in 2026 and Italy for 2027, not before.

About the Vidrala acquisition again in Italy, for us, we are not speaking here about additional capacity. This is capacity which is already on the market with customers and products. So there is no move or no description about the installed capacity in Italy. So it is a different topic and this is why we believe it is a good way for us to increase our growth in Italy, and as a consequence, in Europe.

Patrick Mann: I was going to say, Patrice, I 100% agree with what you are saying, and the acquisition allows you to continue to grow without adding capacity. I suppose the question was more, are there other markets where you see that opportunity too? Or is this just a very opportunistic acquisition? Or is it a case of, this is a shift in strategy so we have deferred capacity additions, we are focusing much more now on industry consolidation and looking for acquisitions?

Patrice Lucas: It is a continuity of our strategy. You know that our strategy was again crystal clear on capital allocation. First, it was about organic growth and all the investments we want to make to support our decarbonation roadmap especially. So this is all about strategic investment within the company. And two, we said that M&A, if we have opportunity to consolidate on some market where it is possible, we will take them. So there is no change.

The only change is the market conditions, which was quite unprecedented in 2023. And obviously, it does not make sense to add capacity as we initially planned. So there is just a delay, a postponement on that. At the same time, on the parallel, if we have some opportunity for growth, we will take them as the one we are just working on right now with Vidrala in Italy.

About new markets or new opportunities, I mean, as we always say, we are on a permanent screening. Obviously, in Europe, we have some countries where it is quite not possible due to our positioning and volume we are representing on these markets to make some acquisitions. But every time it is going to be possible, we are going to look at it.

Francisco Ruiz (Exane BNP Paribas): I have some follow-up questions and new ones. Well, the first one is on the EBITDA pricing spread, which, I mean, if I look at the chart that you show us at the end of the year, you are mainly expecting €100 million negative impact there. But taking into account the good performance of Argentina, it is close to flattish. And probably it will not worsen in the coming quarters. So should we understand that this is going to be an improvement on your bridge guidance for the year?

The second one is if you could give us a little more detail on which products are lagging behind and where do you see the recovery in Q2 and in Q3?

And the third question is on the debt. I mean, I understand some seasonality probably on the working capital, but if you could give us, I think, more detail for this debt increase in terms of CAPEX and working capital?

Nathalie Delbreuve: Thank you, Paco, for your questions. So I will take the first one. So we did not give specific numbers in our bridge last year. We wanted to show you that we planned for a negative spread in the year 2024 versus 2023.

Now let us be careful again because as I explained, we have pricing effects still to come in the second quarter this year because again negotiations, there is a lag and you know that for us, we have a limited portion of formula in our contracts, meaning that the rest is really annual negotiations. So, we expect further pricing impact, negative impact in the second quarter. So no change there in the EBITDA bridge versus what we have shown you. And again, we confirm our EBITDA guidance. For the product, I leave it to Patrice.

Patrice Lucas: So for the activity, let us say, by segments or by geography. So we see diverse situations, obviously. If I speak about geography, UK and Germany are still lagging behind. For UK, this is related to the spirits. You know that they are mainly dedicated to spirits and high-added value product. And the spirits, as you know, is suffering after a strong 20'23 year. And this is the segment where we saw at the last the consumption and stocking effect.

So obviously there is a lag behind, and as we speak, spirit is going to recover later down the year compared to other segments. So UK geography is slower.

In Germany, we are still not at the level we should be, to be honest. And here we have a specific topic on beer. For us, as we are facing some little bottling delocalisation, which we are taking benefit in Brazil, for instance, but obviously impacting our activity in Germany. And here we are going to make some adaptation in one of our furnaces in Germany.

So for the rest, Southern Europe is recovering. We see good resilience in food and sparkling. In non-alcoholic beverage, it is a little bit contrasted depending on the geography. But globally, to make it simple, we are seeing what we were expecting. For spirits, it is taking much longer to recover. And in Germany, we have a specific topic on beer that we are addressing. This is how we see it and again, Q2 should be close to last year compared to Q1, which is low teens below last year, and H2 we should see a high single-digit growth compared to last year, which will lead to this year-on-year low single-digit increase.

Francisco Ruiz: Okay.

Nathalie Delbreuve: And then on the cash generation, on the debt, some more colour. So in terms of CAPEX, in fact, we have higher CAPEX in this quarter than we had last year in the first quarter. You know there is a lot of timing in the CAPEX agenda if we talk about quarters. And we are finalising important projects. We talked about Cognac, the new electrical furnace.

We have our plant new furnace in Campo Bom in Brazil. And also, you know that we will have our first hybrid furnace in Zaragoza in Spain end of this year. So these were projects already launched that have an impact. And in the quarter, it is more than last year. On the opposite, let us be clear, we keep our CAPEX strictly under control and we will monitor the year CAPEX to stay around 10% as usual. But if we talk about the quarter, you have some specific impacts here.

And then the seasonality of WCR is that we always have a negative variation in the first quarter. It is not new. If we look at last year, it was very much mitigated and compensated, more than compensated, by the factoring increase due to price increases. And here this year, we do not have this effect as we have a more stable or slightly positive impact. So this is more, again, seasonality and Q2 will be back to positive free cash flow.

Francisco Ruiz: So, Nathalie, could you detail the variation of factoring between the end of the year and this quarter?

Nathalie Delbreuve: It is pretty stable, Paco, in fact. Because you have better volumes, but lower prices. So all in all, it is almost stable.

Philippe Lorrain (Bernstein): I am fairly new to the case here, so please excuse if I am asking questions that are like very, very obvious. The first one would be, can you remind us of what you aim to achieve between the price/mix effect in sales and the price/mix effect on the adjusted EBITDA?

And the second question is, is it fair to assume that Argentina accounts for roughly 3-4% of Group sales, which would be what I get from back of the envelope calculations based on the additional disclosures that you provide in the presentation this morning?

Nathalie Delbreuve: Yes. So I will answer the second one first. So it is a yes absolutely for Argentina. Then the first question about price/mix effect in sales and EBITDA. So what we presented in February was a projection of our EBITDA bridge not giving specific numbers by pillars but explaining that in 2024 versus 2023, we expect a negative spread variation, mainly coming from the carryover effect of price decreases done in 2023.

So the answer is we expect a negative spread contribution to the EBITDA and a negative price/mix pillar in the sales as well.

Philippe Lorrain: Okay. So maybe I can follow up a little bit on that because what struck me was if I strip out basically the effects of Argentina that you provide on the price/mix both at EBITDA and at sales level, I come to a contribution ex-Argentina of roughly minus €76 million on sales for basically a minus €33 million on EBITDA. So I was wondering whether it is normal to have such a discrepancy between the contribution of price/mix on EBITDA versus the price/mix on sales, assuming that normally the drop-through on pure price would be 100% normally.

Nathalie Delbreuve: Yes, but then you have a compound of different EBITDA impacts depending on the countries, so it is not that straightforward. But yes, maybe we can follow up later on with you. I take the point.

Philippe Lorrain: Okay, perfect. And then a couple more questions. So first, like, if I get my bridge, let us say, for activities ex-Argentina, would you confirm that the price is probably down in the mid-to-high single-digit range for the first quarter versus last year? And you were mentioning as well that the negative spread variation that you see in EBITDA generally is due to price decreases given in 2023. Is it what I really heard or did you want to say 2024 so far?

Nathalie Delbreuve: Okay, so yes for your first point on selling prices, but I did not get your second. Can you repeat your second question?

Philippe Lorrain: Yes, I was just asking for precision if you really said that the negative spread variation that you saw in the first quarter is basically due to the price decreases that you gave already last year or is it just this year?

Nathalie Delbreuve: We said for the full year, when we project ourselves for the full year 2024 versus the full year 2023. So we are bridging averages here. We started decreasing prices in the second half of 2023. So we start the year with the carryover impact that will continue to hurt us in the full year. So that leads to, for the full year, a negative spread variation.

Philippe Lorrain: Yes. Okay, perfect. I understand

Jean-François Granjon (ODDO BHF): The first question, sorry, I come back on the spread effect. I was a little bit surprised by the limited impact even if we integrated or excluded the Argentina impact. So to understand why in fact the spread impact is limited for the Q1. And if I understand the spread should be less negative during the second half. So in fact, could we expect a more limited negative spread impact for the full year than expected?

My second question on forex impact. Can you explain why with a limited 2-3% sales from Argentina, we have a so huge impact - minus 8% on the sales impact for Q1.

My third question concerns also Argentina with a so huge increase of the pricing to affect the forex impact. Why there is no impact on the volume? You mentioned some stable volumes in Argentina despite the strong growth of the pricing. So why there is no impact on the volume?

Another question on revenue, the PAP impact. So there is a great impact with €17 million positive impact on the Q1. So this is higher than expected. You mentioned, generally speaking, 2%. It represents 2.8%. So can we expect higher impact for the full year, nearly €60 million to €70 million for the full year?

My last question, this is, do you see some positive impact from the Olympic Games in France, positive impact for your business?

Patrice Lucas: Okay, Jean-François, thanks a lot for your question. We are going to try to not forget.

Jean-François Granjon: I can repeat them.

Patrice Lucas: Okay, so I am going to start and Nathalie will complete on the Argentinian and forex topic.

Nathalie Delbreuve: Yes.

Patrice Lucas: So about the spread we are seeing in Q1, the variation of spread in our EBITDA bridge, I mean, keep in mind as it has been said that there is a kind of lag between the price decrease and some negotiations to come impacting the P&L. So we do not see the full impact on Q1. Obviously, we are working as well on the cost side of the spread, because this is what we need to do.

And so we do not change what we said a few weeks ago when we presented 2023 full-year results. We are still on that.

About the PAP, I am taking this one. So you are right, we have a very good results at the end of Q1, 2.8%, but this is just one quarter. Obviously, as we want to push our competitiveness, you know that this is one of the key topics for us to increase our EBITDA from one period to the other.

Last year, with the situation, we launched some projects and we are taking the benefit of them now in Q1. So I do not expect, to be honest, this 2.8% performance to be sustainable the full year, but we are working on to push, and as we have always said, our minimum objective is 2%. So we are on that and we would like to thank the teams, by the way, for what they are doing and they are going to keep on pushing to do so.

About the Olympic Games, very difficult to comment about that. I would say that we are not betting on that. This could be the cherry on the cake, but we are not betting in our forecast on that. It would have maybe some impact in France, with the tourism coming outside of Europe, maybe it will have some effect as well on the tourist level in Spain or Italy, but we do not want to bet on that, to be honest.

Jean-François Granjon: Okay.

Nathalie Delbreuve: So regarding Argentina, so when we compare ourselves to last year, we compare ourselves in terms of forex. It was before the two devaluations that occurred in 2023. If you remember, there was around 10% in August and 50% in December. So this is where we have the highest gap. So that is why mathematically you have this very strong impact.

And in terms of pricing and economic situation in the country, inflation keeps on being very strong in Argentina. It was more than 20% in January. It is releasing a bit. It was about 15% in February and below 15% to 13%, if I recall correctly, in March. But it is still of course very high.

So we have pretty good volumes but for sure, okay, it is not either booming, but it holds quite well so far. And the countries used to this hyperinflation, so indeed we are increasing our prices accordingly as we always have done. If you remember, we have always had a positive spread in Argentina as the country is shaped that way I would say.

Manuel Lorente (Banco Santander): My first question is regarding pricing trends. I was wondering whether you can be a little bit more precise regarding this deterioration quarter-on-quarter Q2 versus Q1 and maybe an expectation for the full year.

Patrice Lucas: Well, I mean, about selling prices it is a kind of sensitive topic as you can understand. So we are not willing to comment a lot on that. As it has been said already, we are seeing a mid-to-high single-digit price down between Q1 last year and Q1 this year. This is what we are seeing. We have our guidance of our spread, which you have understood. This is what we are going to work on, expecting as well working on the cost side, expecting some positive news on the cost side, which could give us some room of manoeuvre. But this is what we want to comment on pricing - not much more than that.

Manuel Lorente: Okay, I understand. And maybe just one final question regarding Vidrala's deal. It is fair to assume that once the deal is complete, we should expect some narrowing of the guidance or some fine-tuning of the guidance for the full year. This around €1 billion maybe transforming like €2 billion or above €1 billion or not necessarily is the case.

Patrice Lucas: This is a very good question. But too early to state on that. I mean, this is the beginning of the year. You have understood our guidance for 2024, which we are confirming what we commented during 2023. So let us close the deal. Let us do the job in Q2 and let us meet at the end of July with our H1 results, and it will be the moment to say something about our guidance, including Vidrala, if the deal is completed.

Nathalie Delbreuve: Let us not forget that it is not so significant in terms of EBITDA. If you remember when we released our press release announcing the deal, it is around €30 million per year and we will have the portion of the year, so maybe a half year, maybe a quarter, so it is not so significant all in all.

Fraser Donlon (Berenberg): Three questions. So I just wondered if you could comment on any pricing trends within the European markets, more specifically France, Italy, Spain, Portugal, or if you see any kind of changes in imports in any of those markets?

The second question was just on the Cognac furnace, which is quite interesting, I guess, good for the Scope 3 emissions of your customers. And I wonder how you price for that in the market, given, I guess, it has been an expensive investment in some way for you, given it is this kind of world first.

And then the final question was just looking forward. Do you expect to see any divergence in the trend of weight versus like, let us say, bottles or units, given you can start having these like lighter Bordelaise bottles that you mentioned in the presentation?

Patrice Lucas: Thanks a lot, Fraser, for those questions. About Cognac furnace, so obviously producing and selling products with low CO2 has a value. And I do not want to comment that, but we are able to price, because again, it has a value.

Keep in mind and remember that we are representing a significant part of the Scope 3 of our customers. And as they have all a decarbonation roadmap, some commitments to reduce CO2 emission, they are expecting us to do the job. And by doing the job, it has a value. So we are going to start first deliveries at the end of Q2, and we have been able to value this product. So this is just the beginning. But for us, it has a strong value.

About the lightweighting, I am not sure I have understood the divergence you are talking about here. For sure there is a trend on the market to lightweight. And for us, this is a trend we want to lead. And this is what we have demonstrated with our capability to put on the market this 300grams Bordelaise Air bottle.

This is a big advantage, because when you are doing that, you are ticking several boxes. The first one is that it is a tool or it is a bottle you can provide to a customer with a lower price because lower grams obviously seen from the customer, it is lower price. But for us in euro per ton, it is a way to not reduce our pricing and it is a way in some cases to improve our margin.

And it is as well some product which has added value. Because producing a lighter bottle requires additional engineering capability to design the mould. And it requires a strong and robust process control to produce it. So it has value.

So this is a trend. And this is something we are going to keep on pushing for the benefit of our customer, for the benefit of our profitability, for the benefit of the CO2 as well. It is one of the bricks for our customers to reduce CO2. So this is a trend we see. And I think it is going to move forward. It is going to move forward and it is going to become more and more important.

And you had one first question. About imports, from what we have seen with the 2023 European numbers, we do not see any significant change. By country, we are monitoring that as well. And we do not see significant move here. So it is quite stable to what we had in the previous years.

Philippe Lorrain: I just wanted to come back to the fact that you mentioned the mix effect was negative on sales. Could you indicate by how much roughly? And also, if the same order of magnitude would be observed exactly on the EBITDA, i.e., whether there is an additional effect that is actually weighing more on the adjusted EBITDA margin or not? That is the only question.

Nathalie Delbreuve: Okay, thank you for your question. We do not give the breakdown and the exact number of mix. It is not the largest impact, let us just say that. Just we were benefiting prior year from a positive mix impact. So when you bridge, you do not have it anymore. It is more linked to the current consumption being maybe less on more premium products than it was last year. Again, it is a combination of all our portfolio, a lot of SKUs.

So our teams are always working on optimising the mix. But I would say it is more the cherry on the cake. So in our forecast, we never embed any positive amount on the mix. And here, it is a bit negative, but it is not the most significant impact.

Philippe Lorrain: Yes. I was just wondering whether at EBITDA level, you would have the same amplitude like you have on sales. So let us say sales impacted by X percent. Is it also impacted EBITDA by X percent, or is it more than X percent because you have got that extra mix effect that is weighing, and there is also an impact on the cost base?

Nathalie Delbreuve: Yes, you have both, indeed. So it is not a direct impact, but again, it is a few million, not so much. Maybe when we have our follow-up call, we can dig more into that. But the takeaway here is more that we have a slight negative mix impact in the EBITDA. So again, not significant, slightly negative, because we were commenting previous years that we had a slight positive one.

David Placet: All right. Good morning. David Placet speaking. I am the Head of IR for the Group. Many thanks for the many, many detailed questions. We have a few more, I think, in writing, but we will try to go quick in the interest of time. So I will just walk you through the questions. And again, we will try to proceed quickly.

One question from Fernando Vigon. Given the liquidity that you have, are you planning on doing any share repurchases to take advantage of the current low valuation?

Patrice Lucas: To be honest, in short-term, the answer is no. We have announced with our full year results our dividend. This is going to be our focus this year. We are going to be back at the end of the year, beginning of next year, at the latest with a Capital Markets Day to give some clear objectives for the years to come.

And obviously, the shareholder return policy will be detailed at that time. So we will see. But at short term to answer your question it’s no.

David Placet: Thank you, Patrice. Second question from Francis Prêtre with CIC. Is it possible to have the global trend in each segment in Europe between sell-in and sell-out? So I guess that refers to the stock variation that our customers.

Patrice Lucas: This is.

David Placet: We can only give a kind of a global.

Patrice Lucas: Yes, we can just give and repeat what I have said. And obviously, we are very active listeners and readers about our customers' release and what they are saying about the activity. And here we are seeing some contrasted situations.

Everything is recovering, I would say, globally. Again, we have a specific situation for us in Germany with beer. And what is lagging behind? This is what we see with the spirits, which is explaining the volume decrease we have in the UK and the slow restart of spirits, especially Cognac. This is what we see. For the rest, this is in line with what we have commented with destocking ending at the latest by the end of Q2.

David Placet: Thank you, Patrice. One further question from Inigo Egusquiza with Kepler. Could you please explain the volume weakness in Europe, knowing that other players have talked about volume recovery since the beginning of the year?

Patrice Lucas: Well, I think the comment is certainly related to beer. If you do remember last year, beer was the first segment impacted by a slowdown and it started at the end of Q1. These were impacted in Germany as we commented at that time. So obviously beer segment has restarted quicker, and this is what we see on the countries where we have some beer volume.

So I think this is one of the big differences maybe with some competitors. As you know, we are less beer exposed, so we were performing much better in 2023, better than what we see as global figure on the market. And obviously, there is a lag, but at the end of the day, what is important is that we are confirming the assumptions and the profitability that we have guided a few weeks ago with our full year results.

David Placet: Great. Thanks again for this one. Next one from Mengxian Sun with Deutsche Bank. Two questions there. One in relation to the dynamics by region and end market. I think that has been addressed already. And the second one in relation to the lightweight bottle in terms of its pricing and margin profile compared to the standard bottle.

Patrice Lucas: Lightweighting a bottle, again, is an opportunity to give some price reduction for our customers. So it is a tool to fight inflation for our customers. And for us, it is an opportunity at the worst case to maintain our euro per ton. So this is really a win-win strategy, a win-win product.

And on top of that, it is ticking the box of the CO2 emission reduction. So this is why, again, we are preparing the future on that. And that we are pushing to the edge of engineering and manufacturing engineers.

David Placet: That is great. Thanks again. And last question from Luczaj Adrian. Regarding the Cognac sites, which is 100% electric, does Verallia seek a partnership with a renewable energy provider?

Patrice Lucas: So renewable, we are much more speaking about low-carbon electricity, and in France nuclear is well positioned for that obviously as you know. So basically, this is why we are speaking about low-carbon electricity.

Securing low-carbon electricity at a good price is part of our strategy. We have started to work on so-called PPAs. We have signed some in Germany, in Italy. We have a small one in France. And for the moment, for being specific with Cognac, we do not need it because it is quite small compared to everything we are consuming.

For the French guys who know the system, we still have the ARENH system in France till the end of 2025 but we are working on that to secure, you are right, for the years to come. This is a key strategic topic. We are on that. But nothing specific right now for Cognac.

David Placet: Great. Well, that is it from my end in terms of written questions.

Patrice Lucas: Okay. Thanks a lot for your comments, for your questions. It was quite valuable. And thanks for your trust. And please have a good day and see you next time. Take care. Bye-bye.

Nathalie Delbreuve: Thank you. Bye-bye.

[END OF TRANSCRIPT]