Verallia Q1 2025 results - 24/04/2025

PATRICE LUCAS

Good morning, everyone, and welcome to our Q1 financial results call. As usual, Nathalie and I will go through our presentation, and we'll have the Q&A session. I will share with you some key highlights, and Nathalie will present, in detail, our numbers, and then I will be back for our guidance.

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

On this slide, you have our ID card. You have on the left the 2024 split of our sales by segment. And as you already know, one of our strong assets 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 35 plants and 64 furnaces. Please note also that we are running 19 cullet recycling centres, allowing us to control about 50% of our needs for external cullet.

So, let's move to some key highlights of our Q1. The first key highlight I want to share with you is about a new innovative initiative. A few weeks ago, we started to use hydrogen as a combustion energy source for two furnaces in Essen, in Germany. This hydrogen is coming from a nearby ArcelorMittal coking plant and made from a by-product of coke production. We have signed with ArcelorMittal a five-year contract of partnership and after many tests and now weeks of production, it is a success. We are operating the largest hydrogen-powered melting capacity in the glass industry, with 6 MW. This will allow a CO_2 emission reduction by 8-10%. On top of this reduction, it is cost effective compared to natural gas. This solution is an alternative to our electric and hybrid furnace technologies that we are deploying, meaning each time locally we would have access to an alternative bioenergy source, we will look at it to support our decarbonisation roadmap.

The second key highlight is to share with you the confirmation of our additional capacity launch in Brazil at Campo Bom. The heat-up of the furnace will be done in a few weeks for first production by the end of H1. This additional capacity will allow us to pursue our growth in the dynamic Brazilian market. And this new furnace, the new advanced oxy-combustion technology, will operate with 18% CO_2 emission reduction compared to a traditional furnace. So, this additional capacity will feed our growth in Brazil in H2.

The third highlight is about product innovation. Glass is the perfect material to enhance and magnify the product offer of our customers. Developing customer intimacy and proposing premium and tailored solutions is the level we want to push. Here you have four good illustrations of what we lately accomplished. One new rosé bottle, which was one of the outputs of our French design award. In the UK, this new gin bottle. In Italy, a nice single-serve proposal for a non-alcoholic beverage, San Benedetto. And last in Brazil, a 600 ml returnable beer bottle for Ambev. By doing so, we are leveraging the full capability of glass as a packaging solution and demonstrating our ability to support our customers.

Let's move now on some Q1 business insights.

About 2025 market situation, we can say that destocking impact in most markets is now ending. And we can say that the growth is now directly linked with end consumption growth.

In Europe, the market is slightly up, and in LATAM, we are still facing a supportive market. Obviously, geopolitical and trade tensions are creating a very volatile and uncertain environment, which is leading to cautious and, kind of, wait-and-see position of many customers. In Q1, as Verallia, we experienced volume growth impacted with negative year-on-year inflation spread due to carry-over from 2024 selling price and some inflationary pressure, mainly on energy in Q1. Finally, about capacity, we continue to see permanent capacity shutdown across Europe, especially with the latest official public information with some significant adaptation in France in the past weeks. Facing this overall environment, we keep our focus on self-help measures and cash flow generation.

One, we want to focus on customer innovation and product innovation to support our customers. And I believe that we can do much more with this lever. Two, except in the UK and Germany, in Q2, we are planning a gradual back-to-normal use of our capacity in Europe, but ready to adapt again when agility is necessary, especially being vigilant of the real output conclusion of the tariffs between the US and Europe. In Germany, we have decided to launch an additional project to adapt our workforce for a restructuring cost of about €10 million. Number four, as usual, productivity and cost control are at play as part of our DNA with PAP, delivering again, in Q1, 2.3% of cash cost reduction. Finally, as we commented at the beginning of this year, our priority is cash generation with tight control over CAPEX and working capital.

Before giving the floor to Nathalie, a quick overview of our Q1 results. So, the positive news is our volume recovery in a difficult market environment. Our Q1 revenue is down by 2.2% year-over-year to €818 million, with organic growth at -3.6% year-over-year. Q1 adjusted EBITDA is €147 million, -27.9% versus last year, with a margin of 18%, minus 641 bps, versus Q1 2024. Net debt leverage is at 2.3x at the end of March, compared to 2.1x at the end of last year. So, let's see now, with Nathalie, the results in numbers.

NATHALIE DELBREUVE

Thank you, Patrice, and good morning to you all. Let me lead you into the Q1 results. So, you see here our revenue variance analysis for the first quarter.

So, we delivered sales of €818 million, to be compared to €836 million in Q1 2024. So, the organic growth in this quarter is negative, -3.6%. If we exclude Argentina, it's -4.3%. You can see here in the usual pillars of our bridge, that volumes contribute positively, as Patrice just commented, +€24.1 million. So, we have an improving demand context, especially in Latin America. We've seen organic volume growth in Q1 again, with most segments improving. This growth is more dynamic in LATAM, but even in Europe, we've seen volume growth in this quarter. In the price mix, we have a negative impact, as expected, so -€59 million. We have a decrease in average selling prices year-over-year and some mix impacts in these figures. If you remember, we had anticipated this negative impact in the beginning of the year. We have a negative exchange rate, with -€6.5 million. Here it's mainly coming from Brazil. The perimeter impact, €24.5 million, is mainly linked to the new plant in Italy, acquired in July 2024. And you have separated the Argentina variation of -€1.4 million. So, all in all, good momentum in volumes, but not sufficient to offset the negative price mix.

So, how does this translate into adjusted EBITDA? We have an adjusted EBITDA for the quarter of €147 million, to be compared to €204 million, and that leads, as you can see on the top right, to an EBITDA margin of 18.0%, to be compared to 24.4% one year ago. So here again, the usual pillars to explain this variation. We have a positive activity pillar, plus €18.5 million. We have a positive impact from the sales volume, the organic sales volume that we were commenting before. Now, we will come back to that, but in finished inventory, usually in Q1, we do prepare and build up inventories to enter the higher quarters that are Q2 and, of course, Q3, which is not what happened in this first quarter, where our inventories remained stable.

The spread is strongly negative, with -€86.2 million. So, we have seen we have lower selling prices and a negative mix impact. But we also have cost inflation, and especially in this first quarter, we had some stronger-than-expected cost inflation, mainly on energy, from the spot elements.

On the net productivity, we delivered, as usual, more than 2% cash production cost reduction at 2.3%. that leads to a +€12.5 million additional EBITDA. The other pillar is the combination of perimeter effect, some SG&A reduction, but partly offset by some positive one-offs that we did have last year and that we don't have this year, but quite limited in amount at €2.3 million. The FX, you have, again, mainly Brazil and Argentina as a separate pillar for -€1.3 million. So as a conclusion, the decrease in our EBITDA compared to Q1 2024 is mainly driven by spread.

At the end of the quarter, our debt is pretty stable versus end of December 2024. We have a decrease in the last-12-month adjusted EBITDA, so our leverage is a bit higher than at the end of December, at 2.3x, but we have, in the quarter, almost neutral free cash flow when one year ago, we had a very negative one, if you remember.

And here, as usual, our financial structure. No specific change compared to end of December. We have a comfortable available liquidity at €927.9 million at the end of March.

PATRICE LUCAS

Okay. Thanks, Nathalie. So, about our guidance, 2025 has started with uncertainty and volatility and marked with subdued European consumption and rising global tensions. As we speak, we still see a demand slightly up in Europe and remaining strong in Latin America. However, market conditions are much tougher due to the global environment. In this context, we do update our adjusted EBITDA target. So, now we expect to be around €800 million from a level close to that of 2024, which was €842.5 million initially. And we are confident to generate free cash flow of more than €200 million compared to around €200 million initially, free cash flow again being our key focus for 2025.

So, thanks a lot for your attention, and let's now move to our Q&A session.

QUESTIONS AND ANSWERS

Operator: Thank you, Mr Lucas. As mentioned, we will begin with the Q&A with the audio questions. As a reminder for the audio participants, it's star one to ask a question.

We'll start off with Ms Louise Wiseur from UBS. Your line is open.

Louise Wiseur (UBS): Good morning. I've got a few questions, please. So firstly, on the guidance 2025, what drove the cut to the adjusted EBITDA guidance? Is it linked to the strong negative price cost spread in Q1, or the outlook on tariffs, or something else? And what does your new guidance assume in terms of scenarios for the current year? Is there any indirect impact from tariffs on the volumes included in there?

Then secondly, on volume and price for full-year 2025, you said in the past on volumes, probably low-to-mid-single-digit growth in 2025 and on price low-single-digit decline from the carry-over and, again, low-single-digit decline from the additional price cuts. How do you see volume and price for full-year 2025 now in light of your new guidance?

And the last one is around the price cost spread in 2025. Strong negative impact on EBITDA in Q1 from the price cost spread. Can you give more colour on what happened? I think you mentioned more inflation cost. How much negative could this be for the full year, please?

Patrice Lucas: Okay. Thanks a lot for your question. About our guidance and the slight adjustment we did on the EBITDA level, it's mainly due to the market conditions that we see much tougher than expected.

Again, we have the good news on the volume side, but on the price-mix and especially on the mix, we see some negative impact that we had in Q1, especially, I would say, in January and February, but even, again, a little bit in March. The good news is that we had a month of March which was quite supportive in terms of volume. We see that again in the quarter, so on the volume side, we are quite confident with the different initiatives we have taken, but with some impact on price and mix.

And you're right, we were expecting to make it simple, a mid-single-digit increase in terms of volume with a low-to-mid-single-digit impact in terms of price and mix. And now, we see much more volume to be for Verallia high single digit, and a few additional points negative in terms of price and mix compared to our initial expectation.

And your question about the tariffs and the trade tensions between the US and the rest of the world, frankly, nothing has been taken into account, just what we observe as we speak today, because the first difficulty we have is to understand what is the assumption to be taken. And as you know, you can go to bed with one information and wake up in the morning with a different information, or even having something which seems to be clear on Monday, and you have the opposite on Friday. And with our customers, it's about the same.

So, the main key word is really agility and adaptation. This is why we are cautious with production in Q1, which results in a lower production contribution to our results compared to what we do usually. As Nathalie explained, in Q1, we usually build inventory for the high season to come in Q2 and Q3. However, being cautious, we did not do that this year. We expect an increase in production in Q2 as we restart operations. Except for the UK and Germany, we are back to normal everywhere to prepare for the peak season in Q2 and Q3. For the cost, Nathalie?

Nathalie Delbreuve: For the cost element in the spread, you're right. In Q1, we experienced cost inflation and some one-off effects, particularly with energy. If you recall, spot energy prices were quite high in Q1 but have since decreased. We are now back to normal levels, or even lower. However, in Q1, we were mainly impacted by high energy costs. For the full year, we expect cost inflation to be close to neutral or slightly positive, but not as significant as in Q1. We will benefit from cullet deflation, which we have already seen in the first quarter. However, the surprise element was the higher-than-expected spot energy prices in Q1. Looking ahead, we don't expect this trend to continue. As of today, energy prices have decreased, which is good news for the rest of the year.

Operator: We now go to the line of Lars Kjellberg from Stifel. Please go ahead.

Lars Kjellberg (Stifel): Yeah, thank you. I just want to get back again to Q1. We appreciate that energy cost went up, of course. But with your hedged portfolio, it's still very puzzling to see that extreme margin contraction of approximately 650 basis points sequentially. Could you provide more colour on that? Specifically, of the 650 basis points drop, how much was due to price declines in the first half of 2024 and other incremental factors? It seems there wasn't a top-line issue here.

So, this is really a cost issue, it appears. If you can provide some colour, how do you expect that to reverse in Q2? Considering your guidance around €800 million, you need to have a real step-up in margins for the balance of the year on the current revenue base to get there. In the context of uncertainty around the tariffs, are we comfortable with that?

And then the final, could you just put some colour on that inventory variance, what it normally would have been as a positive contribution, and also CAPEX guidance in absolute number for the year, if you could? Thank you.

Nathalie Delbreuve: Yes, so you're right. Regarding energy costs, first question. Again, we are hedged, as you very well know, for a large part, but we always have 15-20% open to spot. This element was impacting our spread in the first quarter. We always have an open position, and, in fact, we have a bit more open position than usual in our policy compared to one year ago, because one year ago, we had lower production than anticipated. Here we are really well-adjusted. So, we have this open element, again, between 15% and a bit more here in the first quarter, and that was impacted by the spot. And again, as we speak today, energy prices are down. Regarding the margin contraction, it's not only the spread impact. We did not produce at full capacity. We had a slow start in January and February, and in March, we had good, dynamic sales, but production was still pretty low. We did not build the inventories that we usually would in the first quarter, which impacted our margin because we absorbed fewer fixed costs than we normally would by running and building up inventory in the first quarter. One year ago, in Q1 2024, we were building some inventories. So again, this fixed cost absorption is also weighing on your EBITDA margin. So again, moving to Q2, Q3, and later in the year, as Patrice said, we are back with higher production. And so this will lead, you're absolutely right, to an improvement also in the adjusted EBITDA margin. So, this is also answering, I think, your question on the inventory valuation.

Lars Kjellberg: If you could just quantify that, help us to understand what that means, because you did have quite a meaningful positive on the activity pillar, right, which was €16 million positive. So, how would that have been if you had a normal production?

Nathalie Delbreuve: I'm not going to give you a precise number here, Lars. Just again, it's a specific impact in this first quarter, and again, we will improve in the second quarter and moving forward.

Patrice Lucas: About CAPEX, Lars, so what we see and what you could consider our forecast for this year is that we're going to be below €300 million. So, tightening, obviously. We see some depletion as well compared to the overall plan we have on the CAPEX side. So, below €300 million, which will put us in the range of 8% plus of our revenue.

Lars Kjellberg: Thank you.

Operator: We will now move on to the line of Francisco Ruiz from BNP Paribas.

Francisco Ruiz (BNP Paribas): Hi, good morning. I have two questions. The first one, I'm sorry to insist on this, on the cost side, I mean, Nathalie, you mentioned that you are almost 85% hedged in energy, but you are also working at a lower utilisation capacity. So, as it happened last year, this spot acquisition of energy is much lower right now than it was – than it should be. So, how is it possible to have a 5% cost inflation with such exposure? And I don't know if you could detail on this cost, if there is also a negative effect on mix, and you could quantify this.

The second question is on capacity utilisation, if you could remind what's the level right now and how much of your capacity is curtailed. And give a little more detail on Germany self-help measures, if this will come with a lower capacity for the future. And given that one of your main competitors has made a big restructuring in France, as you commented, I don't know if you are planning further movement on that fact. Thank you.

Patrice Lucas: Okay. So, thanks a lot for these three questions. Just to clarify on the cost inflation, the energy has quite a significant impact compared to what we were expecting in Q1 and compared to last year. You know that we are hedged. In our hedging, facing some uncertainty on volumes for 2025, we have slightly reduced the hedged part. Instead of moving to 85%, we did 80%. So, the non-hedged part for Q1 was much more 20% rather than 15%.

And if you compare the gas price spot level in Q1 – and especially it was very high in Jan and Feb compared to last year – compared to last year, we have significant impact here. And what we see as good news to come is since that, at the end of March, it has started to relieve. If you look at the number, Jan and Feb, the megawatt-hour was around €50. And as we speak, now we are much more around €35, and based on what is happening on the geopolitical and market environment.

For capacity, as I commented, we are back to normal, as we speak, in every country in Europe, except the UK and Germany. So, in the UK, we are still suffering from a spirits market which is quite low, and with all the uncertainties with US tariffs. So, in the UK, we have still one furnace which is not running on full. And in Germany, we have one furnace in Bad Wurzach which is not running, and we are making here a temporary adaptation. That means we have not made any decision for a definitive closure, as the opposite of what we did last year in Essen. So Germany and the UK are really the two countries where we are still suffering from non-used capacity. For the rest of the countries, we are back to normal.

In Germany, again, we have decided not to do definitive capacity shutdown, but we have decided to adapt some cost base, especially on the workforce side. And as I mentioned, we have planned for about 100 people for a €10 million cost, and this will take place at Essen in Germany, at Bad Wurzach manufacturing site, and some SG&A adaptation at the headquarters in Germany.

For France, as we speak, we don't plan any capacity adjustments. We see – again, in France, we are back to normal. We have relaunched furnaces. We have some maintenance, which is business as usual, planned, but we are not planning, as we speak, for an additional plant.

Francisco Ruiz: Okay, so correct me if I'm wrong. So, two furnaces out of the 50-something that you got, it's only 4%, 5% production impact right now?

Patrice Lucas: Yes, globally for the Group, it's about that, obviously, with much more impact in the UK and Germany.

Francisco Ruiz: Okay, thank you.

Nathalie Delbreuve: And just to come back on your question on the cost side, so we talked about energy, but it is not only energy. We have also inflation on labour costs, for example. So here, nothing that is not anticipated, but as I commented, we are – this is partially mitigated by some expected deflation on cullet, and again, in Q1, we don't yet have the full impact of that. So just to give some further light on the cost.

Francisco Ruiz: Okay, great. Thank you. Thank you very much, Nathalie.

Operator: We will now take from Mr James Perry from Citi. Please go ahead.

James Perry (Citi): Good morning. Thanks for the presentation. I'd just like to ask about the global consumption trends and trade flows. And I know you talked about improving European volumes, and obviously, you have direct exposure with Europe and LATAM, but would you be able to comment a bit more on any changes in customer behaviour in light of the US tariff uncertainty? What are you hearing from customers regarding the export trends, and to what extent could a weak US consumer hold back your volume growth in 2025, do you think?

Patrice Lucas: Well, this is the question. The assumptions we have, as we speak, is consumption being slightly up, globally speaking, in Europe. What we see through the different strategy initiatives we have taken in the different countries and different segments, we see, for Verallia, good momentum in terms of volume. We see our volumes picking up in beer and non-alcoholic beverage. The only segment which is suffering is much more sparkling.

Discussing with the customers, frankly speaking, most of them are very cautious. They are a little bit blind. What we may see is some tactical and strategic behaviour with a 90-day pause, I would say, but it's really difficult to have – to be definitive and to have a standard pattern, to be honest. We don't know.

So, again, here what is key is agility and adaptation, being cautious in everything we plan, ready to adapt if necessary. Again, the good news is that we had a good March. We see a strong April, which is giving us a good momentum for Q2, and we'll see.

And then you know as well that the weather conditions in Europe will be quite significant on Q3 and Q4 sales, so we'll see. We are not pushing for making an assumption of a high consumption or even pushing consumption in Europe. We are quite cautious on that. And the result of our volume growth is much more related to the initiatives, as we explained during the full-year results at the beginning of the year.

James Perry: Okay. Thank you.

Operator: We will now take the question from Philippe Lorrain from Bernstein. Please go ahead.

Philippe Lorrain (Bernstein): Good morning. I just wanted to come back a little bit on your comments on the volumes. So, maybe it's just me, but you mentioned that volume seemed to play out the way you wanted, but you indicate as well that you would now expect a high-single-digit growth versus mid-single-digit before. And at the same time, you mentioned that you had the negative effect from finished goods inventory in Q1, and that you will restart more capacity in Q2, except in Germany and the UK.

So that strikes me as maybe the visibility has moved a lot or fluctuated a lot during the first quarter. Maybe you can shed some more light here. And also, when you speak about the volume trends, can you confirm whether this high-single-digit growth that you now expect for Verallia as a whole includes Corsico or not? Is it in organic terms or not? Thank you.

Patrice Lucas: Yes, so a quite easy answer. Yes, Corsico is embedded in that. And about Corsico, compared to last year, it's 4% growth coming from this scope or perimeter effect, with a good momentum, especially on beer.

Globally, about your question, this is what we have just said, we have good volume progression compared to last year, so, obviously, in H1 with the perimeter effect from Corsico. Keep in mind that in H2, we get the positive impact in Brazil as well with our additional capacity in Campo Bom. And keep in mind as well that we have in our plan to start our Pescia furnace in Italy with Q4 impact, with some good opportunity we see on the food segment.

So, this is a plan we have as we speak. But globally, volumes are quite at a good level in terms of growth for us, but with a tougher market condition to get this working, to make it simple.

Philippe Lorrain: Okay. And that led you basically to still not pile up that much finished goods inventories at the end of Q1 because you expect to be able to catch up on that production in future quarters?

Patrice Lucas: Yes

Philippe Lorrain: Okay.

Nathalie Delbreuve: Absolutely. And it's also linked to the fact that it's really March that was very dynamic in terms of sales.

Philippe Lorrain: Yes. Okay, thank you.

Patrice Lucas: Welcome.

Operator: As a reminder for the audio participants, star one to ask a question. We'll now move on to Jean-François Granjon from ODDO BHF. Please go ahead.

Jean-François Granjon: Jean-François Granjon speaking from ODDO BHF.

Patrice Lucas: Hello, Jean-François.

Jean-François Granjon: Yes, thank you. Just one question regarding the pricing. You mentioned on the press release that for the negotiation at the beginning of this year there is some decrease for the pricing with your discussion with the customers. So, could you give us some more colour? And does that mean that we should integrate some lower pricing, on average, for the full year, but for sure for the coming quarters?

And the other question is for the spread impact for the full year, how do you expect the level compared to the minus €200 million last year, for the negative impact on the EBITDA? Should we consider that we could have the same magnitude or lower than that?

Nathalie Delbreuve: So, Jean-Francois, we won't comment on pricing. We don't give colour on price evolution. In our spread, you have price and mix. So, the comments won't go further in our comments on what Patrice already said in terms of both. So, again, in the volume and price mix, overall, we are a bit better than anticipated on volume and a bit worse on the price mix as a whole. But no more detailed comment on this element.

And overall, on the spread, we do not see the same magnitude of spread impact as last year, no.

Jean-François Granjon: But you –

Patrice Lucas: Yes, Jean-François?

Jean-François Granjon: Okay. But for the negotiation, you confirmed some decrease for the pricing. I just mentioned, during your negotiation with the customers at the beginning of this year, you confirmed some decrease for the pricing. When you negotiated the new tariff for 2025, there is some decrease for the pricing. That's right?

Patrice Lucas: Yes, sure. I mean, what we said about pricing is that, obviously, and especially when you are looking at the spread, we have the carry-over effect of what we did along the year in 2024, plus the additional price reduction given in 2025. So, and this is about it. And obviously, the spread is significantly negative in Q1 as expected – I mean, a little bit more than what we expected due to the tougher market condition I mentioned. And obviously, it will reduce down in the year.

Nathalie Delbreuve: Yes. And this is in Q1 where you have the largest gap between prices from 2024 and 2025, because, if you remember, we had some price mix going down last year in 2024 throughout the year. So, this is in the first quarter that we see the highest negative gap.

Jean-François Granjon: Yes. Okay, thank you.

Patrice Lucas: Welcome.

Operator: We will now move on to the line of Mengxian Sun from Deutsche Bank. Please go ahead.

Mengxian Sun (Deutsche Bank): Thank you very much for taking my questions. I've got two questions from my side. The first one is on the 2025 guidance. So, you basically reduced the adjusted EBITDA guidance for 2025. But on the other side, you increased the free cash flow generation. So, how shall we understand the bridge between these two elements? Or what are the drivers for the better cash generation for this year?

And the second one is on the BWGI offer. Can you remind us, what are the following procedures from here and the timeline of the tender offer from here, please? Thank you.

Nathalie Delbreuve: Thank you. On the cash, let me take this one. Well, indeed, we moved from around €200 million free cash flow generation to above €200 million. We see, again, in the first quarter, we were almost neutral in terms of free cash flow when one year ago we were significantly negative. And we know in the seasonality of our cash generation that Q1 is the lowest and then Q2 and H2 especially are much stronger. So, we have a better visibility.

And, again, we commented on the CAPEX and the investment. We know that the additional capacity – the CAPEX into additional capacity is basically behind us. And we have a lower CAPEX spend and a better visibility today. So, we are, again, confident on delivering more than €200 million. And we're also working and seeing some good effects on work to optimise our working capital, especially on inventories other than finished products, because you have finished products, but you have also other inventories. So, all these action plans plus the context of the cash spend leads us to this above €200 million free cash flow guidance.

Patrice Lucas: About the voluntary tender offer from BWGI, so you may have seen that BWGI has just filed this morning with the French Financial Market Authority, the AMF. By the way, the information will be available on our website today. So, the next step is that we'll have the Board of Directors this Sunday to examine the offer. And as expected, the Board will have to issue a reasoned opinion on the offer, having considered the report of the independent expert, Cabinet Ledouble, to remind you, and the recommendation of the ad hoc committee. So, this reasoned opinion and the independent expert report will be made public. And then we'll have to wait for the AMF validating the offer, and then we'll enter into the standard process later on.

Mengxian Sun: Okay, thank you very much. That's very clear.

Patrice Lucas: Welcome.

Operator: We'll now open the line for Fraser Donlon from Berenberg.

Fraser Donlon (Berenberg): Good morning, Patrice and Nathalie. Thanks for the presentation. It's Fraser here from Berenberg. I have four questions. So, the first is quite an open one. I'd just be interested to understand your, kind of, view on, let's say, a more direct impact of tariffs on glass and aluminium and how those two substrates interact. For example, I think there was quite a lot of glass going from China to the US, so where could that land going forward?

The second question was just on the UK. So, I'd, kind of, be interested in how your customers are responding to EPR and, kind of, the increased cost of glass effectively in the UK, and whether there's any structural risk there for Allied.

The third question, could you just clarify what are the, kind of, cost savings relative to non-recurring costs with this Germany, kind of, plan, which you mentioned?

And then the fourth and final question was just on M&A. I think there's obviously quite a dynamic environment in glass for various reasons, and I just wondered, kind of, what's your willingness or interest to participate in this potentially quite rich M&A environment. Thank you very much.

Patrice Lucas: Thanks a lot, Fraser. So, frankly speaking, on your first question, again, about the tariffs, the question, again, is what is the assumption we are taking to make some study and define what could be the impact? So, I mean, again, agility and adaptation is going to be the key words there. Let's wait to see what are going to be the definitive measure to understand our customer strategy and impact, and as a consequence, the impact we have.

I do not believe, when you're speaking about China impacted in the North American market, that it has a consequence of additional Chinese import in Europe. Frankly speaking, I do not see that as realistic. The glass market is a local market. Obviously, there is a slight part of some imported products coming from faraway countries, but this is a small part, and most of the time, these are very standard products for one-shot operations. So, let's try to get a better understanding on what is going to be the reality at the end of this trade war, to make a definitive understanding.

About the UK, so you're right, we have this EPR cost topic compared to other packagings. This would be a concern for glass in the UK, but here as well, we do not see any impact. Too limited, just started. For Allied, especially, which is a platform dedicated to spirits, I do not see any switch or impact to come here. Obviously, it may put some pressure on pricing for our customers in the B2C market. It is much more about how it is going to react in terms of implementation, but I do not see any impact for us.

Cost saving in Germany, so with what we are planning to do with this cost situation, it's a positive impact of a few million euros to come on the cost structure.

And last, on M&A, so you're right, some potential topics to come. Here, as we have already said, we are on a permanent screening, trying to understand the opportunities, if there are, and again, if it's going to make sense, we'll have a look at it. But as we speak, right now, it's clearly for us to focus on cash generation and to see what will be the next step in terms of M&A, if value creation is secure.

Fraser Donlon: Perfect, thank you very much.

Operator: We now come to the last question for the audio participants from Louise Wiseur from UBS. Please go ahead.

Louise Wiseur: Just a follow-up, please, on the price. Can you quantify how much of the price drop in Q1 at Group level, so the -6.3%, is due to the carry-over of the 2024 price cuts, and how much is due to the additional price cuts made in 2025, please?

Patrice Lucas: As Nathalie said, we do not want to comment more than what we already said on price and mix effect. I think we expressed ourselves on that. Market conditions are tougher than expected. This is a good sign on volume. And we see the price and mix effect being slightly negative than what we are expecting.

Operator: And with that, we will move on for the web questions, which will be addressed by your host. Please proceed.

David Placet: Okay. Hi all, David Placet speaking, I am the Head of IR. We will have a short one this time around, since we only had one contribution in terms of written questions. Just a short set of questions from Inigo Egusquiza with Kepler. I think most of them have been answered, there was one question on pricing trends, which I think we have addressed. Another regarding the impact of US tariffs, which we have tried to address to the best of our knowledge.

Maybe just two more specific questions. One is in relation to the US tariffs. Can you please remind us of how much of Group sales are or could be affected directly or indirectly by US tariffs? That is the first question.

And the second one relates to the BWGI offer. And the question is: Can you please confirm that the opinion on the offer using the independent expert valuation will be given as soon as this Sunday? Or when will it be given?

These are the two questions.

Patrice Lucas: Okay. So, about, I would say, our exposure to US tariffs, what we can say on that, you know that 60% of our sales are made with spirits and still wine and sparkling wine. So, this is mainly this part we see is potentially exposed.

We don't have direct exposure. We have indirect exposure through our customers exporting to the US. And what we do estimate is that within these 60% of our sales, between 10-15% max is exported to the US. So, if you make the maths, it means that total exposure of our sales is between 6% to 9%.

So, it means that after that, based on what is going to be the final output on the tariffs imposed on the European market, what is the variation compared to this current 6-9%. This is what we can say on that.

On the BWGI offer, yes, as I commented, so, we're going to have a Board of Directors this Sunday to examine the offer. And then, beginning of the week, after this Sunday, information will be released, and especially about the reasoned opinion coming from the conclusion of the Board. So, it will be available at the beginning of the week.

David Placet: All right. Well, thanks Patrice. I think that's it from my end. So, I think we're good.

Patrice Lucas: Okay. Again, thanks a lot for your attention and for this Q&A session. I wish you a good day. Take care. Bye-bye.

Nathalie Delbreuve: Thank you. Bye-bye.

Operator: This concludes today's conference. You may now disconnect.

[END OF TRANSCRIPT]