Verallia H1 2026 Results Transcript – 29/07/2026

PATRICE LUCAS

Good morning, everyone, and thank you for joining us. Welcome to our H1 2026 results call. As usual, we will go through our presentation, and we will have a Q&A session at the end. After a quick introduction, we will go directly to our numbers with Cristina, and then I will come back on our outlook for 2026.

As an introduction, 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 chart, you have our ID card. You have on the left the 2025 split of our sales by segment.

As you know, one of our strong assets is our customer base and the diversified and balanced end markets in which we operate. We operate in 12 countries. As end of June, we operate 34 glass plants, minus one compared to end of last year, with the closure of our Essen plant in Germany. We operate 63 furnaces compared to 67 at the end of last year, with the closure of two furnaces in Germany in Essen, one in France at Cognac, and one in the UK at Knottingley.

We do serve around 11,000 customers and produce around 18 billion bottles and jars per year. Please note also that we are running 19 cullet recycling centres, allowing us to control about 50% of our needs for external cullet.

Before moving to our numbers, I would like to share an update on our industrial adaptation footprint, which was announced in mid-February. As a reminder, we decided to adapt and reduce our installed capacity to align with the reality of current demand and to address overcapacity in the European market. Our 3 projects are now completed. They were all well-managed without any disruption or any operational problems.

In Germany, in Essen, the plant was shut down at the end of March. Negotiations regarding the social plan are done and involve around 300 terminations. In France, Cognac furnace was stopped on 15th June. The voluntary redundancy plan is negotiated and underway.

In the UK, we stopped at the end of April, one of our two furnaces at Knottingley facility. We already have some positive impact in Q2, mainly coming from Essen closure. Please note that the total cost of this adaptation is around €60 million, €19 million cash out in H1, and the rest will be split between H2 and next year.

The run rate industrial cost savings of these three projects is around €40 million, and we do expect the full impact in H2, meaning in H2, we do expect €20 million cost savings for this year.

About our financial numbers. We are on track and confirming a higher free cash flow generation. Q2 revenue is down by 0.5% year-over-year to €900 million, with an organic growth at minus 0.9% year-over-year, with total volume being broadly flat, giving an H1 revenue down by minus 1.4% year-over-year to €1,699 million, with an organic growth of minus 1% year-over-year.

Q2 Adjusted EBITDA is €192 million, minus 5.6% versus Q2 last year, with a margin of 21.4%, minus 116 basis points versus Q2 last year, giving an H1 Adjusted EBITDA at €352 million, plus 0.2% versus H1 2025, with a margin of 20.7%, plus 33 bps versus H1 last year.

About free cash flow generation. We close H1 with €102 million, plus €36 million compared to H1 last year. Excluding restructuring cash out, free cash flow is at €121 million in H1. Our leverage is now at 2.6x last 12-month adjusted EBITDA at the end of June, slightly down versus a 2.7x at the end of December 2025.

Finally, our net income is €27 million, minus 60.5% compared to H1 last year. This net income does include a one-off impact of €43 million after tax in relation with our European industrial footprint adaptation. Meaning, net income without restructuring is at €70 million.

That being said, I let the floor to Cristina for more details.

CRISTINA RIESGO

Thank you, Patrice, and good morning, everyone. Let me start with the second quarter revenue bridge. As a reminder, we present these bridges excluding Argentina, given the hyperinflation and the currency distortions there. You will see the net impact in a separate line.

In the second quarter, revenue was roughly stable at €900 million, down just 0.5% reported or minus 0.9% organic. Volumes were down only very marginally by €2 million, and in fact, they were up year-on-year, once you exclude Germany. The underlying demand picture is healthier than the headlines.

Europe was roughly stable with a strong growth in spirits and food offsetting the softer categories. Latin America was slightly lower, as weaker Chile and Argentina wine offset the pickup in Brazilian beer.

The key point on this slide is the price/mix effect, which was negative, minus €7.7 million. That is a clear improvement versus the first quarter, with less than 1% negative in Q2, which tells you that price/mix has essentially stabilised.

Currency added €5 million, mostly the Brazilian real, and there was no scope effect, and Argentina added €0.5 million.

Moving to the half-year bridge. It is the same story but with more of the weight in the first quarter. Revenue for the half was €1,699 million, down 1.4% reported and minus 1% organic. The decline is essentially a pricing story, and it was concentrated in Q1.

Prices stabilized in the second quarter versus the prior year. On volumes, we were down only marginally, and that is entirely the expected reduction in Germany. As mentioned for Q1, excluding Germany, volumes were up in the half, driven by spirits and food jars, whose good momentum from Q1 continued. That was partially offset by lower non-alcoholic beverages that were down because of an extraordinary destocking in Italy last year and still an impact in wine.

Product mix was only very slightly negative over the period. The currency effect was positive at €3.2 million, again linked to the Brazilian real, and there was no scope variation. Finally, Argentina added €1.4 million.

Now let's move into the regions, starting with Southern and Western Europe, which covers France, Italy, Spain and Portugal.

Revenue there was roughly stable, down 0.8% both reported and at a constant scope and exchange rate at €1,172 million. What I would highlight is that volumes were up in all four countries, so we had genuine volume growth across the region, which offsets the negative price/mix.

The growth came from food jars helped by the new Pescia furnace in Italy and from beer, with the spirits accelerating through the second quarter. Sales mix was slightly adverse, but the headline for the region is volume resilience across the board.

Northern and Eastern Europe, which is Germany, the UK, Poland, Ukraine, and Russia, where revenue was down 5.4% or 5.1% constant scope and FX at €338 million. This is primarily the expected lower volumes in Germany, in line with our new industrial footprint.

Lower beer and, to a lesser extent, non-alcoholic volumes due to our furnace repair in Russia were not fully offset by higher spirits. The important nuance is that price/mix was actually positive here, reflecting better capacity utilisation. Excluding Germany, volumes across the region were actually stable.

We had a strong recovery in Ukraine, and the UK trend is actually improving in line with the stabilisation in spirits.

Finally, LATAM, where we have Brazil, Argentina, Chile and our US operations. Revenue was up 2.8% reported at €189 million and up 5.5% at constant scope and exchange rate. Even excluding Argentina, organic growth was positive, plus 1.7%. This is real growth, not just Argentine inflation.

It was fuelled by positive price/mix, mostly in Brazil and Argentina, with a strong momentum in spirits, beer, and sparkling wine. Brazil in particular picked up strongly in the second quarter, helped by the new Campo Bom furnace, and that was partially offset by lower still wine volumes in Argentina and Chile.

On currency, the effect was net negative, where the revaluation of the Brazilian real was more than offset by the devaluation of the Argentine peso.

Turning to profitability. Let’s look first at the second quarter EBITDA bridge. Adjusted EBITDA in Q2 was €192 million, with a margin of 21.4% versus 22.5% a year ago, down 116 basis points year-on-year. I would point out that in line with our seasonality, it is up sequentially versus the first quarter.

There are two negatives and then our self-help measures. Activity was negative on slightly lower sales volumes and the inventory revaluation effect. The spread between price and cost was also negative. The strong energy deflation we had in Q1 largely faded in Q2. Energy was still down year-on-year, but by less. The Middle East crisis pushed up mainly freight and packaging.

Against those two headwinds, our performance action plan delivered a 2.3% reduction in cash production costs. The other line included around €8 million of savings from the restructuring, mainly Essen. Against that, we had the ramp-up cost of the new furnaces we opened last year: Pescia, Campo Bom, and Zaragoza.

Currency was a positive €2 million. The message for the quarter is that actually self-help, which is productivity plus the restructuring savings, is doing the heavy lifting in a tougher cost environment.

Let’s look now at the first half consolidated adjusted EBITDA, which is the key slide for the half as a whole. Despite revenue being down, we held adjusted EBITDA flat at €352 million. The margin actually improved by 33 basis points to 20.7%.

How did we protect profitability with lower revenue? Activity was only slightly negative, which is coming from the strong growth in Southern and Western Europe, largely offset by the deliberately lower German volumes. The spread was negative on the lower selling prices, mostly in Q1 and a slightly adverse mix, though we did benefit from energy deflation, since, as you know, the expensive 2022 energy hedges rolled off.

Then the offset again. Our performance action plans have delivered 2.2% net reduction in cash production costs. The other line again carries the €8 million of restructuring savings against the new furnace ramp-up costs.

Currency was favourable at €1.8 million. Finally, Argentina contributing €1.6 million.

Taking the EBITDA by region now. In Southern and Western Europe, we held adjusted EBITDA essentially flat, down just 0.6% at €242 million, with the margin stable year-on-year at 20.6%. The positive activity from the volume growth I mentioned, combined with the PAP savings, was enough to offset the negative inflation spread that came from the lower selling prices and the adverse mix. A very resilient performance in our largest region.

Northern and Eastern Europe is frankly the clearest illustration of our strategy paying off. We grew EBITDA by 9.9% to €53 million, and the margin improved by 219 basis points to 15.8%. We did that despite a significant deliberate reduction in German volumes. The negative activity contribution from those lower volumes was more than offset by a positive inflation spread, and above all, a very strong industrial performance.

A 3.2% net reduction in cash costs, driven primarily by the footprint optimisation from the Essen closure. This really proves the point. We chose profitability over volume in Germany, and it worked out.

Finally, LATAM, which remains our most profitable region with a 30% EBITDA margin, even though that is down from 32.2%. Adjusted EBITDA was €59 million, and the decline came from a slightly negative activity contribution on the lower volumes in Chile and Argentina, plus the ramp-up cost of the new Campo Bom furnace in Brazil. Offsetting part of that, the PAP contributed to deliver 2.3% net reduction in cash costs. So still a highly profitable region with a dip driven by a mix of activity and the transitional furnace cost rather than anything structural.

On CAPEX, we came down to €91 million in H1, which is 5.3% of sales, from €104 million a year ago. Let me explain that. Recurring CAPEX was actually up year-on-year because 2025 had a light furnace repair schedule. The big move is strategic CAPEX, which fell sharply from 2.6% of sales to just 0.6%. That is because the first half of last year included the final stages of our big growth projects, Campo Bom, Pescia, and the Zaragoza hybrid. Those are now complete, and we have no new capacity plans in the near future.

Finally, we are continuing our decarbonisation plan with our second hybrid furnace, Saint-Romain in France, opening in the second half. For the full year, we still expect CAPEX around 8% of sales.

Moving into cash flow, which is one of the real highlights of H1. Free cash flow rose to €102 million, which is up €36 million or 54% year-on-year. Cash conversion improved to 74.2%. I would stress that this was achieved on essentially flat EBITDA, so it reflects genuine cash discipline and not earnings growth. The improvement came from lower CAPEX, disciplined working capital and lower cash tax.

Below that, other operating and financing items broadly offset each other, with lower cash interest helping, although this is just timing from the refinancing of our sustainability-linked bonds, where we pay our coupon now in November instead of May last year.

Remember, this €102 million is after around €19 million of cash outs related to the footprint optimisation. Excluding those, free cash flow was €121 million, which is the right basis to compare against our full-year guidance.

That cash generation flows through the balance sheet, and net debt came down to €1,179 million. That includes €61 million of lease liabilities from €1,861 million at year-end, €1,948 million a year ago. Leverage improved 2.6x times our last 12-month adjusted EBITDA, which is down from 2.7x in December.

I would note this is after the dividend paid in June. Because our shareholders overwhelmingly chose to take the dividends in shares rather than cash, the actual cash outflow was very limited to just €11 million. We return value to shareholders while continuing to deleverage.

Finally, the financing structure and liquidity. Total borrowings were €2,193 million against €414 million of cash, giving €1,779 million of net debt. Our debt is well spread across our sustainability-linked bonds and our conventional bonds, with maturities out to 2033, plus the Term Loan B and two undrawn revolving credit facilities.

A significant part of our floating rate exposure is hedged through interest rate caps, so we are well protected on rates. Total available liquidity was €976 million at the end of June, which is up on the period, and we have no significant debt maturities before 2028. We are in a very comfortable position on liquidity and the maturity profile.

With that, I will hand back to Patrice for the outlook.

PATRICE LUCAS

Thanks, Cristina. So about the outlook. At the end of H1, we are on track. First half is in line with our expectations, despite a much more difficult Q2 impacted by inflationary situation with the Middle East situation. Within this context, the company is demonstrating its resilience.

The discipline and good execution of our footprint adaptation in just few months is going to support our performance. Therefore, we do remain confident in our ability to meet 2026 guidance. Then obviously, assuming no significant deterioration of the situation in the Middle East, we confirm our guidance for full-year 2026. As a reminder, we aim to generate an adjusted EBITDA of around €700 million and a free cash flow of around €220 million, excluding the restructuring cash-outs planned in relation to our footprint optimisation.

With our industrial adaptation plan being completed, we remain focused on strengthening our competitiveness, cash generation and deleveraging by delivering PAP savings and keeping CAPEX under strict control around 8% of sales.

Thanks a lot for your attention. I give you back the floor for the questions. Thanks a lot.

QUESTIONS AND ANSWERS

Operator: The next question comes from Paco Ruiz from BNP Paribas. Please go ahead.

Francisco Ruiz (BNP Paribas): Good morning. Thank you for taking my question. I have three, if I may. The first one is on cash flow. You reach €120 million cash flow this quarter with a very low CAPEX to sales. So increasing CAPEX in the second half, that will mean a delta of around €70 million extra. What is going to offset this situation in order to reach your free cash flow target?

The second question is, if you could give us some visibility on the volume situation in Europe for the second half of the year. We have seen that Central Europe continues to be weak. Now Argentina and Chile look weaker than initially expected. What is your thought on this?

The third one is if you could give more detail on the cash component of the restructuring in the cash flow. You say €19 million in the first half. What is missing for second half and for 2027? Thank you.

Patrice Lucas: Thanks a lot, Paco. I am going to take the question about the volumes, and I will let Cristina with the two cash questions.

About volume, and maybe to start with, just to give you some colour about H1. You have understood that our Group volumes are broadly flat in H1, mainly impacted by controlled volume decline in Germany, and excluding Germany, our volumes at the Group level are low single digit up. We see South West Europe up low single-digit in H1 and Q2, and all countries being positive.

LATAM, we have, in H1, volume slightly down, but with Brazil being quite positive, mid-single-digit in H1 and we can say even high-single-digit in Q2. This is the context in which we are. For the rest of the year, we do see something which is going to be relatively similar. It means at the Group level, we are going to be broadly flat. We do not want to bet on any volume increase, but as we explained already in Q1 and especially at the beginning of the year, we want to focus on our self-help measures to deliver our growth.

This is how we see as we speak, the volume situation for Verallia in the context of a weak demand globally in Europe. Cristina, for cash?

Cristina Riesgo: Yeah. For cash, Paco, as you mentioned, yes, we do expect a much higher cash outflow on CAPEX, and this is why we are actually not raising our guidance. As you know, for the first half, the tailwind comes from some structural actions like cash tax and discipline, and this is what we keep for the second half.

Essentially what we are going to offset against CAPEX is working capital, and as I mentioned, cash tax and discipline. You will see a slightly lower free cash flow for the second half.

Francisco Ruiz: Okay. Thank you. On the restructuring cash outflow for the coming semesters?

Cristina Riesgo: The reason why we are going to have a higher outflow in the coming semester is because we are also going to pay out the UK front's restructuring plan.

Patrice Lucas: You have understood, Paco, that cash out was €19 million in H1, and the rest, as I mentioned, is going to be split between a part in H2, and we still have some remaining in H1 next year.

Francisco Ruiz: Okay. Thank you.

Patrice Lucas: You're welcome.

Operator: The next question comes from Saul Casadio from M&G PLC. Please go ahead.

Saul Casadio (M&G PLC): Thanks for taking my question. Apologies for the voice. A bit under the weather. First question is on your spread, which turned negative in Q2.

Wondering whether you can provide an outlook for this component for the rest of the year, and whether you think that your self-help measures will be able to offset that?

Patrice Lucas: Thanks a lot for this question. About the spread, as you mentioned, obviously we are positive in Q1. We are negative in Q2, mainly coming from the inflationary effect from the Middle East situation.

On energy, you do remember that we are hedged at 80% in Europe, so obviously we are impacted by the 20% non-hedged part. Despite the fact that we are in deflationary situation compared to last year, obviously we have an adverse effect in energy in Q2 versus Q1.

Then we have inflation as well on all the Brent-related costs, speaking about logistics, packaging, etc. Obviously difficult to say what is going to be next. But in this current environment, we do maintain our guidance. Obviously what is going to be supporting our performance is the restructuring plan we did in Europe in quite a few months. Again, it was a strong performance for the teams and we'll get the full impact in H2.

In other words, the H2 performance is going to be supported by this €20 million savings coming from our footprint adaptation, which is going to offset the inflationary situation which impacted our Q2.

Saul Casadio: Okay. Thank you. On the capacity side, do you think you need to do more and can you provide some measures of capacity utilisation, if you have some idling, just to give a sense of what is the state-of-the-art of the existing capacity in terms of utilisation and whether there is potentially more to come there?

Patrice Lucas: Yeah. You understood that we have done quite a significant part of the job of adaptation in Europe, especially in H1 this year. As a reminder, in Germany, we used to have 10 furnaces running. Now we are running six furnaces, which do allow us to make an optimisation of our business and profitability of our business, as it has been shown by Cristina.

This is quite significant in Germany. We have done the additional one in Cognac. We have done one in the UK. As we speak, we do not plan to do any additional capacity reduction, because the forecast we see, even within a small growth environment, we do not need to do it. As we speak, we have few points of underutilisation, mainly driven by the inventory control we want to keep. I would say it is not material to justify any additional capacity adaptation as we speak. So no more adaptation to come on our side.

Saul Casadio: Okay. Thank you for the call. Appreciate it.

Operator: There are no more oral questions at this time. I hand the conference back to the speakers for the written questions.

David Placet: Sure. Thanks a lot for this. David Placet, I am the head of IR. Right now we have actually two questions. One just came. One is from Inigo Egusquiza. I think it has been pretty much covered. The question is, how do you see pricing for H2 2026 and then 2027 after three years of price adaptation and considering energy inflation? Do you see the industry well-balanced to accept price hikes in 2027?

Patrice Lucas: Hello, Inigo. So about 2026. You have understood that our pricing is down low single digit. All of that done in Q1, stabilising in Q2. We do not expect any additional price reduction in H2. Obviously, what is quite significant and important is this inflation situation. But the competitive landscape as we see it today does not give real room for a price increase to compensate in H2 the inflationary situation.

Speaking about 2027, obviously with the current context, we do not see price decrease. Let us see in the weeks and months to come, and maybe we will have some opportunity for 2027. Hope I have answered your question, Inigo.

David Placet: Thank you, Patrice. Another question from Jaume Rey Miro regarding the capacity situation in Europe. Can you please give us an update about capacity closures and the competitive environment you see in Europe?

Patrice Lucas: We have given already some information about that. Maybe just to rephrase. You know that quite significant capacity has been shut down since the end of 2023 in Europe. More than 20 furnaces have been closed, which represents a capacity adaptation around 10%. We have done our part of the job. Let's see if some competitors in some specific regions are going to adapt again but I would say that a big part of it has been done. This is our view as we speak today.

David Placet: Thank you. Just one last question from Emmanuel Chevalier, which I think builds upon the previous one. Let's see whether there's anything we would like to add. The question is, are you seeing the first positive effects of capacity closures in Europe? Do you see any negative impact from Ciner Glass, particularly on the beer market? What will be the additional impact in the second half of the year as the full year effect of your most recent furnace startups kicks in? So basically, impact of capacity closures market-wide, Ciner impact, and for ourselves, second half impact of the end of the ramp-up of our new furnaces.

Patrice Lucas: First, about capacity adaptation. You see, as I mentioned, for us, a significant positive impact in Germany. Just part of it is in our numbers in H1, coming from Q2. Then we get the positive impact in H2.

We see, as I mentioned, and I can speak only about Verallia obviously, capacity underutilisation is just a few points compared to high single-digit points on the previous period, 2024-2025. I do see right now a good use of our capacity. We will get the full benefit of our additional capacity, and we have already the additional capacity benefit of Campo Bom in Brazil, Pescia in Italy, specifically dedicated to jar and the food growth we are looking for.

I do not expect any bad news or whatsoever. The ramping up of these new furnaces is done, so no material impact to be expected in H2.

About Ciner Glass, too early to make comments about that. I'm not sure I really want to comment, but let us keep in mind that we are less beer exposed than many of our peers. We do not see that as a short-term concern for us. Again, we have made our adaptation approach in Northeast Europe and in Germany.

David Placet: Fantastic. Thank you, Patrice. One last question in relation this time to cullet. Could you talk a bit about the cullet recycling centres and how much percent of your cullet, I guess, are procured from recycling centres? I guess it refers to our own.

Patrice Lucas: Our external cullet rate used is roughly similar to last year, so it is close to 60%, a little bit less than 60%. 50% of the cullet we are using is coming from our recycling centres. This is something which is quite important because, one, it does allow us to control part of this resource. Two, it does allow us as well to have a good understanding of the cost of the cullet and about the quality of the cullet, aiming us to get some leverage to challenge the 50% remaining part we are buying. Hope I have answered.

David Placet: Yeah. That is fantastic. Just one last request to clarify the question about the restructuring cash out, following up, I think that was Paco who initially asked that. Just to clarify the cash out that is expected going forward and especially in H2.

Cristina Riesgo: Yes. Just to clarify on that point, our restructuring cash out for the overall footprint adaptation, as Patrice said, is around €60 million, but this year we are within the guidance that we initially set last quarter, which is €50 million. We paid out €19 million in the first half, so the rest will come in the second half.

David Placet: Thank you, Cristina. With that, I am done.

Patrice Lucas: Thanks a lot for your question. Just maybe a few words to conclude again and emphasise what we have been able to deliver in H1. If we step back, we have been able to implement our footprint adaptation with some significant closure and social measures in Europe in just a small period of time. Remember that we started that in February, and we get already some results in Q2, and we will get the full impact in H2. So I think it was quite remarkable.

Two, let us consider that within the current environment, with difficulty to predict high volatility on our cost coming from, again, non-hedged energy part and Brent-related cost, we are demonstrating quite a resilient performance, which is a good way as well to prepare the future and to get some nice upside in the semesters to come, all of that being behind us.

Thanks a lot for that, for the teams, and please thanks for your attention, and have a good summer. Take care. Bye-bye.

Cristina Riesgo: Thank you.

David Placet: Thank you.