H1 2015 Results

29 October, 2014

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For further information see www.candcgroupplc.com

H1 2015 Results

H1 2015 Review

Kenny Neison, CFO

Market Review and Outlook

Stephen Glancey, CEO

H1 2015 Overview

Financial

- Net revenue +9.3% to €368.1m
- Operating profit (2.7%) to €69.2m
- Operating margin 18.8%
- FCF of €32.9m pre exceptional: 41% of EBITDA
- Adjusted diluted EPS (2.5%) to 15.9 cent
- Dividend per share up 4.7% to 4.5 cent
- **Continued strong performance in Ireland & Scotland offset by challenges in E&W and United States**

Net revenue	€368.1m
EBIT	€69.2m
FCF *Pre Exceptional*	€32.9m
EPS *Adjusted Diluted*	15.9 cent
Dividend *Per Share*	4.5 cent

H1 2015 Overview

Segmental Change

- Change to segments in line with current organisation structure, business model and management of the Group

New Reporting Segment	H1 Op. Profit Contribution	Previously Reported Under
Ireland	**53%**	Previously ROI. Now includes Northern Ireland.
	86%	
Scotland	**33%**	Previously the Scottish results were included within Tennent's UK, Cider UK and Third Party Brands UK.
England & Wales	**10%**	Previously the E&W results were included within Cider UK and Third Party Brands UK.
Export	**3%**	Previously included within International.
United States	**1%**	Previously included within International.

Segmental Performance

Ireland

- Improving economy and consumer sentiment
- Solid LAD market with On-trade +1%; Tough comparatives on cider in H1 due to F14 summer
- Ireland underlying volume trends positive
- Delivery of expected synergies on Gleeson

H1 2015 **(constant currency)**

Net revenue	€158.2m	(3.9%)
EBIT	€36.7m	+11.6%

Scotland

- Consistent, strong performance in IFT
- Positive contribution from Wallaces in line with plan
- Increase in brand investment; trade loanbook flat

H1 2015 **(constant currency)**

Net revenue	€117.7m	+69.1%
EBIT	€22.4m	+14.3%

England & Wales

- Magners volume down 10.3%; net revenue down 17.4%
- Modest improvement in SMCM performance
- Operational gearing drives EBIT decline

H1 2015 **(constant currency)**

Net revenue	€59.6m	(16.5%)
EBIT	€7.2m	(36.8%)

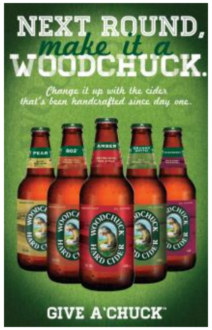
Segmental Performance

United States

- Woodchuck volumes down 29% in H1
- Growth in Magners, Tennent's and Blackthorn
- Investment in capacity and brands
- Resulting high operational gearing drives EBIT decline
- Brand investment initiative will continue and broaden in H2
- Early signs of improvement but from a low base

H1 2015 **(constant currency)**

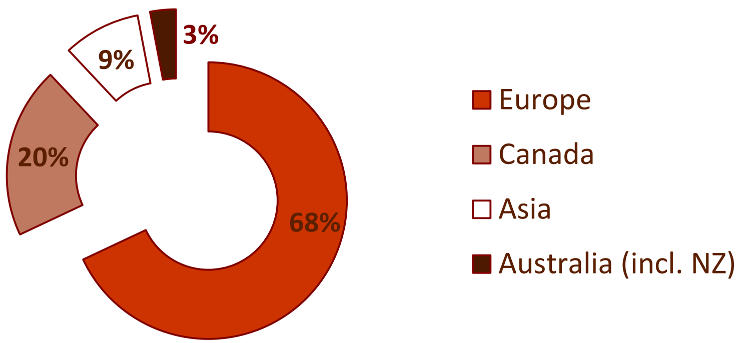
Net revenue	€19.5m	(22.3%)
EBIT	€0.7m	(89.6%)



Segmental Performance

Export

- Export volume by geography:



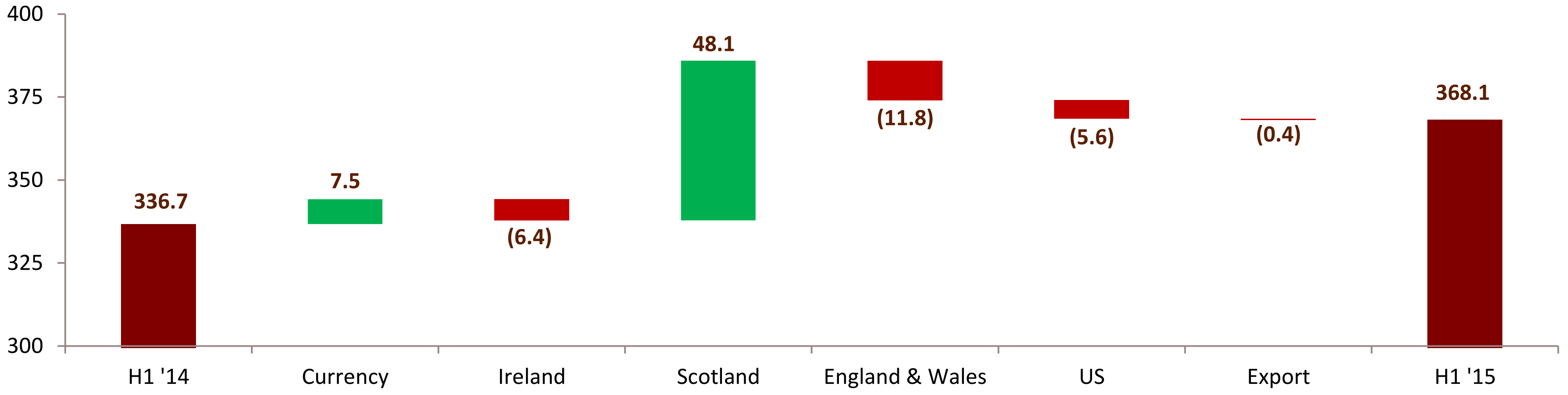
H1 2015 **(constant currency)**

Net revenue	€13.1m	(3.0%)
EBIT	€2.2m	(18.5%)

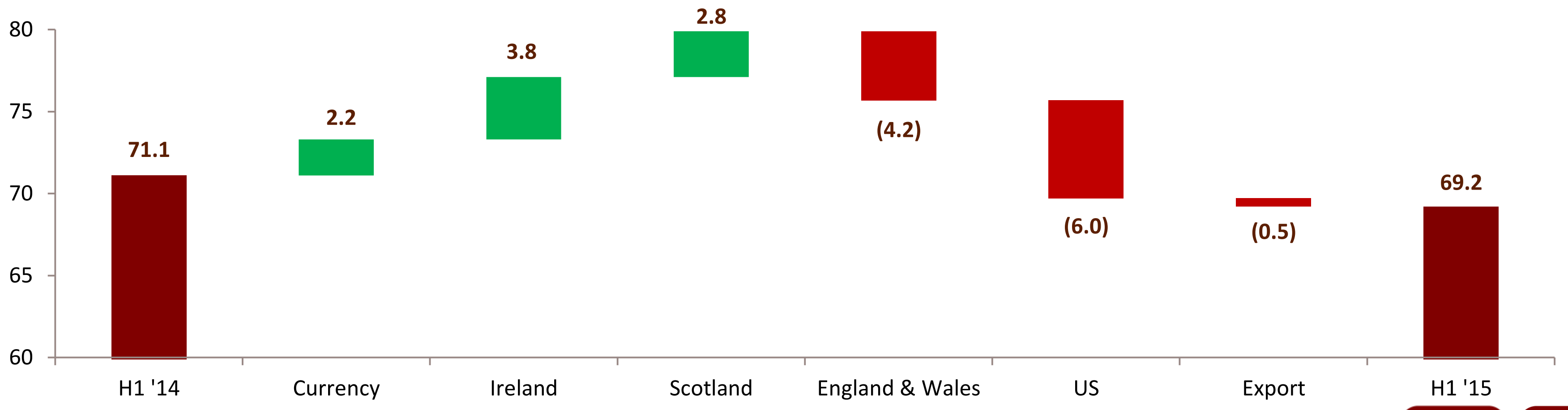
- Double digit volume growth in Europe and Canada
  - Europe +27%
  - Canada +15%
- Asia delivering strong growth from low base
  - Magners +10%
  - Tennent's +110%
- Australia distribution issues impacted performance
- Overall volume up 14% excluding Australia

Net revenue and Operating profit

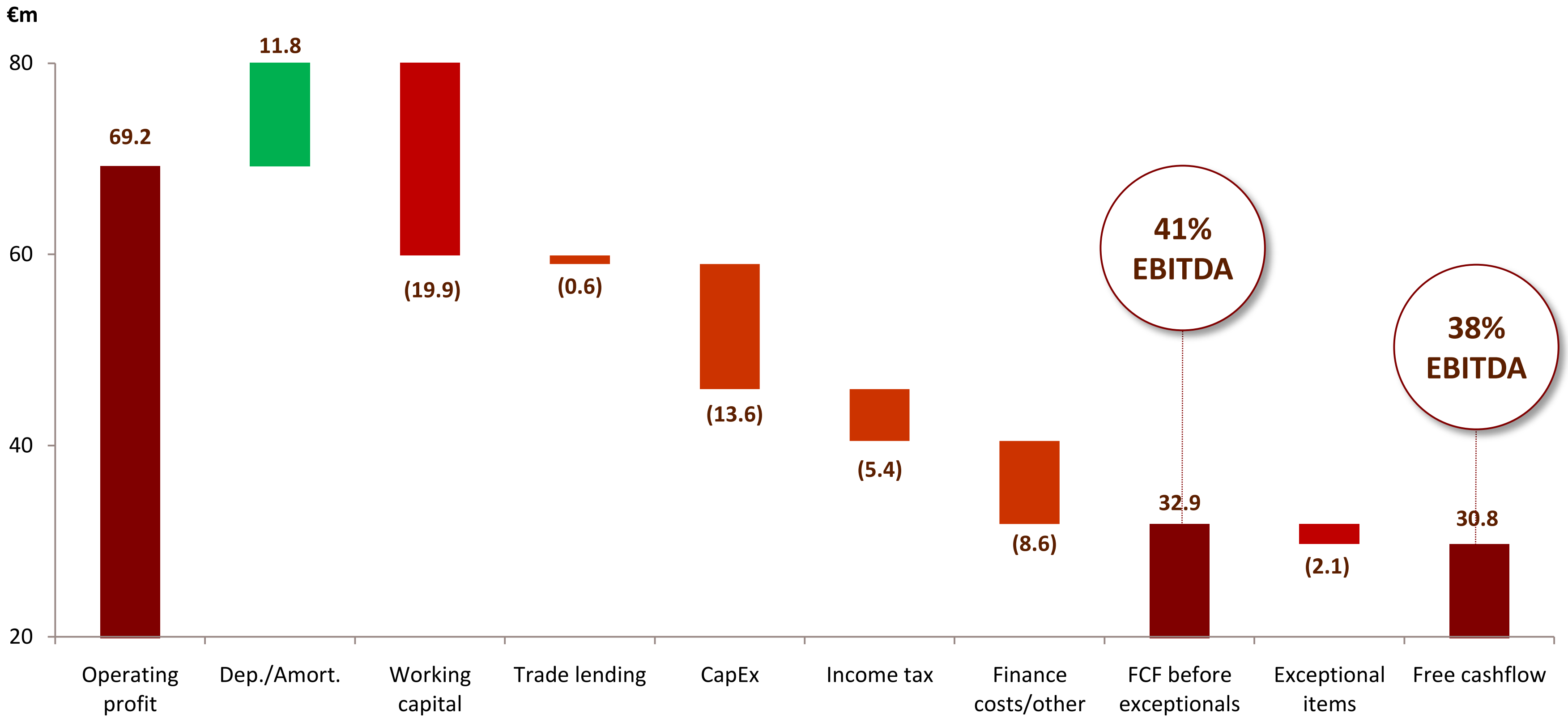
Net revenue €m



Operating profit €m



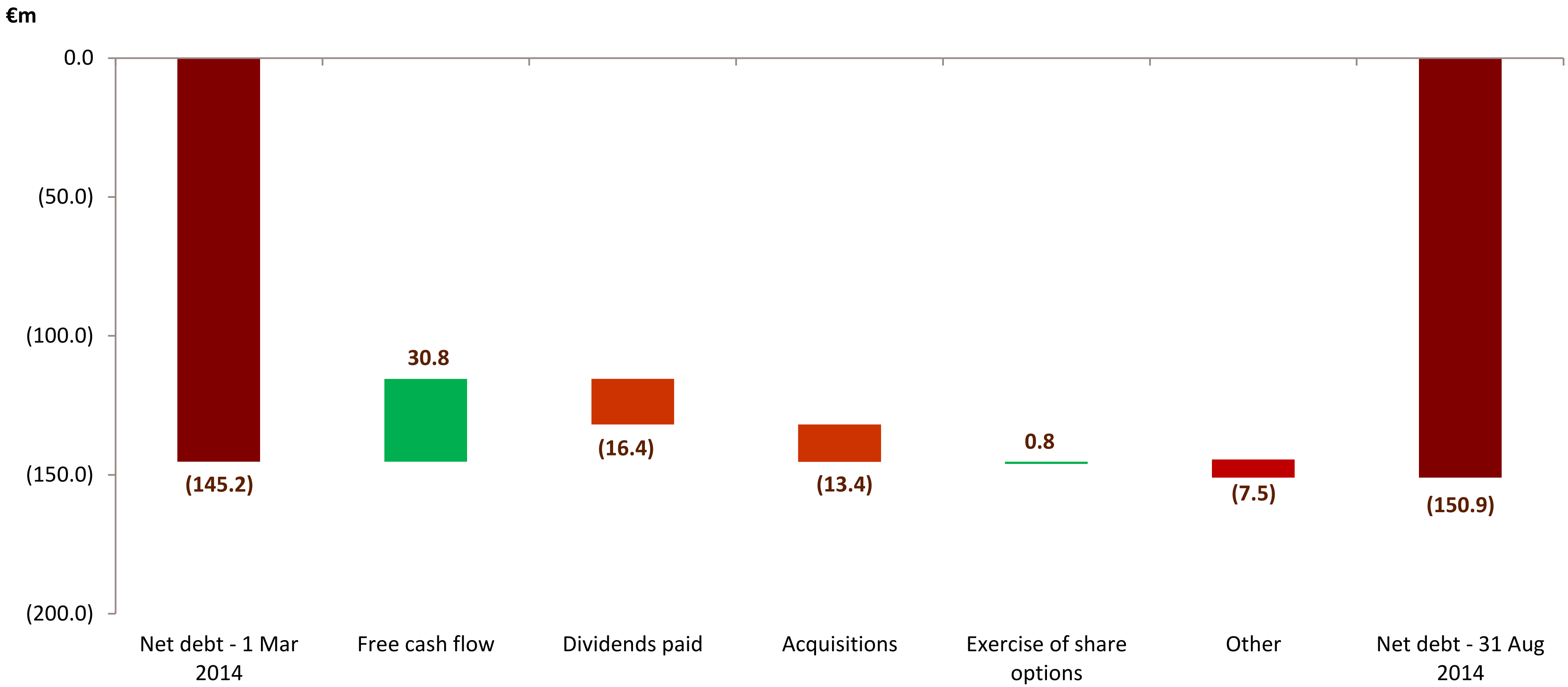
H1 2015 Free cash flow



Strong Free Cash Flow Conversion

- Return to Normalised FCF conversion for FY 2015
- FY 2015 FCF conversion 60% to 70% of EBITDA

H1 2015 Balance sheet



Strong Balance Sheet and Focus on Value Creation

- Dividend per share of 4.5 cent per share; +4.7% year-on-year

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H1 2015 Review

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Market Review and Outlook

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H1 2015 Overview

Strategic & Operating

- Core businesses delivering sustained earnings growth
- Operational capability: completion of Gleeson integration; good progress on Wallaces
- Investment for the future: launch of *Clonmel 1650* and Drygate
- Structural challenges in England & Wales: range of options to be evaluated
- US: invested for the long term

Segment Strategy Focus

Priorities

Ireland Scotland	• Differentiated focussed strategy • Strong brands • Customer focussed • Platform for innovation and third party brands • Core driver of earnings and cashflow
England & Wales	• Strategically important market • Cider is a growing category • Consumer franchise for Magners remains intact • Scale remains our challenge
USA	• Market attractive in its dynamics • Stable operating model • Brand position reinforced • Execution critical to success
Export	• Internationalisation of cider remains a core strategy • Scale meaningful to Group • Beer gives optionality • Investing in organic growth

Capital Allocation

Disciplined approach

- No change to capital allocation strategy
- Focus on managing the business for the long term
- Preference for investing in opportunities that create and sustain shareholder value:
  - Target ROIC above WACC in short to medium term
  - Potential acquisitions evaluated against benchmark of returning capital to shareholders
- 5 year track record

Capital Allocation

5 Year Track Record (FY10 – FY14)

- €493m FCF generated
- €121m returned via dividend
- €81m debt reduction
- EBITDA CAGR of 11%
- EBIT growth of €90m from (FY10) to €127m (FY14)

Vertical Integration: one option to resolve scale issue in E&W

What do we look for in vertical integration?

Strong fundamentals…

- Highly capable management team
- Sufficient scale of platform
- Attractive geographic footprint
- High quality estate / low capex requirement
- Right balance of managed versus leased pubs
- Appropriately financed real estate portfolio

… to capitalise on the opportunities

Immediate value creation

- Distribution of C&C brands in acquired estate
- Third party procurement across a combined business
- Certain cost duplication synergies

Strategic value drivers

- Reciprocation with international and regional brewers
- Optionality through cash generation
- Increased organic growth potential

Market Review and Outlook

Outlook

- Under Takeover Code given the Spirit situation, no new guidance can be given
- Fundamentals of core markets strong and central to investment case
- England & Wales strategically important; a range of options being evaluated
- US current performance disappointing but investing for the long term
- Strong balance sheet and continued cash generation
- Dividend growth reflects confidence in our business model

Q&A

Segmental analysis

	Net Revenue €m	Change Y-on-Y%	Op. Profit €m	Change Y-on-Y%	Op. Margin % of Net . Rev	Change ppts	Volumes Khl	Change Y-on-Y%
Ireland	**158.2**	*(3.9%)*	**36.7**	*+11.6%*	**23.2%**	**+3.2ppts**	**536.8***	(3.1%)
Scotland	**117.7**	*+69.1%*	**22.4**	*+14.3%*	**19.0%**	**(9.2ppts)**	**678.6****	(1.1%)
England & Wales	**59.6**	*(16.5%)*	**7.2**	*(36.8%)*	**12.1%**	**(3.9ppts)**	**782.2**	(9.4%)
US	**19.5**	*(22.3%)*	**0.7**	*(89.6%)*	**3.6%**	**(23.1ppts)**	**142.8**	(21.0%)
Export	**13.1**	*(3.0%)*	**2.2**	*(18.5%)*	**16.8%**	**(3.2ppts)**	**103.6**	+3.7%
Total	**368.1**	*+6.9%*	**69.2**	*(5.6%)*	**18.8%**	**(2.5ppts)**		

Note: Year-on-year change on a constant currency basis.

* *Excluding Gleeson*
** *Excluding Wallaces*

FX, Tax & Financing Costs, Pension

FX Impact on P&L (average rates)

	H1 2015
GBP (average rate)	0.811
USD (average rate)	1.364

Tax

- Effective tax rate 14%

Financing Charges

- Net finance charges of €4.8m
- Reflects continued low level of variable interest rates

Defined Benefit Pension Deficit

- 31 August, 2013: €33.3m
- 28 February, 2014: €21.4m
- 31 August, 2014: €36.0m