

c&c group plc



2013 H1 Results



October, 2012

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2013 H1 Review

International Growth

Investment Case & Outlook



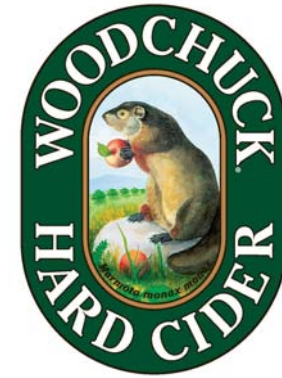
Performance Overview

- ▶ Operating profit decline of 2.7% to €65.6m; constant currency decline of 6%
- ▶ Adjusted diluted EPS* down 2.4% to 16.1 cent
- ▶ Strong balance sheet; net cash of €79.6 million
- ▶ Resilient performance in tough trading environment
 - *challenging conditions in Ireland and GB cider*
- ▶ Strong Tennent's and international cider performance
- ▶ Confirming guidance to lower end of stated range of €112m to €118m
- ▶ Dividend increase of 9% to 4 cent per share
 - *progressive dividend policy*



Acquisition

- ▶ Agreement to acquire **Vermont Hard Cider Company LLC** for US\$305 million (subject to regulatory review)
- ▶ Delivering strong revenue and EBITDA growth and is immediately earnings accretive
- ▶ Vermont Hard Cider Company
 - Independent, premium craft cider company based in Vermont, USA
 - Owns, produces and markets leading US cider brand, Woodchuck; and, Wyder's Cider
 - 400 kHL cidery in Vermont
 - US national sales force and distribution capability
 - 20% shareholding in start-up Chinese cider brand, Gold Hard Cider



VERMONT HARD CIDER COMPANY
LLC

Strategic & Operating Highlights

- ▶ 53% H1 international volume growth (including acquisitions)
- ▶ Successful launch of Tennent's in international markets
- ▶ Integration and re-launch of Hornsby's
- ▶ New Magners & Gaymers fruit flavours
- ▶ Appointment of Joris Brams to Board of Directors



2013 H1 | ROI & UK Performance

ROI

- ▶ LAD market weak - poor weather & challenged consumer
- ▶ Accelerated off-trade price deflation
- ▶ Strong beer performance: Tennent's and Caledonia Smooth volume +40%

UK: Cider

- ▶ Cider consumption negative in the period; intense competition
- ▶ Magners volumes declined 17.4%; underperformed in off-trade

UK: Tennent's

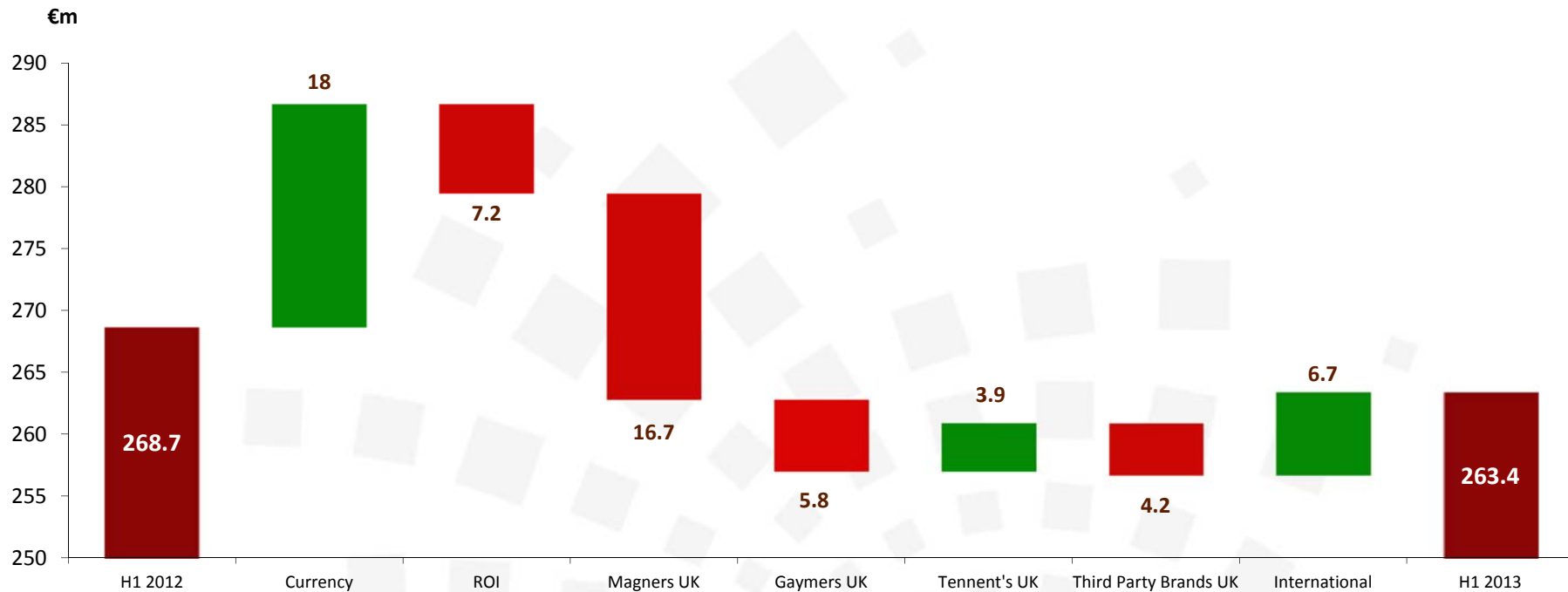
- ▶ Strong revenue and margin performance
- ▶ Value lifted by renegotiated contracts & increased premium product mix

UK: Third Party Bands

- ▶ Focus on higher margin activity



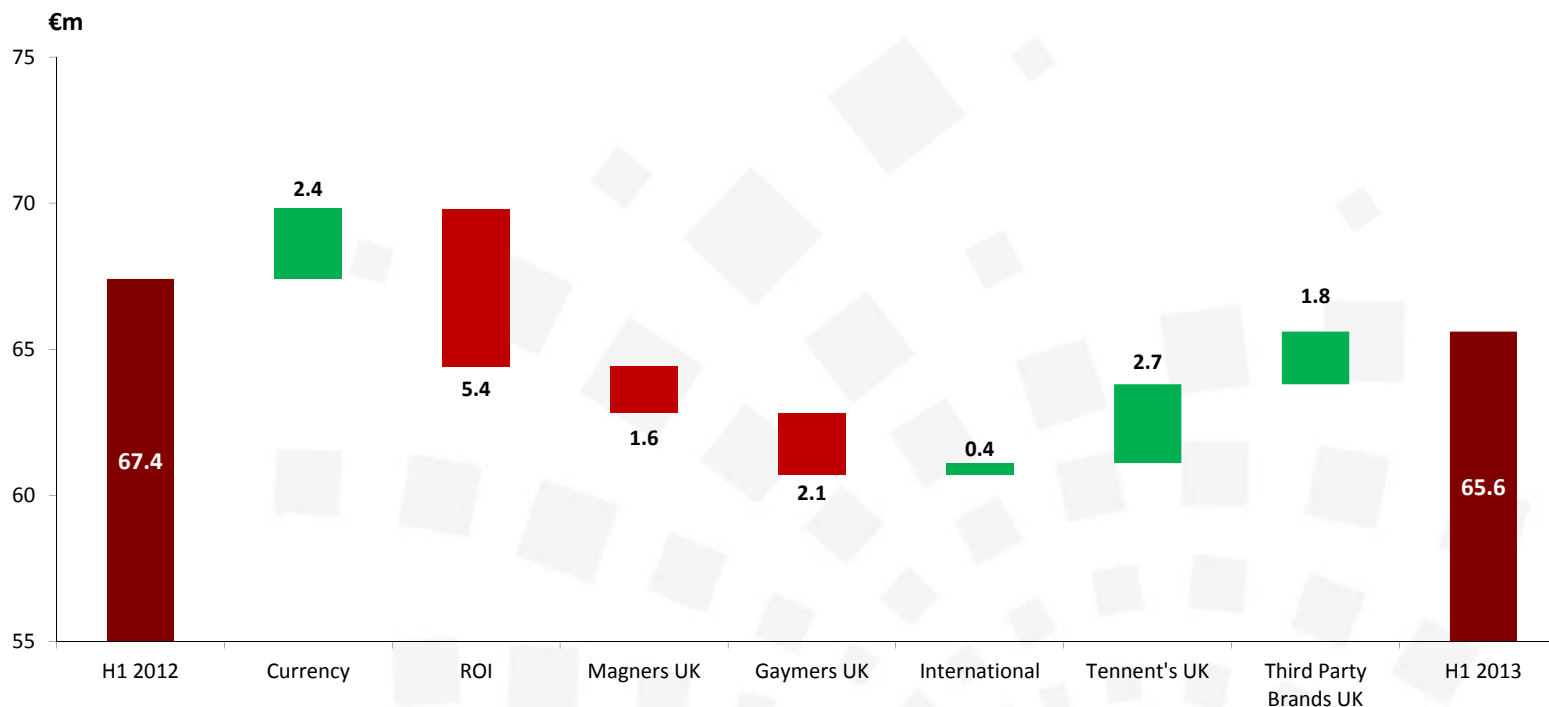
2013 H1 | Net Revenue



- ▶ Net revenue declined 2%; constant currency decline of 8.1%
- ▶ Total branded volumes declined 8.2%
- ▶ Overall price mix neutral

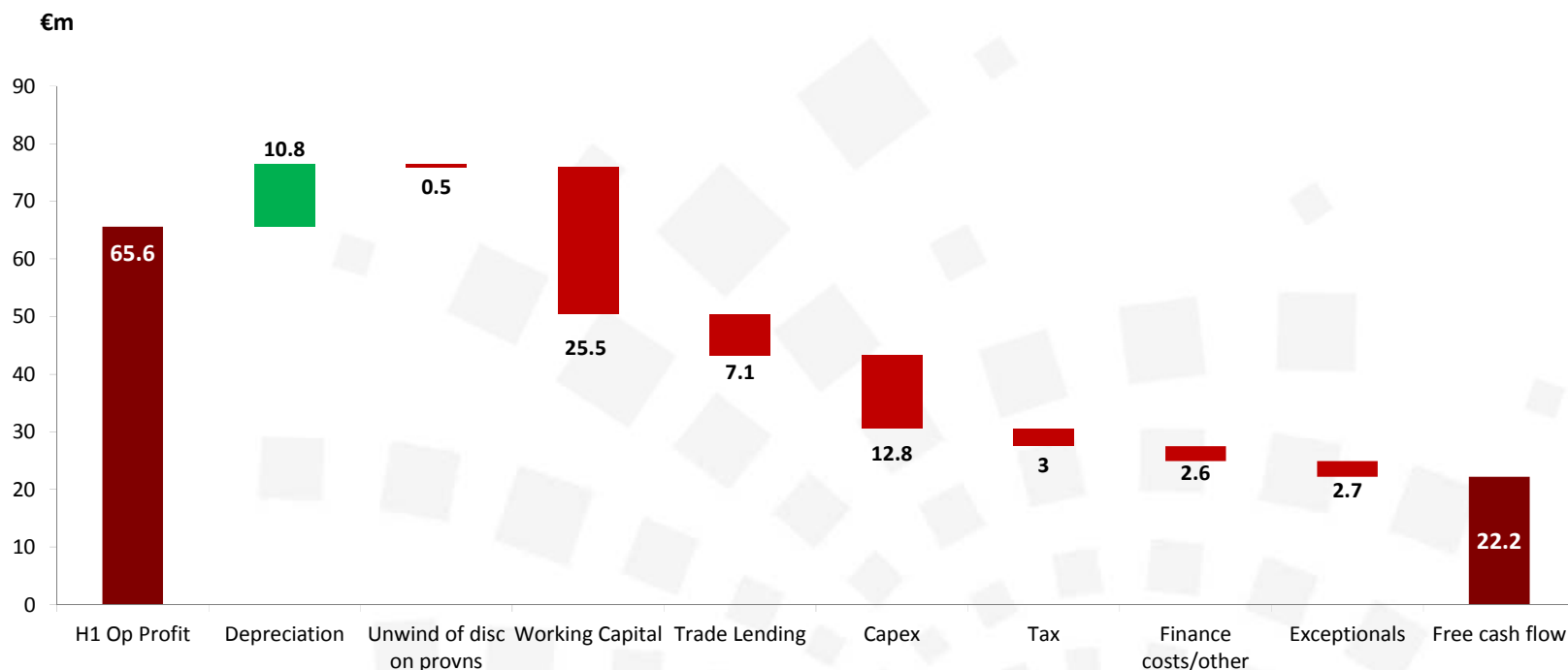


2013 H1 | Operating Profit



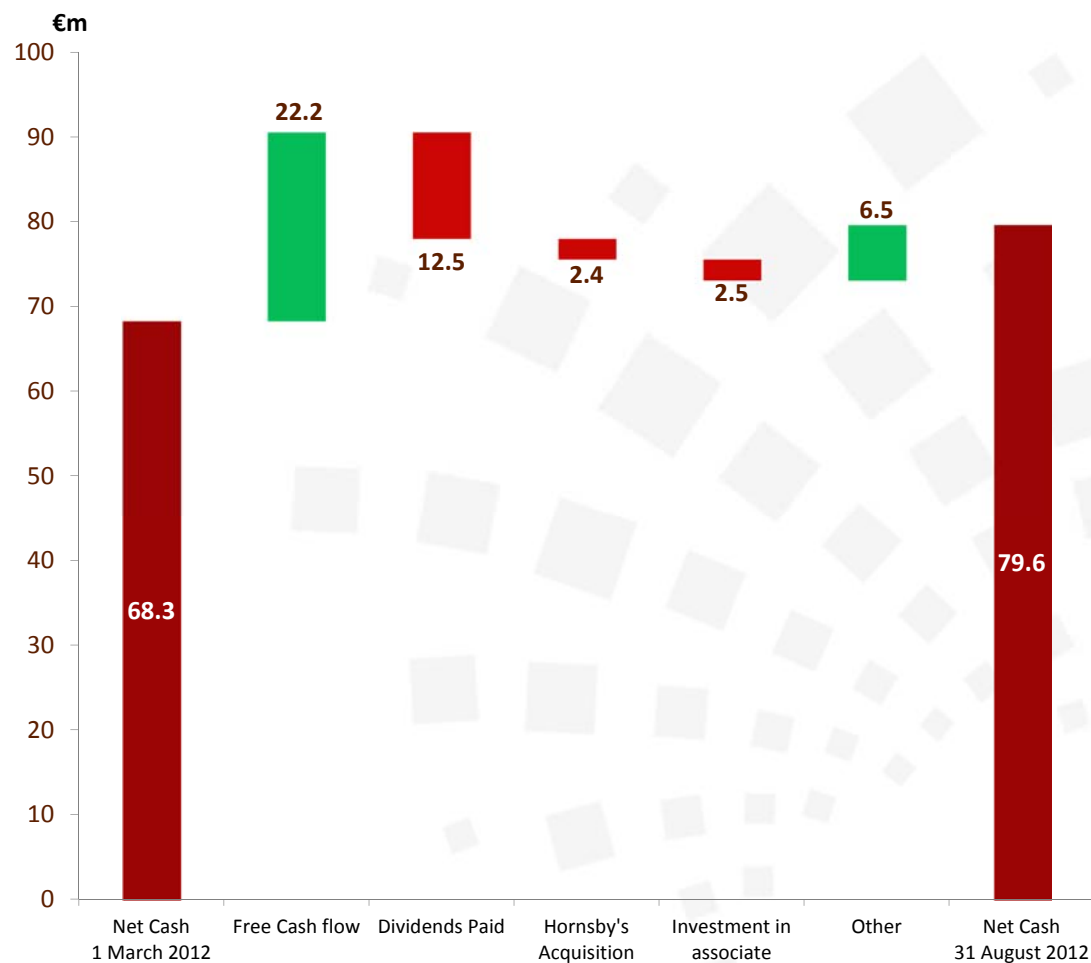
- ▶ H1 Operating margin of 24.9%; down 0.2 pts
- ▶ Margin performance reflects resilient business model

2013 H1 | Free Cash Flow



- ▶ H1 conversion of 29.2% of EBITDA; FY conversion to be 50% to 60% of EBITDA for existing business
- ▶ Reduced FY conversion reflects increased investment in trade lending, capex and working capital

2013 H1 | Strong Balance Sheet



▶ Net cash €79.6 million at 31 August

▶ Proposed acquisition in H2

▶ *Pro forma* FY net debt to EBITDA expected to be < 1x

Defined Benefit Pension Deficit

| | |
|--------------------|--------|
| 31 August, 2012: | €36.8m |
| 29 February, 2012: | €15.1m |
| 31 August, 2011: | €23.7m |

Agreed funding plan based on actuarial deficit of January 2012

2013 H1 | FX, Tax & Financing Costs

- ▶ **FX:** Translation benefit for H2 of c. €1 million at H1 average spot rates
- ▶ **Tax:** H1 effective rate of 15%; FY effective rate estimated to be c. 15%
- ▶ **H1 finance costs:** Net finance costs of €1.8 million
- ▶ **H2 finance costs:** Vermont Hard Cider Company funded out of 2012 revolving facility



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2013 H1 Review

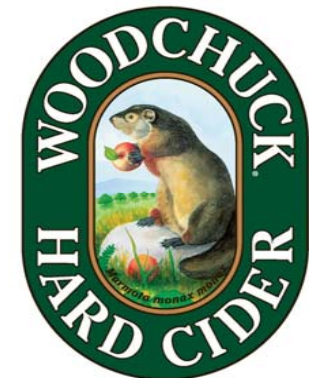
International Growth

Investment Case & Outlook



C&C | International Growth

- ▶ 53% volume growth in H1 (including acquisitions)
- now 9% of branded volume
- ▶ Tennent's launched in Italy, Canada and Ukraine
- ▶ New distributors in Europe and Asia driving volume growth in cider and beer
- ▶ Hornsby's integrated and re-launched
- ▶ Vermont Hard Cider Company has the potential to accelerate growth prospects



C&C | International H1 Performance

- ▶ Strong volume growth +53%
- ▶ Cider volumes up 32.7% in period
- ▶ Magners NA volumes up 16% and volumes in other markets continue to show solid growth
- ▶ Lower average price due to brand mix
- ▶ Margin performance reflects upfront investment to drive continued growth:
 - Investment in US infrastructure
 - Re-launch of Hornsby's
 - Tennent's launch in Italy, Canada & Ukraine

| International | H1 2013 | Change Const Curr. |
|------------------|---------|--------------------|
| Net revenue | €23.6m | +39.6% |
| Operating profit | €4.2m | +10.5% |
| Operating margin | 17.8% | (4.7ppts) |
| Volumes kHL | 159 | +52.9% |

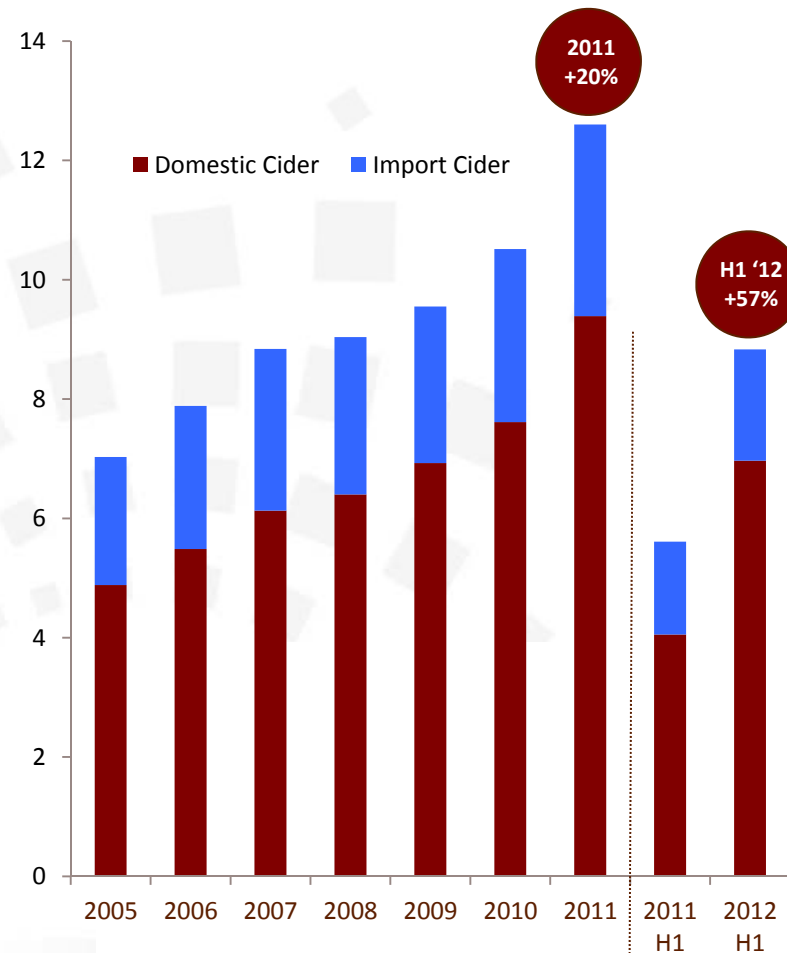


US Cider Category

- ▶ Growing interest from domestic and international brewers in cider
- ▶ New entrants accelerating category growth
- ▶ Category grew 20% in 2011 and 57% in the first six months of 2012¹
- ▶ Cider share of US LAD market c. 0.2% compared with c. 7% LAD share for craft beer
- ▶ Domestic cider growing at c. 70%; imported cider at 20%²

US Cider Category

million gallons



Source: US Beer Institute

¹ Source: US Beer Institute

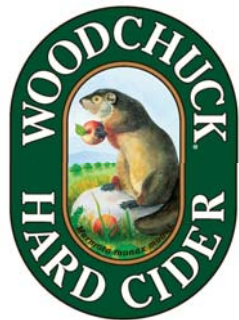
² Domestic and imported cider growth rates based on H1 2012 compared to H1 2011

Vermont Hard Cider Company

- ▶ Agreement to acquire Vermont Hard Cider Company for US\$305 million

“C&C is delighted to announce its agreement to acquire the Vermont Hard Cider Company. This Transaction transforms our international cider business and accelerates our growth prospects. We intend to invest in the company to capitalise on the growth opportunities presented by this business.”

Stephen Glancey, CEO of C&C Group



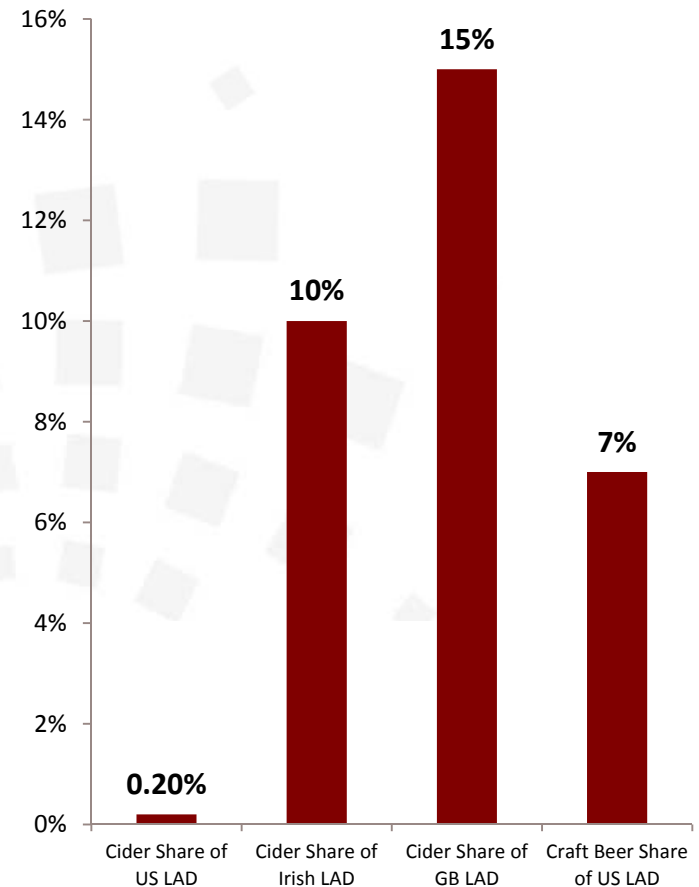
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Transaction Rationale

- ▶ Transforms international cider business and accelerates growth prospects
- ▶ Increased exposure to high growth cider category
- ▶ VTHCC delivered annual volume growth of 25%+ over past 3 years
- ▶ Compelling strategic and cultural fit
- ▶ Proven management team with aligned interests
- ▶ Well-invested cidery and national distribution

Cider & Craft Beer Share of LAD Markets



Source: Euromonitor, Canadean and C&C estimates

Transaction Financing

- ▶ Cash consideration US\$305m including normalised working capital - debt-free/cash-free basis
- ▶ Normalised EBITDA \$15m for current financial year
- ▶ Funded in US\$ using senior credit facility
- ▶ CEO and CFO to become shareholders in C&C
- ▶ *Pro-forma* net debt to EBITDA post acquisition < 1x
- ▶ Immediately accretive; ROIC to exceed WACC in Year 5
- ▶ No impact on progressive dividend policy



Strategic & Cultural Fit

- ▶ Compelling fit between businesses
- ▶ Shared heritage, values and brand attributes

VERMONT HARD
CIDER COMPANY
LLC



Premium, craft cider



Product innovation



Made with natural juice



Refreshing & naturally gluten free



Strong brand loyalty and authenticity



Investment Case & Outlook

- ▶ Strong brand market combinations
- ▶ Authentic, local brands
- ▶ Accelerating international growth
- ▶ Multi-beverage platforms
- ▶ Strong balance sheet - FY net debt to EBITDA < 1x
- ▶ Highly cash generative; progressive dividend policy
- ▶ Confirming guidance to lower end of stated range of €112m to €118m

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Appendix



Segmental Analysis

Republic of Ireland (ROI)



- ▶ LAD market weak in Ireland
– *poor weather & challenged consumer*
- ▶ Cider under-performed LAD market
- ▶ Increased off-trade promotional activity
– *accelerated price deflation*
- ▶ Total volume decline 3.2%; price mix down 9.1%
- ▶ Operating margin impacted by channel shift /price deflation and increasing beer mix
- ▶ Strong C&C beer performance: Tennent's and Caledonia Smooth volume +40%

| ROI | H1 2013 | Change Const Curr. |
|------------------|---------|--------------------|
| Net revenue | €51.3m | (12.3%) |
| Operating profit | €21.9m | (19.8%) |
| Operating margin | 42.7% | (4.0ppts) |
| Volumes kHL | 338 | (3.2%) |

Segmental Analysis

UK: Cider



- ▶ Cider consumption impacted by poor summer weather

- ▶ UK cider category volume decline of 1%*
- *off-trade volumes down 5%**

- ▶ Competition intense
- *increased promotional activity in off-trade*

- ▶ Margins resilient due to re-allocation from marketing to direct customer support

- ▶ Magners volume decline 17.4%; under-promoted in off-trade relative to prior period

- ▶ Magners Golden Draft performing well; Magners Berry launched

- ▶ Gaymers volume declined 20.4%; re-launched during period including new fruit flavours

| UK: Cider | H1 2013 | Change Const Curr. |
|------------------|---------|--------------------|
| Net revenue | €82.6m | (21.4%) |
| Operating profit | €19.9m | (15.7%) |
| Operating margin | 24.1% | +1.6ppts |
| Volumes kHL | 707 | (18.6%) |

*Nielsen CGA March to August 2012

Segmental Analysis

UK: Tennent's



- ▶ Scottish LAD volume decline of 4%*
- *value increase of 5%**
- ▶ Strong revenue performance
- ▶ Price/mix lifted by renegotiated loss-making contracts and higher % premium products
- ▶ Ongoing brand investment supporting Tennent's volume growth
- ▶ Loan book growth to secure long term distribution
- ▶ Caledonia Best achieving 10% share of on-trade Scottish Ale market since launch
- ▶ Tennent's Northern Ireland delivered strong performance in challenging market

| UK: Tennent's | H1 2013 | Change Const Curr. |
|------------------|---------|--------------------|
| Net revenue | €57.2m | +7.3% |
| Operating profit | €16.1m | 20.1% |
| Operating margin | 28.1% | +3.0ppts |
| Volumes kHL | 686 | (6.3%) |

*Nielsen CGA March to August 2012

Segmental Analysis

UK: Third Party Brands



- ▶ Segment includes Agency and Private Label Brands

Agency

- ▶ Volumes declined 10.8% but price improved 0.7%
- ▶ Scotland: lower margin brands no longer distributed
- ▶ Northern Ireland volume remain robust

Private Label*

- ▶ Volume decline reflects phasing of new contracts
- ▶ Operating margin improvement due to focus on higher margin activity

| UK: Third Party | H1 2013 | Change Const Curr. |
|------------------|------------|-----------------------|
| Net revenue | €48.7m | (7.9%) |
| Operating profit | €3.5m | +105.9% |
| Operating margin | 7.2% | +4.0ppts |
| Volumes kHL | 462 | (7.6%) |

Risk Factors

- ▶ Competitive threat
- ▶ Shift from on to off-trade
- ▶ Alcohol duty risk
- ▶ Exchange rate risk
- ▶ Weak business conditions in core markets
- ▶ Transaction specific risk



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Cider



Beer



Distributed



Manufacturing Assets



Wellpark Facility



Shepton Mallet Facility



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