



# *Coca-Cola Bottlers Japan Holdings Full-Year 2017 Earnings Presentation*

February 14, 2018

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(Released on February 13, 2018)



# Forward-looking statements

The plans, performance forecasts, and strategies appearing in this material are based on the assumptions and judgment of the management of Coca-Cola Bottlers Japan Holdings Inc. (CCBJH) in view of data obtained as of the date this material was released. These forecasts may differ materially from actual performance due to risks and uncertain factors such as those listed below.

Risks and uncertain factors are not limited to the items listed below. They are also included in our annual securities report, or “Yuka Shoken Houkokusho”.

- Agreements with The Coca-Cola Company and Coca-Cola (Japan) Company Limited.
- The quality and safety of products
- Market competition
- Natural environment, such as climate, disaster, water resources, etc.
- Legal environment
- Leakage or loss of information
- Change of economic conditions, such as personal consumption, currency exchange rates, prices of raw materials, fair value of assets, etc.
- Business integration, streamlining and optimization of business processes, etc.
- Uncertain factors other than those above

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# Coca-Cola Bottlers Japan Holdings Inc. (CCBJH)

*Full-year 2017 earnings presentation, February 14, 2018*



**2017 summary and business update**

**2017 financial results & integration progress**

**2018 strategy and business plan**

**Q&A**





# CCBJH 2017 summary and business update

# 2017 Full-year results

*Disciplined approach to drive profitability, with rapid integration progress*

- Full-year pro-forma operating income up +4% vs. prior year, in line with plan. Net income grew +62%.
- Net synergies of 4 billion yen, in-line with plan.
- Pro-forma free cash flow up 17.5 billion yen; ROE grew from 2.6% to 4.2%.
- Operating structure optimized; Number of legal entities decreased from 25 to 16.
- Vending business and coffee continue to be a top priority.



# 2017 Integration update

*Transforming with speed, establishing a foundation for growth*

- 🍷 New commercial structure:
  - 🍷 6 regional sales organizations
  - 🍷 Integrated sales planning for key customers
- 🍷 Logistics & distribution network optimization expansion – Project Shinsei
- 🍷 Continued deployment of CokeOne+ ERP system across legacy CCEJ with plans in place to deploy in legacy CCW
- 🍷 Optimized & simplified organizational structure, ahead of plan
- 🍷 Adopting IFRS from Q4 2018 reporting





# 2017 Commercial highlights

*Putting our growth agenda into action while addressing market challenges*

## Focus On Value

- Significant in-store execution improvement across all channels
- Balancing value and volume share across channels and categories
- Keeping focus on selling price discipline. Revenue per case growth across channels
- Addressing challenges; coffee, water and sports



## Transform Vending Business

- End-to-end vending transformation project on track, with initiatives being piloted to grow top-line and improve operational efficiency
- Evolving Coke ON platform
- Continuous good performance of Coke ON machines
- 6.5M free products delivered in 2017 through Coke ON
- More than 210K Coke On VMs, over 7M app downloaded



## Enrich Innovation Pipeline

- Launched 7 FOSHU & FFC products in 2017
- Focused on IC packages to improve mix
- 11 different SKUs of Coke slim bottles in 2017
- Seasonal, regional, channel exclusive launches led by CCBJI



# 2017 Market share and OTC retail price trends

*Sequential value share improvement, value share even in Q4*

## Market Share

Unit: PP

Market Share (vs. PY)	Q2	Q3	Q4	YTD 2017
Value	-0.8	-0.3	+0.0	-0.5
Volume	-0.9	-0.6	-0.3	-0.7

- Disciplined approach to market, focus on improving value in transformation year
- FOSHU and FFC products contributed to improving trend in value-share

## OTC Retail Price

Unit: JPY per bottle

OTC Retail Price (YTD 2017)	Vs. Market Average	Vs. PY
Small PET	+1.7	+1.3
Large PET (2L PET)	+16.9	-1.0

- Small PET trend continued to improve;  
Large PET reflects overall market pricing



Source: Intage SRI

FOSHU: Food for Specific Health Usage (Government approved); FFC: Food for Functional Claim

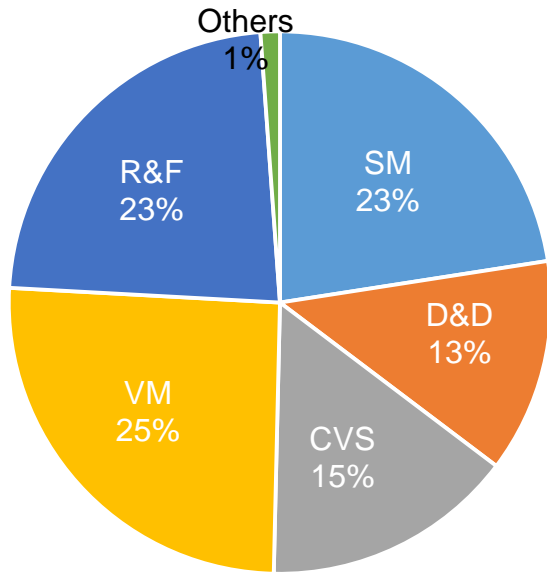
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# 2017 Channel volume performance (Pro forma)

*Value focus, revenue per case improvements continue*

## Full-year volume -1%



	vs. PY	Volume	Revenue per Case (Yen)
Supermarket (SM)		Even	+17
Drug & Discounter (D&D)		+2%	+29
Convenience Store (CVS)		Even	+18
Vending (VM)		-6%	+27
Retail & Food (R&F)		+1%	-5

## Supermarket, Drug & Discounter

- Growth of sparkling and non-sugar tea led by FOSHU & functional (FFC).
- Mix improvement led by growth of small PET and value-add products contributed to grow per case profitability

## Convenience Store

- Increased competitive intensity. Growth of sparkling and non-sugar tea led by FOSHU and FFC
- Selling price and mix improvement contributed to grow per case profitability

## Vending

- Impacted by poor weather in 2H, mainly in outdoor location.
- Selling price and mix improvement thanks to vending exclusive and high value-added products.

## Retail & Food

- Growth in food service negatively impacted per case revenue.

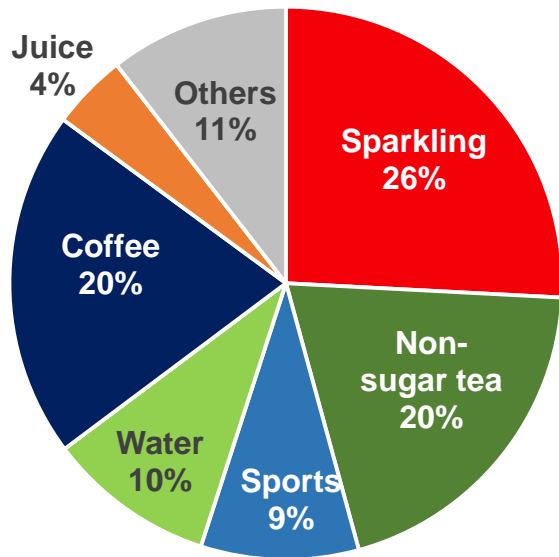
Note: Some inconsistencies with the data provided in past presentations may be expected as a result of standardization of volume and revenue calculation.

FOSHU: Food for Specific Health Usage (Government approved); FFC: Food with Functional Claim

# 2017 Category volume performance (Pro forma)

*FOSHU, FFC, premium adding value; Soft performance in coffee, water*

## Full-year volume -1%



vs. PY	Volume
Sparkling	+5%
Non-sugar tea	+2%
Sports	-6%
Water	-9%
Coffee	-5%
Juice	+1%

- Coca-Cola Plus, regional limited design slim bottles and ribbon bottle offerings contributed to volume growth of Coca-Cola in **sparkling**
- Growth of functional products including Sokenbicha Barley and Karada Meguricha Advance drove **non-sugar tea** growth
- **Sports** category impacted by poor weather in peak summer season. Aquarius trending in line with category.
- Premium iLohas **water** volume lower due to cycling prior year new products and ongoing competition. 2L PET volume impacted by strategic pull-back in discount water
- **Coffee** category performance impacted by weak vending.

Note: Some inconsistencies with the data provided in past presentations may be expected as a result of standardization of volume and revenue calculation.

FOSHU: Food for Specific Health Usage (Government approved); FFC: Food for Functional Claim



# CCBJH 2017 financial results and integration progress



# Full-year 2017 pro-forma results

- Revenue declined -2%, primarily driven by vending channel mix, partially offset by revenue per case growth across channels
- 4% Operating Income growth due to diligent cost management and synergy capture
- Free cash flow increased +17.5 billion yen, ROE improved to 4.2%

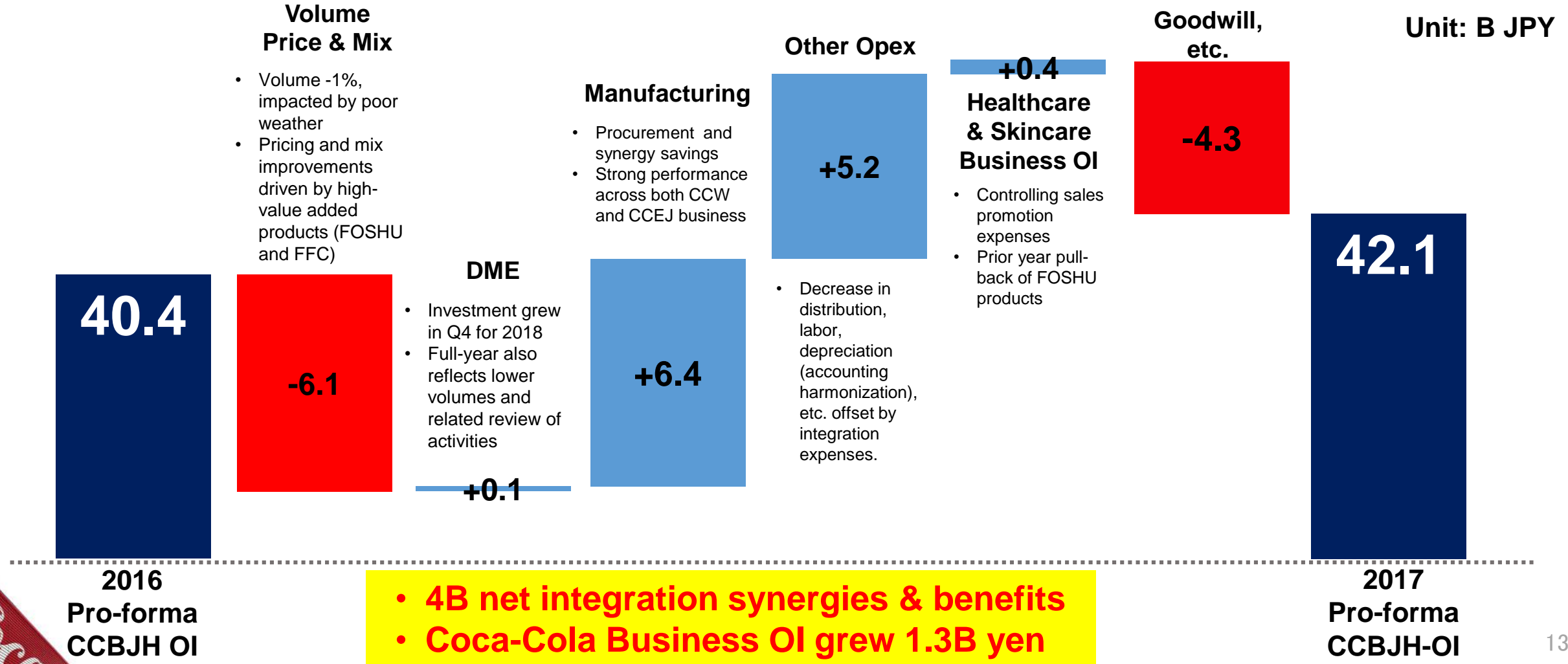
Unit: B JPY	2017 (pro forma)	2016 (pro forma)	YoY
<b>Revenue</b>	<b>991.6</b>	1,012.7	-2%
Coca-Cola business revenue	<b>961.8</b>	980.6	-2%
<b>Operating Income (OI)</b>	<b>42.1</b>	40.4	+4%
Coca-Cola business OI	<b>38.9</b>	37.6	+4%
<b>Net Income</b>	<b>25.8</b>	16.0	+62%
<b>EBITDA</b>	<b>89.7</b>	84.5	+6%
<b>Free Cash Flow</b>	<b>+34.2</b>	+16.7	+17.5
<b>ROE</b>	<b>4.2%</b>	2.6%	+160bps
<b>OI Margin</b>	<b>4.2%</b>	4.0%	+20bps

Net Income: Net income attributable to owners of parent.

YoY increase of net income reflects impact of prior year extraordinary losses.

# Pro-forma 2017 full-year operating income drivers

*Steady underlying synergy generation; Pro-forma OI grew 1.7B yen YoY, in line with plan*



FOSHU: Food for Specific Health Usage (Government approved); FFC: Food for Functional Claim

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# 2017 results (Reported)

*Consolidated CCEJ from Q2. Prior year CCW consolidated*

	2017	2016	YoY
Revenue	<b>872,623</b>	460,455	+89.5%
COGS	<b>422,373</b>	221,844	+90.4%
Gross Profit	<b>450,249</b>	238,611	+88.7%
SG&A	<b>409,669</b>	217,467	+88.4%
Operating Income	<b>40,579</b>	21,143	+91.9%
Income Before Tax	<b>39,240</b>	12,707	+208.8%
Net Income	<b>25,244</b>	5,245	+381.3%
EPS	<b>144.26</b>	48.05	JPY +96.21

Coca-Cola Business	2017	2016	YoY
Revenue	<b>842,885</b>	428,394	+96.8%
Operating Income	<b>37,422</b>	18,369	+103.7%

Health Care & Skin Care Business	2017	2016	YoY
Revenue	<b>29,737</b>	32,061	-7.2%
Operating Income	<b>3,156</b>	2,774	+13.8%

Unit: Million JPY except EPS

Net Income: Net income attributable to owners of parent.

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# CCBJH 2018 business strategy

# 2018: Pivoting from integration focus to growth mindset

## National scale, local presence

- Executing segmented channel and category strategies tailored for each region
- Community-focused and customer-centric commercial activities, leveraging the scale of CCBJH

## Innovation

- “Beverages for Life” product portfolio
- Enhanced engagement with customers and consumers, driven by insights
- Leveraging digital technology across the value chain

## Synergies

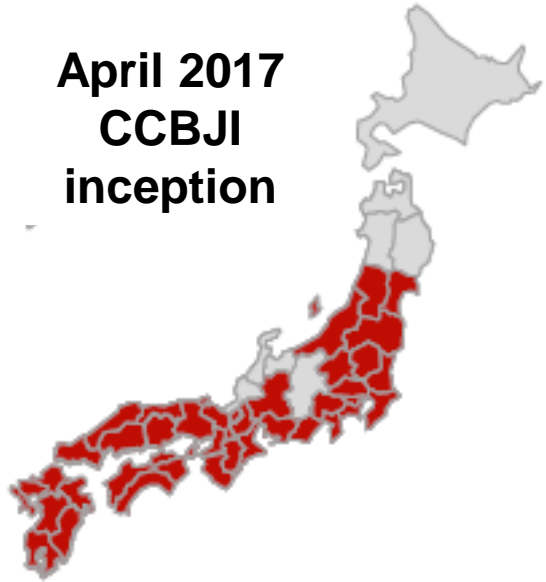
- Continued disciplined synergy capture toward 2020
- Prioritizing big bets
- Fuel to re-invest for sustainable growth



# Local presence on a national scale

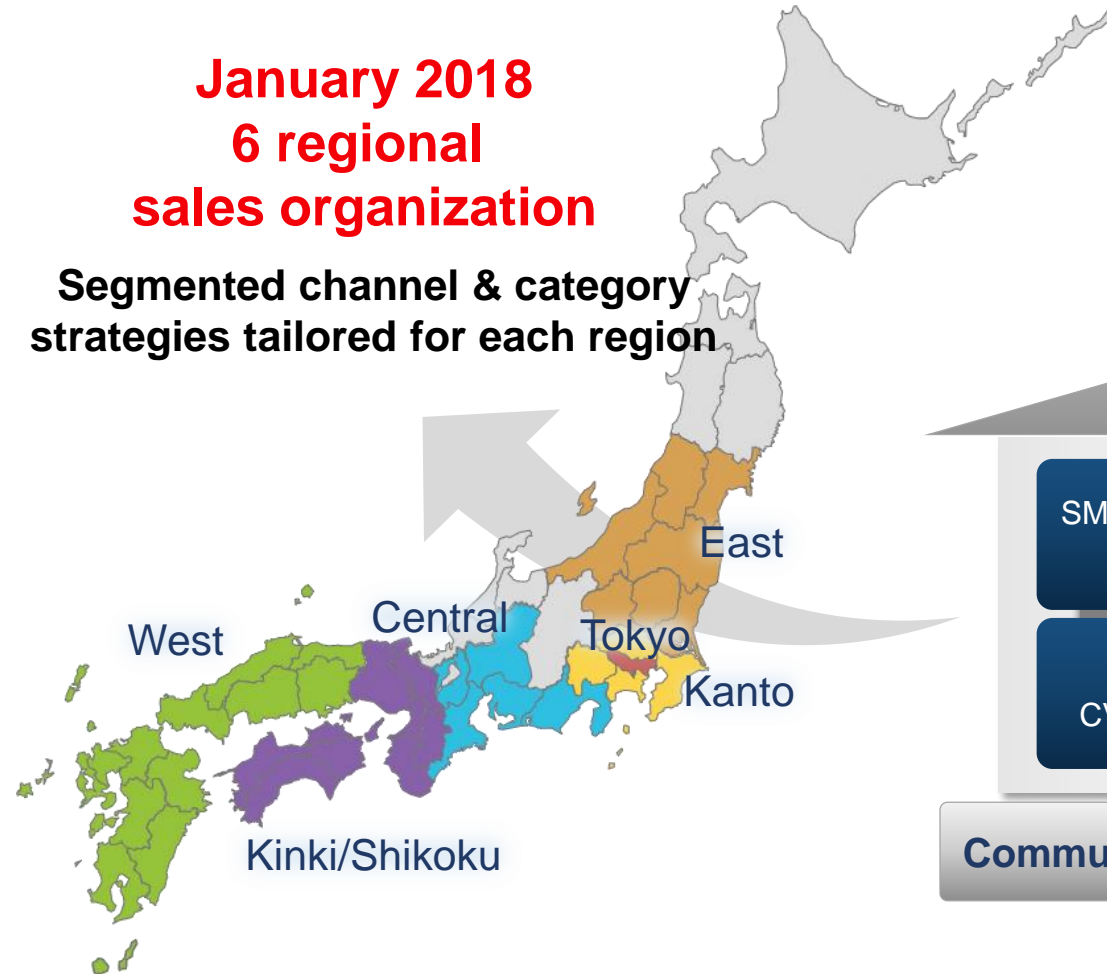
*Regional sales organizations executing community-focused & customer-centric commercial strategies, leveraging the scale of CCBJH*

April 2017  
CCBJI  
inception



January 2018  
6 regional  
sales organization

Segmented channel & category  
strategies tailored for each region



Go-to  
Market Strategy





# Beverages for Life

Innovations across the portfolio to drive value

## Sparkling



## Coffee

Q1 plans, with more to come!



Georgia Emerald Mountain Seasonal Spring Design



Georgia European Decafe Black

Flavor of the Year  
**Brazil**  
Vending Exclusive



Georgia Café Expand brewed cup coffee

## Hydration

iLohas



Aquarius

Campaign to win 15 design bottles featuring the official mascots for PyeongChang 2018.



## Big bets in Q1



# Enhancing engagement with customers and consumers

## Leveraging unique Coca-Cola partnerships and assets

### Global partnerships



### Vending

- Step change proprietary Coke ON platform
  - Agile prototyping to enhance interactions with consumers
  - Leverage health/fitness trends
- Improve operational efficiencies
  - Better route planning algorithms, based on AI
  - Streamline end-to-end filling process



New vending machine now in place offering more than 40SKUs, to offer consumers more choices and improve operation efficiency



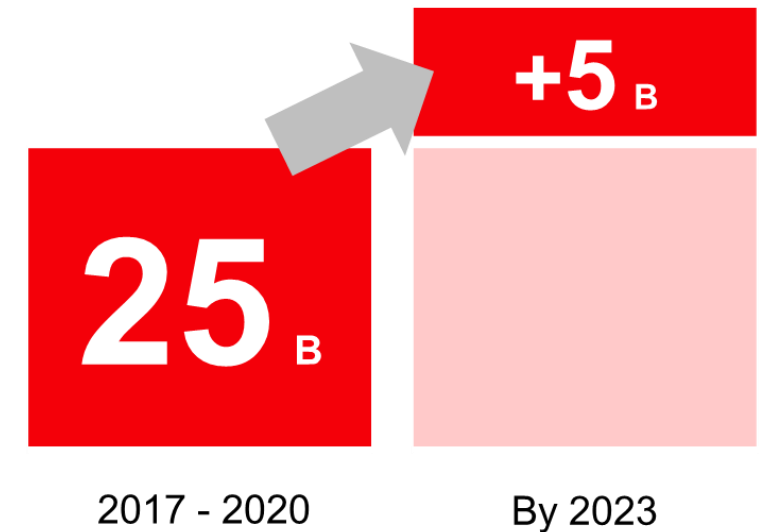
# Ongoing steady capture of synergies; 8 billion yen in 2018

*Supply Chain will continue to be the main engine of synergies*

## Synergy drivers

- Manufacturing and logistics network optimization
- Coke One+ ERP system
  - Digital supply chain
  - Reduce and standardize legacy IT systems
- Establish Business Services Organization (BSO)
- Embed *kaizen* culture

## Growth roadmap for 2020 & beyond Synergy Targets







# CCBJH 2018 business plan

# 2018 business plan

	2018 Plan	2017 Results Pro-forma	YoY	
			Pro-forma	Reported
Volume Growth YoY	<b>+2%</b>	-1%	-	-
Revenue	<b>1,007.3</b>	991.6	+2%	+15.4%
Operating Income	<b>49.7</b>	42.1	+18%	+22.5%
Ordinary Income	<b>47.9</b>	41.3	+16%	+20.2%
Net Income	<b>28.8</b>	25.8	+11%	+14.1%
EBITDA	<b>100.4</b>	89.7	+12%	-
EPS	<b>141.0</b>	-	-	-3.26

Coca-Cola business	2018 Plan	2017 Results Pro-forma	YoY (Pro-forma)	Healthcare & Skincare business	2018 Plan	2017 Results	YoY
Revenue	<b>975.7</b>	961.8	+1%	Revenue	<b>31.6</b>	29.7	+6.3%
OI	<b>46.0</b>	38.9	+18%	OI	<b>3.7</b>	3.2	+15.8%



Unit: B JPY except EPS

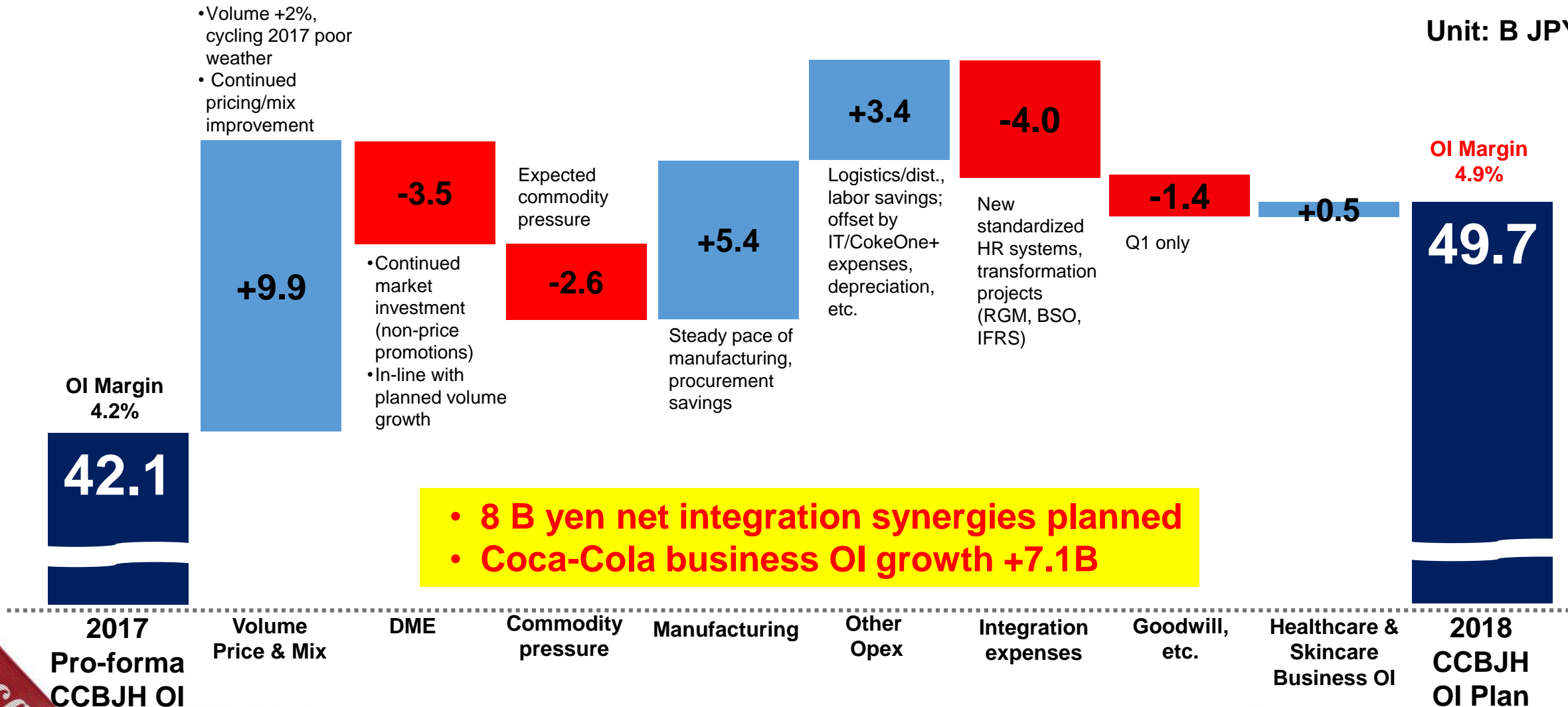
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# 2018 Operating Income plan

*Pro-forma OI growth of 7.6 billion yen vs. prior year*

Unit: B JPY





# Adopting IFRS reporting from Q4 2018

## Objective and background

- Enhances comparability of our financial results in global capital markets
- Provides useful financial information for investors and shareholders
- Easier to benchmark results with peers and global bottlers

## Major differences vs. JGAAP

- ! No amortization for goodwill
- ! Differences in accounting treatment for depreciation expenses
- ! Differences in pension accounting
- ! Re-class marketing expenses between SG&A and revenue



# Financial framework

## Dividend policy and 2018 dividend forecast

### Our commitment in 2017 CCBJI Kick-off presentation:

*Prioritize stable dividend; Periodically review capital structure & dividend payout ratio to maximize shareholder return while maintaining flexibility to pursue expansion opportunities*

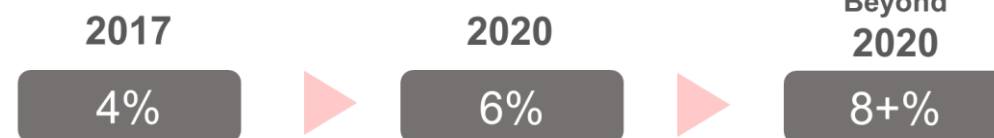
#### Dividend policy:

- 🚩 Prioritize paying a stable dividend while allowing shareowners to benefit from profit growth
- 🚩 From 2019, after implementation of IFRS, target dividend payout ratio of 30% or more
  - 🚩 2017 expected full-year dividend 44 JPY/share
  - 🚩 2018 expected full-year dividend 50 JPY/share

#### 2018 Dividend forecast

Annual	Interim	Year-end
<b>50</b> JPY/share (+6JPY)	<b>25</b> JPY/share (+3JPY)	<b>25</b> JPY/share (+3JPY)

#### Target ROE



# Capex & depreciation: Investment for sustainable growth

## *19 billion yen strategic investments planned in 2018*

### *CAPEX & Depreciation (pro forma)*

Unit: B JPY	2018 Plan	2017 Actual
Capex	<b>65.9</b>	<b>49.9</b>
Depreciation	<b>43.5</b>	<b>41.7</b>

2017 actual capex decreased 7B vs. plan announced in 2017 Q3 earnings presentation mainly due to timing of investments

Phasing of strategic investments over mid-term plan under review

### Major strategic investments in 2018

- Manufacturing efficiencies & new products commercialization
- Shinsei logistics network optimization
- Coke One+ ERP system expansion
- Cold drink equipment (VM, coolers, etc.)

Pro-forma depreciation doesn't include amortization of goodwill, etc.

ERP: Enterprise Resource Planning

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# 2018: Pivoting to achieve sustainable growth toward 2020

## *Leveraging unique Coca-Cola partnerships and assets*



*Our Growth Roadmap  
for 2020 & Beyond*





# 2018 Key metrics and picture of success

Revenue growth	Volume growth, RGM initiatives, revenue-rich innovation	Revenue <b>+2%</b> Volume <b>+2%</b>
Value share	Improve price/mix with packaging, innovation, focus on value	<b>VALUE</b> ahead of <b>volume</b>
Net synergies	Steady net synergy capture to meet 2020 target of 25 billion yen	<b>8</b> billion yen
Operating income and OI margin	Growth mindset, synergy capture, reinvest in business	<b>49.7</b> billion yen OI OI margin <b>4.9%</b>
Dividend growth	Strong cash flow from operations driving shareholder returns	Full-year <b>50</b> JPY/share, up 6 JPY






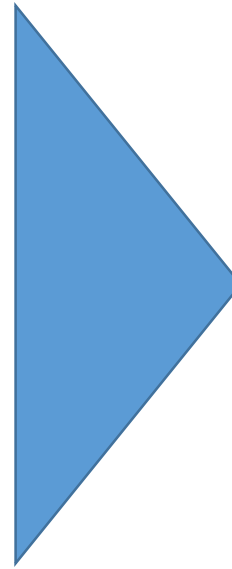
# Key takeaways

## ***The heart of the decision to form CCBJH:***





*Bringing together a proven leadership team committed to growth,  
partnering with our customers and communities, and  
driving shareholder value*

### **2017**

-  Rapid pace of integration
-  On-track synergy generation
-  Solid foundation for future growth



### **2018**

-  Pivot to growth mindset
-  Steady synergy generation
-  Industry leadership
-  Operationalize financial framework





# Q & A



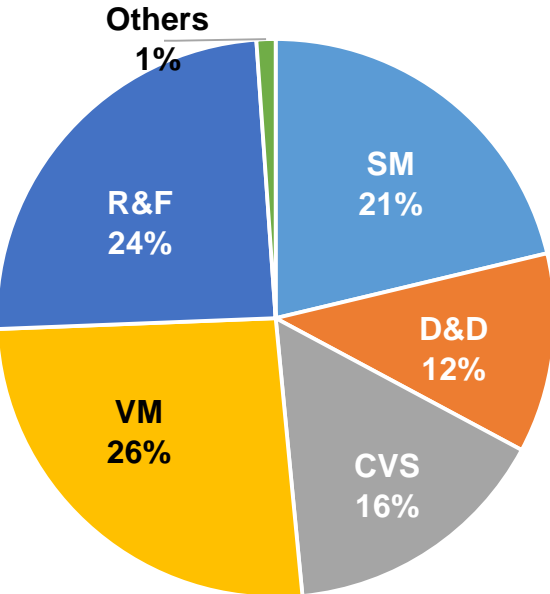
# Appendix



# Q4 2017 pro-forma volume performance

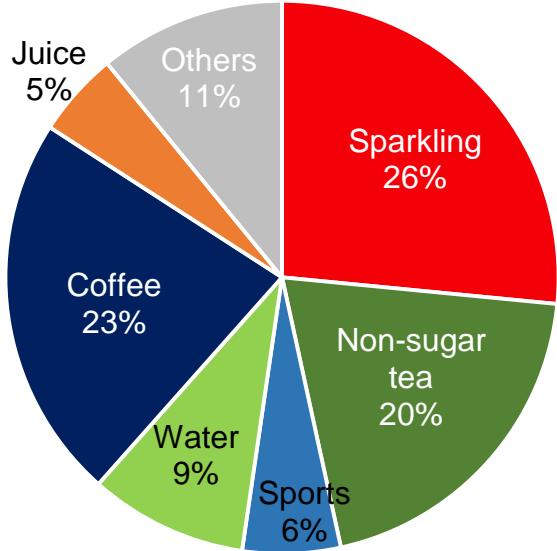
Q4 2017 volume: -3%

By Channel



vs PY	Volume	Revenue per Case (Yen)
Supermarket (SM)	Even	+5
Drug & Discounter (D&D)	+1%	+18
Convenience Store (CVS)	Even	+34
Vending (VM)	-8%	+13
Retail & Food (R&F)	-1%	-8

By Category



vs PY	Volume
Sparkling	+4%
Non-sugar tea	Even
Sports	-12%
Water	-8%
Coffee	-5%
Juice	Even

Note: Standardization of volume and revenue calculation is ongoing as a result of the integration. Some inconsistencies with the data provided in past presentations may be expected.



# We are part of the global Coca-Cola system

*An enduring and effective partnership*

*The Coca-Cola Company*  
Coca-Cola (Japan) Company

- Brands
- Innovation
- Global perspective
- Consumer focus
- Superior insight

*Coca-Cola*  
**BOTTLERS JAPAN INC.**

- Customer focus
- Local expertise
- Best-in-class execution
- Finished goods production
- Logistics and distribution
- Cost optimization



# Glossary of key terms

DME	Abbreviation of <b>Direct Marketing Expenses</b> . Sales promotion-related expenses, including advertisement, rebates, sales, sales commissions, etc.
FC	Abbreviation of <b>Future Consumption</b> . Purchase or sell beverage for future consumption in home, etc. It also means the products / SKUs for FC (for example, single packages 1L or more and multi-pack of IC packages) and channels that consumers purchase the beverages for FC. (for example, supermarket, drug & discounter channels, etc.).
HORECA	Abbreviation of <b>Hotel, Restaurants and Cafeteria</b> . Generally means sales channels of these kinds.
IC	Abbreviation of <b>Immediate Consumption</b> . Purchase or sell beverage for consuming it immediately. It also means the products / SKUs for IC (for example, single packages less than 1L as well as fountain) and channels that consumers purchase the beverages for IC (for example, vending machines, convenience store channel, etc.).
OBPPC	Abbreviation of <b>Occasion, Brand, Package, Price, Channel</b> . A segmentation strategy tailored to consumption opportunities to drive revenue growth in five areas: occasion, brand, package, price and channel.
Pro forma	Assuming the business integration of CCW and CCEJ from January 2017 and estimating 2016 results using the same standard
PTC	Abbreviation of <b>Price, Terms and Conditions</b> , an internal guideline for setting appropriate transaction conditions with customers, frequently used in conjunction with RGM.
RGM	Abbreviation of <b>Revenue Growth Management</b> , an overall strategy and process to achieve profitable revenue growth.
RTM	Abbreviation of <b>Route-to-Market</b> . A framework, a process, a philosophy, a proven approach for driving profitable growth.

## Channel Definitions



Vending	Retail sales to consumers through vending machine
Supermarket	Wholesale to supermarket chains customers
Drugstore & Discounter	Wholesale to drugstore and discounter chains customers
Convenience Store	Wholesale to convenience store chains customers
Retail & Food	Wholesale to grocery store, liquor store, eating & drinking establishments (HORECA), online sales channels customers, etc.
Others	Wholesale to customers other than above

# THANK YOU



**BOTTLERS JAPAN HOLDINGS INC.**

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