Verallia 2024 annual results - 20/02/2025

PATRICE LUCAS

Good morning, everyone, and welcome to our call for Q4 and full-year 2024 Financial Results. As usual, Nathalie and I will go through our presentation, and we'll have a Q&A session at the end. I will share with you some key highlights and Nathalie will present in detail our numbers, and then I will come back on our guidance.

So, 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 chart, you have our ID Card. You have on the left the 2024 split of our sales by segment. As a reminder as well, one of our strong assets is our customer base, more than 10,000, and the diversified end-markets in which we are operating. In 2024, still wine represented 32% of our sales and sparkling wine 12%, spirits 16%, beer 12%, soft drinks 11%, and food 17%.

We do operate in 12 countries with 35 plants with 64 furnaces, after the closing of one furnace in Essen, and the acquisition of two furnaces in Italy. Please note as well that we are running 19 cullet recycling centres, allowing us to control about 50% of our needs for external cullet.

Let's now move to some key highlights of 2024.

Despite the market context, we have continued to invest and innovate through 2024, all of that to prepare our future. One, in July we completed the acquisitions of Vidrala Italia activity, confirming our strategy of investment in key markets. Integration is going on, and as expected, with many synergies already in place.

Two, we commissioned the first electric furnace in Cognac, dedicated to flint production. This launch is a success. We confirmed a CO_2 emission reduction by 60% compared to a traditional furnace. This is a key milestone confirming the robustness of our decarbonation roadmap.

Three, lightweighting is a trend. And in 2024, we launched a new standard of 300 grams for a 75-centimetre *bordelaise* bottle with our so-called *Air* Range offer. This offer is getting a global recognition from our customers and from the glass industry. We will keep on pushing the limits with our *Air* Range.

Four, people being the most important resource to do our business: we have structured in 2024 our employer brand strategy, and it is now a key pillar within our strategy. And finally, five, we successfully issued a new euro-senior bond for a total amount of €600 million, reflecting the confidence in Verallia. And as a result, we have no significant debt maturity before 2028.

On the CO_2 emission front, we are progressing towards our 2030 target of a reduction of 46% compared to 2019. Scope 1 and 2 are down by -9.4% compared to 2023, meaning that compared to 2019, emissions are down by -23.7%. The efficiency of our actions are clearly demonstrated with a reduction of our emissions in intensity, 0.44 tonne of CO_2 per tonne of packed glass in 2024 compared to 0.47, which is a reduction in intensity in 2024 compared to 2023 by -6.4%. Our external cullet usage has reached 56.7% in 2024, +2.6 points compared to 2023. Obviously, our acquisition of Ecosan cullet treatment activity in Spain has supported this performance. And finally, our low-carbon electricity share went up to 64% in 2024.

To make it simple, we are on track with our decarbonation roadmap implementation.

Let's move now with some 2024 business insights.

About 2024 market, as we presented and anticipated in July with our H1 results, market conditions in 2024 were not as good as the expected ones beginning of 2024. Consumption in Europe was soft through the year, and recovery through destocking much slower than initial assumptions. Destocking was at play for most of the year. In our view, still active in spirits and on some other products, significantly exposed to export share.

In addition, the growing trade tensions have created and are creating uncertainty, impacting export-oriented end markets, leading to cautious positions of many customers. In Latin America, on the opposite, market was very supportive. And last but not least, about capacity, we saw some acceleration in capacity shutdowns across Europe and North America, everybody being cautious with capacity management. And if we just take Europe, compiling the official public announcements, since the end of 2023, we count 11 furnace shutdowns.

About our mitigation action plan, a quick update of what we have presented in our latest calls. One, on pricing, we have continued the disciplined pricing policy, taking into account the context of demand and available capacity. But we will focus on value-based pricing.

Two, we made the appropriate decisions on capacity adjustment. The utilization rate of our installed capacity averaged 90% over the year, leaving 10% of our capacity unused. And as a reminder, we closed one furnace in Essen, in Germany, with a voluntary departure plan of 90 people.

Three, our productivity and cost control action plan delivered strong results, with PAP savings of 2.8% of cash costs and SG&A down compared to 2023. Finally, focus to support cash generation was key, adapting capex to the context and keeping working capital under control.

Before giving the floor to Nathalie, a quick overview of our Q4 and full-year 2024 results. So despite the challenging market, we are delivering a robust profitability above 24% and organic volume growth in Q4 is confirmed. Q4 revenue is down by 1% year-over-year. Full-year 2024 revenue is down by -11.5%. Adjusted EBITDA in Q4 is €201 million, +4.3% compared to Q4 '23, with a margin of 24.5%, +125 bps versus Q4 2023. And for the full-year adjusted EBITDA is €842 million, -24% compared to full-year 2023, with a margin of 24.4%, -401 bps compared to last year.

Net income is €239 million, -49.8% versus 2023, giving an EPS, excluding PPA, at €2.38. About net debt, leverage is at 2.1x at the end of December, compared to 2.3x at the end of September, and compared to 1.2x at the end of 2023. And please note that at the next Annual General Shareholders' Meeting, a dividend of €1.70 per share will be proposed. I do not comment the extra financial indicators as I just did it previously.

So now, let's see the details of our financial numbers with Nathalie.

NATHALIE DELBREUVE

Thank you, Patrice. Good morning and good afternoon, everybody. So let me lead you through the usual sales and EBITDA in cash for the year 2024.

We start with Q4 2024 consolidated revenue bridge. You see that we moved from €829 million sales in Q4 2023 to €821 million in Q4 2024. So, pretty stable numbers with different pillars.

The volume pillar is positive in the fourth quarter. We have volumes that are up organically in Q4, low-single-digit growth, and basically the comment here is that we saw in Q4 for volumes very similar organic growth versus Q3, so in the full H2. And on top of that, we benefited from the positive contribution of the Vidrala Italy operation that we acquired in July 2024. These are to be seen in the perimeter pillar on the bridge.

Then the price mix, as you can see, is significantly negative with minus €94.4 million. We have broad-based price declines in Europe and the impact was mainly in H1 for negotiations. We have the effect of these H1 negotiations in Q4. Mix remains slightly negative across all regions, and the negative price mix impact is mainly in the South and Western Europe region.

The exchange rate impact is also slightly negative, with €11 million. And one very important comment about Argentina in Q4, let's remember that in December 2023, there was a significant devaluation of the ARS in Argentina, 50% devaluation, and then because of the high inflation country, we had to revalue the full sales and EBITDA of the year in December in 2023. So that's why by comparison, you will see both in EBITDA and in sales for Q4 big positive numbers in Argentina. It's more that the Q4 2023 numbers were very low for Argentina, even leading to negative sales for the quarter.

If we move to the full year, the revenue bridge is showing that we are moving from €3.904 million to €3.456 million. The organic growth, as Patrice mentioned, is -11.5% for the full-year, and this is -14% if we exclude Argentina. We have volume down in the full-year, but again, organically, we are up in H2, which is showing signs of recovery. So you can see that the volume pillar here is negative, even if again, we have seen that in Q4, it was positive.

Volumes are down year-on-year mainly in Europe, so mostly in spirits and wine, and we see positive contribution again in H2. In Latin America, we have a strong positive contribution with solid beer and still wine performance, and if you remember, we have additional capacity, one furnace more in Brazil supporting this trend.

The price-mix pillar is negative €366.3 million. We have again here negative contributions from the price reductions in Europe, mainly in H1, and we have a slight negative mix impact over the year. The FX and perimeter effect is negative with -€32.4 million. You can see the perimeter that is mainly Vidrala Italian glass business, but also our cullet treatment centres in Iberia that were acquired in Q4 2023, and Argentina as a separate pillar.

Moving by region, you can see that we have this decline in revenue for the regions, for Southern and Western Europe (SWE), and you will see for Northern and Eastern Europe (NEE). In SWE, at constant exchange rates and scope, the decrease is -12.7%. We have here a combined effect of what I commented on the volumes and also on the prices with some negative contribution of mix, despite a better H2 here. And in SWE, of course, we have the impact of the acquisition of Vidrala Italy in July 2024 as a scope change.

If we move to NEE, this is where we see the most significant decline, -21.6% at constant exchange rates and scope. Revenue decline mainly in Germany and in the UK. So Germany, you know that we adapted capacity on a permanent basis with one furnace in Essen to adapt to the situation. So main impact coming from beer. We have seen though a good pickup, especially in food jars in Q4, and UK is mainly, you know that it is very much focused on spirits, high-end spirits, so that are hurt significantly in the market with destocking still ongoing in this segment.

If we look at Latin America, we are back to positive numbers with +21.1% at constant exchange rates and scope, and here again, I already commented that we are enjoying good volumes, especially in Brazil, and we have the support of our new Jacutinga furnace. Chile is also with a positive momentum, especially in Q4. Then the price and mix effects overall for the region are positive. You know that we are pushing the inflation to our customers in the region.

How does that convert into adjusted EBITDA? Let's look now at Q4. So our EBITDA margin first on the top-right is 24.5% in the quarter. That is better than Q4 2023. That was 23.3%. If we look to the left, so we moved from €193 million to €201 million adjusted EBITDA in the quarter, so a better quarter, and you can see on the pillars that the activity pillar is positive +€35.6 million.

We already commented the organic volume effect, and we also have the effect of inventory variation. Again, let's remember that in Q4 2023, we were adapting very significantly our capacities, slowing down in order to reduce our inventories, while in 2024, we are more maintaining our inventories.

If we look at the spread, we see a negative spread, so -€63.7 million. This is driven mainly by lower selling prices that are not offset by lower costs, and again, here is more the effect of the price adaptations that were made throughout H1 that are still running in the fourth quarter.

If we look at the net PAP, we have a very strong performance as commented by Patrice, and this is for the full year, you will see as well. We are well above the 2% that are our target, with 3.1% cash production cost reduction in the quarter, so very strong performance here. In “other”, you have the effect of the perimeter, so the contribution of Vidrala Italy operations, and also some SG&A cost reduction leading to a positive number of €6.3 million. The negative FX impact is due mainly to Brazilian real, and then you have Argentina with the comment I already made about the devaluation in Q4 2023.

For the full year, the bridge, we are back to negative numbers in activity, but again you have seen the positive momentum for Q4 with -€165.7 million in activity, for the spread is the main negative driver, -€200.4 million.

So, here again, same comment, mainly driven by selling prices, and even if we had some deflation in cost in 2024, it was to a lesser extent, and some small negative impact. The PAP is strongly positive, €61.9 million positive, that is a 2.8% cash production cost reduction. The “other”, again, includes mainly SG&A reductions and contribution from Vidrala Italy operations. You have the FX, mainly driven by Brazil.

By regions, very quick, we have SWE adjusted EBITDA evolution, so down by -24.5%, so leading to €548 million. You can see on the top-right that the margin keeps in the Group average at 24.1%, of course, decreasing versus previous year. Here, as commented, the pillars are exactly as I commented because they are mainly in Europe, and you can see that the industrial performance (PAP) was strong. And here, of course, we have the impact of the perimeter from Vidrala Italia mainly.

NEE, we have here a lower contribution with adjusted EBITDA of €147 million, so declining by -39.7%, and the margin is 19.4% compared to 24.9%. Here, we are cumulating, of course, the latest news on Germany and UK, which I already commented to you; and even if PAP was extremely strong, 3.8% with UK joining and fully deploying PAP and Germany doing a very good job, this is, of course, not sufficient to compensate.

Latin America is showing a very nice increase, so adjusted EBITDA of €147 million, increasing by 6.4% and 18.9% excluding FX impact, and the margin, if you see on the top-right, keeps very strong at 34.4%.

Moving to cash elements, capex has been contained significantly down versus last year and below 10%, so at 9.4%. You have here the split between recurring and strategic investments. So all in all, in the year 2024, we have maintained a strict control on capex and on spend in general, but not renouncing any of the strategic investments. You can see in the comments, the two new furnaces, one in Campo Bom in Brazil, one in Pescia in Italy are under construction. And of course, Patrice already widely commented the CO_2 capex that will lead to decarbonation. So, Cognac started this year – in 2024, sorry, and Zaragoza hybrid furnace being under construction and coming this year.

So, the cash flow generation for the full year ended up positive with €82.6 million. Of course, if we compare to previous year, the main impact here is the gap in the adjusted EBITDA that you can see in the first line.

We have, again, controlled our capex, so this leads to a cash conversion that stays well above 60% at 61.6%. In the operating working capital, we see a negative number, and remember that our capex this year, especially in Q1 was very negative with high investments in Q4 2023, so -€65 million. On the other impact, other operating impacts include IFRS 16 adjustments and EBITDA impact without a cash effect. Interest paid are very much contained at €80.4 million, and the cash tax is heavy in the year, €148 million linked to some, you know, that we are paying in 2024 taxes related to 2023.

So, you have seen the leverage 2.1x, improving since September. Both adjusted EBITDA is improving, and the net debt is reducing, thanks to the cash flow generation in the quarter. And in the year, let's remember that we paid a €252 million dividend and raised €250 million of debt to fund the acquisition of Corsico.

Here you have the finance structure and liquidity. So, as a main comment here, since last call is the bond issued in November 2024 that Patrice mentioned, €600 million with a nominal rate of 3.875%, and we have a new revolving credit facility of €250 million that you can see here. So, that leads to a comfortable liquidity of €952.7 million at the end of the year.

PATRICE LUCAS

Okay. Thanks, Nathalie. Before speaking about our guidance, I would like us to step back a few seconds about our performance and our track record since IPO.

Obviously, one year ago, we were more ambitious with our initial guidance for 2024. We were expecting a much more supportive market in Europe and a stronger recovery with a faster destocking. And we know, now, the reality of the market and that 2025 will still be a year of normalisation with still some uncertainties.

So, if we consider the market conditions we faced in 2024, a soft end market, available capacity, premiumization being challenged, hedging weighing on our cost. So, if we put that into perspective, we can admit that our 2024 EBITDA is a robust and a very positive result after the two outstanding performances in 2022 and 2023. Delivering a result in 2024 close to 2022 under a bearish market with adverse macro-conditions in a so-called fixed cost industry is a clear demonstration of our agility and ability to adapt.

It's a clear demonstration of our fundamentals. And all of that is very positive for our future. And between 2019 and 2024, finally, the company has delivered an EBITDA CAGR of +7%. And at the same time, with our proposal of dividends of €1.70 to the Annual General Shareholders' Meeting. Since IPO, the cumulative return to shareholders will be a dividend of €8.1 per share. And including the share buyback done over the period, a cumulative total return amount of more than €1.1 billion, which is, in our view, good value creation for our shareholders.

For 2025, we still see a market normalization at play before structural trends and fundamentals take over again. And as already mentioned, through the last comments of our customers, we see everybody being cautious with 2025. And the keywords are demand normalizing, stable consumer environment, uncertainty; some are even removing their mid-term guidance due to lack of predictability.

Therefore, for 2025, we expect consumption and glass demand to normalize in most segments, but end demand still soft, and potential negative effect impact from tariffs for the export-orientated market. We expect a negative spread variation to weigh on EBITDA due to carry-over from 2024 price decrease, and that's mainly in H1. We expect business to keep running below full capacity. We will keep on adapting production when necessary, but we will launch in Brazil in Q2 a new furnace and a new furnace at Pescia in Italy before the end of the year. This last furnace in Italy will be dedicated to food segment with production of jars.

We still expect a positive momentum in Latin America, and we will still be active in implementing our ESG roadmap. Our first hybrid furnace will be commissioned in Zaragoza in Spain in the second part of the year. And finally, we will seize any M&A opportunity.

And beyond 2025, we see consumption recovering as fundamentals are still positive. We foresee spread being neutral as inflation normalizes and intra-year price variations end. And with installed capacity being adapted, we expect business to gradually get back to full capacity usage. In other words, solid fundamentals for glass packaging are still on.

So, for our 2025 guidance, despite uncertain environment with still soft European consumption and carry-over effect from 2024 price, we aim to achieve an adjusted EBITDA close to the one delivered in 2024, and to more than double our free cash flow generation to be around €200 million. This free cash flow generation will be supported by a capex level that will normalize around 9%, compared to the 10% in the previous period. Focus will be clearly put on free cash flow generation.

And finally, we want to inform you that we are planning to present our strategy, our midterm outlook, as well as our capital allocation policy during a Capital Market Day in September.

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

QUESTIONS AND ANSWERS

Operator: Thank you, Patrice. If you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, please press star two.

Our first question comes from Louise Wiseur from UBS. Your line is open. Please go ahead.

Louise Wiseur (UBS): Good morning. Just wondering, three questions, please. So, the first one is around the guidance for 2025. I was wondering what does that imply for volume, like-for-like volume and price on the top line, please?

The second one is with regards to the price-cost spread for 2025. You mentioned it would be negative. Are you able to quantify it a bit more?

And the last one is with regards to tariffs. So, I understand that it would be hard to quantify, but is there any more comments that you can make around how you think about the potential impact on your business of tariffs from China on Cognac and tariffs from the US on European imports, please? Thank you.

Patrice Lucas: Thanks a lot, Louise. So, for 2025 guidance for the volumes, so we do expect a slight pick-up in activity compared to 2024, as we see consumption being up at very low-single-digit, let's say. And in terms of volume for us, we see something between low to mid-single-digit growth in volumes.

And I'm answering directly the tariff topic because as you said, I mean, it's quite very complicated and difficult for us to estimate that. Obviously, we do not have a direct impact, we have it throughout the exports of our customers, mainly in spirits and still wine, so much more difficult to look at that, but to qualify that, we are much more vigilant. We do believe it could be embedded already in what every customer is saying about it and in what we are seeing for our activity being low to mid-single-digit growth in volume.

Nathalie Delbreuve: Regarding the spread, Louise, I can comment a bit more. So, we've been saying for quite a while now that we will have a negative carry-over effect from the selling prices having been lowered throughout the year in 2024. So, that's why we know for a long time that we have this negative impact entering into 2025.

As for the cost, what we see is that inflation in Europe is coming to lower levels everywhere. We anticipate some still a bit of improvement in some lines, like cullet a bit of deflation. So, all in all, we should have a pretty sluggish evolution of cost and moving into prices in 2025, maybe some selective price cuts, but everything moderate. So, the main impact, again, is coming from the carry-over effect from 2024 entering into 2025.

Louise Wiseur: Thank you. And sorry, what did you say for the price on the top line? What is your expectation on the price on the top line?

Nathalie Delbreuve: So, prices, I said some selective cuts maybe on prices, and then otherwise, you know that our strategy is to ensure a neutral spread entering into the year, meaning we look at cost evolution, and this gives us what we need to push or what we can keep with customers. So, we try to ensure a neutral spread from January onwards, but again, we anticipate to have to make some selective cuts in prices due to the environment.

Louise Wiseur: Thank you.

Operator: Thank you. We are now taking our next questions from Lars Kjellberg from Stifel. Your line is open. Please go ahead.

Lars Kjellberg (Stifel): Thank you. Just coming back to the price-cost spread, and if you look back a bit on 2024, I mean, your hedge programmes, I think you commented it before that that was sort of a negative as you had some higher-priced hedges versus where stock markets were, and as you trend to move into 2025, you already talked to broadly speaking a sort of equal energy cost in totality. So, what I am trying to understand now, if you can comment again, how you see specifically the energy cost inflation for you?

And at the same time, of course, we have seen a significant price increases for natural gas. How do you think that's going to impact overall market prices? And as such, I was a bit surprised to see you still talking about selective price declines. So, putting that into context with the surge we've seen in gas prices, any colour on that would be helpful. Thank you.

Patrice Lucas: Thanks a lot, Lars, for your question. So, you remember that we have a hedging policy and we covered ourselves by the end of last year for 80 to 85% of our estimated needs for energy for 2025. So, it means that you're right, based on our coverage and our hedging, we are well-positioned, let's say, compared to 2024.

But as you mentioned, for the remaining part which is not covered, which is between 10-15%, let's say, of our needs, you see the volatility of the gas, and it's quite amazing the volatility we have seen in the last weeks, going up to €58 per megawatt hour, and then now down below €50. So, this part, obviously, will impact us. You can guess that it will less impact us than some competitors, which do not have the same hedging policy. But this is how it's going to weigh, or not, for this non-hedging part on our cost.

About pricing, I mean, obviously, as it has been mentioned by Nathalie, we want to be disciplined, we'll be disciplined, but we have to consider as well the market reality and this gap between market and available capacity. So, we'll be chirurgical and specific, and it's not at all the same configuration as the one we had in 2022 and 2023. It's difficult to make a direct relation, it's difficult to comment what the others are going to do, but we are going to defend ourselves in a disciplined way.

Lars Kjellberg: No, it's very clear. Thank you. Apologies, it sounded like I interrupted you. Were you going to say anything more? Apologies.

Patrice Lucas: No, no, sorry. No, no.

Lars Kjellberg: Okay. And then when you are now looking into the outlook, I appreciate all the uncertainties that you're seeing, but can you give us any sort of flavour of how much capacity was actually taken out from Europe in 2024? You talked about the 11 furnaces. How does that compare to the demand decline when it comes to the supply side?

Patrice Lucas: So, you're right. So, all of that is obviously the compilation of the data we are doing through our business intelligence, and you're right. So, since the end of 2023, it's 11 furnaces which have been shut down, or to come in the months to come, let's say. And these 11 furnaces does represent about 1 million of tonnes, let's say, which is about 5% of capacity in Europe. So, difficult to say what is the remaining over capacity, but in our case, and this is what I mentioned for 2025, we still see us not using 10% of our capacity as an average of a year. So, it's participating to the reduction of the gap between the demand and the capacity.

We can estimate that it could be half, let's say, of the gap.

Lars Kjellberg: Thank you. Final question for me. Activity was a pillar that was very negative last year, and obviously, you built in 2023 and even normalised it, I guess, in 2024, and you spoke to sort of low to mid-single-digit volumes in your system, which of course is then positive for activity. Can you at all anticipate any, or give any guidance on what you think about inventory variance in 2025?

Nathalie Delbreuve: Yes, so inventory, I will take this one. You very well understood the dynamics in 2024 for the inventory, and what we see for 2025 is more stable inventory because as you very well reminded, in 2023, we had to rebuild inventory. Then, from now, we are maintaining the inventory at the current level. So, in 2025, the variation coming from inventory should be much smaller. There is always a variation, and there is a bit of seasonality between H1 and H2, but for the full-year, we won't have the same changes.

Lars Kjellberg: Do you dare comment positive or negative, or just neutral, just based on more stable inventory?

Nathalie Delbreuve: Yes.

Lars Kjellberg: Okay, thank you.

Nathalie Delbreuve: Absolutely.

Operator: Thank you. We will take our next questions from Francisco Ruiz from BNP Paribas. Your line is open. Please go ahead.

Francisco Ruiz Martin (Exane BNP Paribas): Hi, good morning. I have three questions. The first one is on the spread, but mainly on the cost side.

We have seen cost reducing significantly in the last two quarters, and my question is, first, if you could explain what has driven this, if it is just Germany closure or something else, and what should we expect for 2025, and if you could detail some of the initiatives?

The second question is on the expectation from production curtailment for 2025. I would like to know what is your current situation, and where you expect to be at the end of the year?

And finally, on Argentina, you mentioned that you have a bid. I understand that you can't disclose the buyer. Could you give us an idea of what is the profitability of Argentina, if it is above or below, at least your Latin American business? Thank you.

Nathalie Delbreuve: Sorry, Francisco. Can you repeat the first question? Because, frankly, we are not sure we understood.

Francisco Ruiz Martin: Okay, sorry. So, the first question is on the spread, but more on the cost side than in the price. So, there has been a big reduction of cost in Q3 and Q4. So, I would like to know what are the reasons for this. Is it just the closure of Germany? And what are your expectations for 2025 and the initiatives that you are taking in order to reduce cost? Because it's part of your guidance of setting part of the negative prices with the cost initiatives.

Nathalie Delbreuve: So, what you have in the spread pillar, is the inflation or deflation in cost. When we are having initiatives to reduce the run-rate of costs, you will find that in the PAP pillar. And I commented that our PAP performance in 2024 has been very strong and well above the 2% that we are targeting.

So, when we present the spread pillar, we are really looking at the unique cost inflation or deflation for costs. So, the deflation that we had in 2024 is linked to deflation overall on energy, on raw materials, all that we commented throughout the year. And moving into 2025, as I said, what we see is more a flattish inflation because we will have still inflation on, for example, labour cost. You know, labour cost is about 20% of our total cost, and we are following the country inflation. So, even if inflation in Europe is lower, there is still some inflation. And in other categories like raw material, we anticipate a bit of deflation mainly coming from cullet, the normalization, I would say, or at least the decrease in cullet prices mainly in Southern and Western Europe.

So, the combination of all of that is showing something pretty neutral for 2025, Francisco.

Patrice Lucas: Okay, and Francisco, so for your second question about capacity. So, for 2025, we see an average at Group level of 10% curtailment, this is what we see as an average for the year, obviously, this will be adapted according to market conditions.

Francisco Ruiz Martin: Patrice, sorry to interrupt you. So, you do not expect production to jump so much, and you expect to have two furnaces during the year, one in Brazil and curtailments continue to be at 10%?

Patrice Lucas: Yeah, so Brazil is a totally different story, obviously. There is no curtailment topic in Brazil and we run at full capacity. So, the 10% I'm giving is an average at Group level with no impact and no curtailment at all in Brazil.

And the furnace in Pescia, in Italy, we are planning to commission really at the end of the year. It's really at the end of the year with some business to come and to be ready for 2026, in fact.

Francisco Ruiz Martin: Okay.

Patrice Lucas: And about Argentina, so as you have seen and as we have mentioned in our PR, so we have received an unsolicited proposal for the acquisition of our 60% stake in the Argentine company. So, our duty is to investigate if it makes sense or not for the company to sell. If we have good value for it, we will see if we make a decision, a positive decision or not. This is under investigation. And as we speak, we do not reveal the detailed profitability. We have just mentioned that it's a business which is generating sales for €144 million, with the condition of the pesos-euro at the end of last year. So, we are doing our duty in investigating this solicitation.

Francisco Ruiz Martin: And do you have any timing for this decision?

Patrice Lucas: It's going to take a few months, I mean, as usual in this kind of process. Once obviously we have more information we'll come back to you on that.

Operator: Thank you. We will take our next questions from Philippe Lorrain from Bernstein. Your line is open. Please go ahead.

Philippe Lorrain (Bernstein): Good morning. Thanks for taking my question. So, I would like to come back a little bit on your comment on volumes for the year overall in 2024. Do I understand correctly that throughout the year, volumes were down by only 1% roughly?

Patrice Lucas: Full year, yes. This is what we commented and this was our last guidance, which volumes globally to be flattish to a low-single-digit down.

Philippe Lorrain: Yes. And could you walk us again through the different quarters, what the effect was at Group level?

Patrice Lucas: So, for Q3, if you remember, we confirmed that the first time the volumes were up compared to previous year, mid-single-digit. Finally, the Q4 is the same trend, about the same. So, we had an H2, which is up. Obviously, with the impact of our acquisition of Vidrala, but even organically, we are up compared to last year. And all of that leading to, again, the flattish to low-single-digit down in 2024.

Philippe Lorrain: Okay. Perfect. And then I have a couple of questions regarding the other unsolicited offer that you might receive or that shareholders might actually receive, the bid from BWSA or BWGI.

I was just wondering because in your statutes, you have doubling voting rights for shareholders holding shares nominatively for a period of two years. I was wondering whether you could comment on maybe the number of shares that BWSA or BWGI holds now nominatively and since when because if I look at the number of voting rights they have, and I compare it to the number of shares that they hold, some of them must have doubling voting rights already. And I'm wondering when the rest might actually double. So, that's the first question.

And the second question also regarding the bid from the Brazilians would be regarding the financing. If I'm not mistaken, the two oldest bonds that you have, €500 million each, they have a change of control clause in their prospectus, meaning that if there is a change of control, maybe the noteholders would come back to you and seek repayment, anticipated repayment.

What's the plan in case somebody has thought about that, especially on the side of the Brazilians? And maybe you can update us as well on the most recent bond regarding potential change of control clauses there as well.

Patrice Lucas: Okay. Thanks a lot for these two questions. To be honest, your first one is very technical.

But, so just to remind that you're right, as we speak, BWGI holds around 28.84% of the company's share capital and 27.9% of the voting rights, which is making it a Verallia, a reference holder.

Just about this project, because it's just a project, I just want to remind that it's just a project as we speak. We have not received any formal proposal from BWGI. Everything has been said through the different press releases, so we may receive one offer. If it is the case, obviously we inform immediately the market if such a tender offer is confirmed.

Another reminder as well, the company Board of Directors has set up an ad hoc committee composed exclusively of independent directors within the meaning of the Afep-Medef code and to monitor the work of the company's Board of Directors in connection with this potential tender offer.

This independent committee is going to work if it's confirmed, submitting a recommendation to the board. And the question you are mentioning about financing is obviously one of the questions which will have to be dealt with. So, nothing really more to say at this stage.

And if you just allow me maybe to anticipate some of the questions we could have. BWSA through BWGI knows obviously the company, we know them, and what they have mentioned through their PR is that for the business, the keyword is continuity. It's continuity of the management, it's continuity of the strategy and supporting everything which has been done so far.

Philippe Lorrain: I understand that. I was hoping maybe a slightly more precise answer regarding the shares held nominatively because that's probably going to be decisive in BWGI reaching what they want, which is actually like achieving control on the company. Because doing the maths, they would probably need to raise just like a high-single-digit percentage from their offer, and that could be from existing big shareholders or just like on the market, but I guess we are going to see that.

But yes, I understand that you might not have any precise answer to give.

Patrice Lucas: No, at this stage, and to be honest and to be clear on that matter, the Board is managing that and myself and the management team are really focused on the execution of all our action plans in short-term to deliver our numbers and in medium-term to prepare the future.

Philippe Lorrain: Yes.

Nathalie Delbreuve: And we can confirm that they have no double voting rights. They are "*au porteur*" (bearer shares), so there is no double voting right. So, as Patrice said, they have as of today 27.9% voting rights.

Philippe Lorrain: That's good precision. And maybe just a quick follow-up as well, if you allow me. You are mentioning that for 2025, you will run at a utilization rate of roughly 90%, and I think it was what you had as well for more or less 2024. So, what's the historical normal level, so to say, and what's going to be the aim going forward like after 2025?

Patrice Lucas: In normal condition, we are full speed, so full rate, except the maintenance and the total repair we are doing. So, it depends on the calendar of them. On a regular basis, I mean, it does represent 2-3% of our total capacity.

Philippe Lorrain: Yes. Okay. Perfect. Thank you very much. I'm back in the queue.

Nathalie Delbreuve: Thank you.

Operator: We will take our next questions from Manuel Lorente from Santander. Your line is open. Please go ahead.

Manuel Lorente (Santander): Yes. Hi. Good morning. Just a quick follow-up first on the BWSA approach. Whether you can give us a sense of timing through the process. That would be helpful.

Patrice Lucas: Sorry. We missed your point, Manuel.

Manuel Lorente: No, just regarding the approach of the main shareholders, whether you can give us a reference in terms of timing. You mentioned that there has been an independent Board of Directors that has already set up some meetings to analyse the potential deal. So, are we moving to a week's or month's scenario regarding any consideration of the potential deal?

Patrice Lucas: Well, I mean, first of all, this timetable and this timing you are referring to, first, we need to receive the offer again. And I do insist on that. And two, it will depend on the work to be done.

And it is a Board decision. And the Board and their respective advisors will have to analyze in detail the offer. And at that time, there will be a communication of the timetable of the transaction.

Obviously, all of that being compliant with the applicable regulations, etc. But, I mean, I can anticipate and tell you that it's not a question of weeks, but much more a question of months.

Manuel Lorente: And how that might affect your upcoming Capital Market Day? I mean, because I believe that it might be complex to set up a Capital Market Day in September if we are moving to a potential choppy scenario in terms of shareholders in the coming months.

Patrice Lucas: Yeah. So, obviously, one, we put it in September according to the latest information on this potential project, let's say. And two, let's keep in mind as well, you see what I mentioned, BWSA is already part of the Board. They are supporting the company since day one. So, I would say, seeing from the company the strategy and what we have to do and all the challenges we have to face, it's no breaking news. So, we are much more in the continuous process.

Manuel Lorente: Okay. And a question probably for Nathalie. Can you be a little bit more precise regarding the impact of the PAP plan for 2025? Whether the 2% over cash cost is still valid, or you are thinking more to the 2.8% of this year, or even more 3%, as has been the case on the second part of 2024? Thank you.

Nathalie Delbreuve: Yes. So, our target remains to be above 2% of production cash cost, which is already a minimum of €50 million. So, between €50-60 million is our target and it is the target for 2025. So, you know that for us, this is an ongoing process, recurring process. It's not a one-shot effort. So, we have that in 2025, 2026, etc.

Of course, if we can do – the more we can do, the better for sure.We do not forecast, you know, such high numbers as the 3% that were delivered in Q4. But of course, if we can do better, we will do.

So, let's say that in our guidance, we ended more above 2% to come to the conclusion.

Manuel Lorente: Thank you. And just my final question on the free cash flow guidance for this year, the €200 million, that implies a positive delta of roughly €120 million versus 2024 free cash flow. Given the fact that you are going to have limited benefits from cash earnings in the sense that EBITDA this year is going to be similar to last year, and you mentioned that capex over sales will be close to 9% versus the 9.4% this year, so that implies a €20 million, let's say, positive impact in free cash flow. Where is the rest of the €100 million coming? Is that pure working capital? Is there, let's say, less leakage from the "other" line that has been dragging down free cash flow this year?

Nathalie Delbreuve: No, it's a very good question, of course. So, you are right. Working capital is the key driver. Remember that first the WCR on capex is very negative in 2024, -€75 million, and as we plan to, you know, keep the same level of capex, we will be very vigilant on the WCR, so that's one driver that we do not anticipate as negative in 2025. On the rest, I mean, on the operating working cap, there is also improvement planned in 2025, and we have one driver that is significant on the cash tax as well. As I commented, in 2024, we have €148 million cash tax, which is heavy for the year because basically, you are paying with one-year delay.

For next year, we see a lower cash tax. So, the combination of these three drivers helps us mitigate the fact that the EBITDA, as you very well said, is planned to be at best at the same level.

Manuel Lorente: Okay, thank you.

Nathalie Delbreuve: Thank you.

Patrice Lucas: Thank you.

Operator: Thank you. And then we will take our next question from Jean-François Granjon from ODDO BHF. Your line is open. Please go ahead.

Jean-François Granjon (ODDO BHF): Yes, thank you. Good morning. First question, just coming back on the pricing.

Currently, you have some negotiation with your clients, I think. So, could you give us some colour about what's happened? Can you increase the pricing or not, or limit the decrease? What's happened? And can you give us more colour about the trend of the negotiation you have currently with your main clients?

Patrice Lucas: Okay, Jean-François, thanks for this question. So, a big part of the negotiation is on. Some has already concluded. We are going to conclude all of that later by the end of Q1. As usual, we still have some remaining, but small ones, which will be in July, depending on the different contracts.

What we see is that due to the market situation, we have – as an average, and obviously, you have to go in detail, country by country, it could be different, and then even segment by segment. But as we see, and this is what we commented with our spread in '25, we have to give some low-single-digit price reduction compared to what we did in 2024. In some cases, we are able to delay '24 to '25. So, to make it simple, we have a carry-over effect of '24 to '25, and we see an additional low single-digit down.

And roughly, we are there, but still a part to be done to the end of the year – to the end of Q1, sorry.

Jean-François Granjon: Okay, thank you. The second question, so I just want to come back on the spread effect. The spread was quite huge and negative, in the last year, €200m. So, you confirm a negative spread effect for 2025. In which magnitude, so compared to the huge level of €200m last year, do you expect a huge decrease regarding this level? Also, could you give us some more colour about the impact, the huge impact last year?

Patrice Lucas: We are not willing to give such information at this stage. What is clear is that the magnitude of this negative will be not as high. It has nothing to compare. Because if you remember, in '24, we are comparing to '23 where we had price increase. So, it has nothing to compare, nothing at all to compare. But it will be negative again because we still have some carry-over effect from '24 to '25, sure.

Jean-François Granjon: Okay, understood. And last two questions from my side. Regarding Argentina, so you mentioned the interest for the acquisition of your subsidiary. But regarding the strategy, what is your position? Do you consider that Argentina remains an interesting and attractive market for you? When we see the huge contribution to the earnings from Latam, so could we consider that Argentina remains a strategic country for you or not?

Patrice Lucas: What I can say, I can say that Latam remains a strategic region for us. I mean, as in every company, at a point of time, you can make a review of your portfolio or geographic deployment, and then here we have this unsolicited offer. Clearly, we are not willing to sell. But as a duty, we need to do our job and to see if it makes sense at a point of time. And if we have a good financial deal, we may sell our stake in this Argentine company. I mentioned that we will still be active on M&A if we have nice and good targets creating value.

And this will redeploy at a point of time in all the geographic zones or consolidating, if it makes sense, in all the countries we are. So, this is all about that. This is the life of a company, reviewing a portfolio, reviewing geography and all of that.

So, it was important for us to mention that we have this, which is, again, unsolicited. There is no decision made at this stage. And if we do it, it is because it will create value for the company and our shareholders. This is all about that. And obviously, I may say, obviously, we consider as well our people in Argentina, and if we do it, it is because we believe it makes sense for them as well, and it is not a negative impact on our Argentinian people as well.

Jean-François Granjon: Okay. And my last question concerns the guidance. I'm a little bit surprised by the moderate guidance mentioned for 2025. If we take into account some little increase for the volume or better volume compared to last year, I understand that we expect some strong PAP impact effect and a more limited negative spread impact. Why are you not more optimistic for 2025? What is the moderate guidance mentioned for 2025?

Patrice Lucas: Well, I mean, again, the context is quite complex to read with all these uncertainties. We see our customers being cautious. So on the activity pillar, we are making a hypothesis which, we believe, is realistic, but let's see. So, we – bottom line, we see a slight pickup in activity.

We have our PAP, which will deliver, as usual, let's say, and then our 2% minimum cash cost reduction, and then as a negative impact, so we have this negative spread, as we explained, and we still see as well some additional risk on forex, especially coming from Brazil. So, all of that, when you make the balance, in our view, you are close to 2024 level.

Jean-François Granjon: Okay, understood. Thank you.

Operator: Thank you. We will take our next questions from Fraser Donlon from Berenberg. Your line is open. Please go ahead.

Fraser Donlon (Berenberg): Good morning, Patrice and Nathalie. I am Fraser from Berenberg. I just have three questions.

The first is on Germany. You called out, I think, globally quite positive trends in beer, but it seems Germany is still very weak. So, could you maybe just help me understand what's kind of, I'd say, structurally going on in Germany?

The second question is about the – you kind of mentioned this – 11 furnaces closed in Europe, and I think you only closed one in Essen. So, kind of quite a low number relative to your market share. So, I guess, is there kind of a risk that you might need to take further actions on your asset base this year, especially if you open Pescia at the year-end?

And then the final question was about Ukraine. Could you just remind me kind of of how your site there is operating and kind of in terms of the number of furnaces which are operational, etc.? Thank you very much.

Patrice Lucas: Thank you, Fraser. So, you're right. Germany is one of the markets which is seeing more difficulties, I would say. So, this is why we decided there to make a structural decision last year, linked with some delocalisation of bottling from Northern Europe to other countries, South America, South Africa, and all of that. We see that globally the German economy is quite down as well, two years of recession. So, globally, it's a real bearish market there.

In our view, for 2025, we still see the consumption, especially in Germany, being down, slightly down, compared to other countries in Europe, which is going to be slightly up. So, we do not see Germany recovering in 2025.

About furnaces closure, you're right. So, 11 in Europe, only one for Verallia, the one in Essen. And as we have always mentioned, if we need to do some additional structural capacity adjustment, we'll do it. As we speak, we are much more on a temporary shutdown because we do believe that it will recover. But if we have to do additional ones, we'll do additional ones. This is not what we have in mind, but again, we are vigilant. We are monitoring that on a regular basis, based on the market conditions and based on the capacity and the products we are using.

For Ukraine, as we speak, we have one furnace running. And we are making a maintenance operation on the second one. And we are planning to restart, final decision to be made, but we are planning to restart the second one during the year, and I guess before the Summer.

So, this is what we are doing.

Fraser Donlon: Really helpful. Thank you very much.

Patrice Lucas: You're welcome.

Operator: We will take our next questions from Mengxian Sun from Deutsche Bank. Your line is open. Please go ahead.

Mengxian Sun (Deutsche Bank): Hi. Thank you very much for taking my questions. So, three questions from my side.

So, the first one is free cash flow guidance. So, the €200 million guidance seems somewhat lower to me if we compare the financial performance in 2022, where you generated a similar level of EBITDA. So, can you walk through the bridge between EBITDA and free cash flow, and what is preventing you to generate the €300 million free cash flow in next year?

And the second question is on the spread contribution for Q4. So, if we look at the breakdown on the spread contribution. So, in Q4, the spread has a much negative contribution, which is €90 million on the adjusted EBITDA compared to Q3, which is €21 million. So, what are the reasons for that?

And the last question is, can you give us some colour on the volume development in January and February? Thank you very much.

Nathalie Delbreuve: Okay. Thank you for your question. So, in 2022, when we compare 2025 with 2022, let's remember that in 2022, we had low inventory. We were reducing inventory with a very strong demand. So, the main variation, even if EBITDA are quite comparable, is coming from working capital variation. And also, if we go below pure operating free cash flow, we had less cash tax. You know, there is some delay again here in the cash tax.

So, if you take back the 2022 free cash flow, we had less below the pure free cash flow – the operating cash flow, sorry. So, in the other line, in the interest paid and the cash tax. So, all in all, this is adding up to make the difference in the generation of cash. But the WCR was more supportive in 2022.

Your second question about the difference in spread in Q4 and Q3. You know, we are always comparing costs. So, it's really quarter by quarter. It's more difficult to follow. What I can tell you is that on the – if we take the price element, we had most of the price decrease done in H1. So, sequentially, there was not so much more evolution. And on the cost, it can really be impacted in quarters by the energy variation. So, Q4 to Q3, it's a bit tough to compare, frankly.

Regarding volumes for the beginning of the year, we are pretty much in the same trend as Q4, I would say. So, a soft start, but a normal start, I would say. And so, I'm talking here Europe. And if we go back to Latin America, sorry, maybe it's important to make the comment because Latin America is the high season, you know. So, we feel, as in Q4, have a very good momentum in Latin America for the year.

Mengxian Sun: That's very clear. Thank you.

Operator: Thank you. We have no further questions in the queue. I will now hand over to the webcast question. Please, go ahead.

David Placet: Hi all. This is David Placet, Head of IR. Well, good news is we've had many questions over the phone. So, I think we only have a few written questions that have not been covered. So, I'll try and stick to the questions which, I believe, haven't been addressed already.

So, one is from Atanás Angelov with BBVA. The question is: Can you please give us more colour on cash flow generation, specifically on other impact and working capital?

Nathalie Delbreuve: Okay. So, in the “other” impact, so, if we look at the way we present the free cash flow, we have operating cash flow, and then below you have three lines of operating impact, interest paid and cash tax. So, in the other operating impact, basically, what you have is elements in the EBITDA that do not have a cash impact because then you need to bridge to cash.

So, that's why, for example, you have the IFRS 16 element that is a bit below €20 million. Here, it is in the EBITDA, but in the end, this is pure accounting, so it has no cash impact. It's a very stable amount every year, but we have to deduct it from the EBITDA to reach the free cash flow.

If you have, for example, also some variation in accruals that are in the EBITDA, and again, non-cash elements, you will see them on this other operating impact, and you also have a bit of unrealized forex impact, again, here, to go back to the pure cash that is to be seen on the free cash flow line.

David Placet: That's great. Thank you, Nathalie. Next question, and there's a few of them, from Inigo Egusquiza with Kepler. Four questions, I think. Five, actually. Well, at least two have been answered already. One regarding the Argentinian business and the unsolicited proposal. The other, the BWGI prospective offer. So, that's done.

Three more. One is in relation to the impact of Argentina in Q4. Euro, €150 million impact from currencies. I guess we've addressed that already, but Nathalie, I don't know if there's anything you want to add?

Nathalie Delbreuve: Yes, I can repeat. You know, we had a very specific impact in Q4 last year, so 2023, because there was a 50% devaluation in Argentina after Mr Milei was elected. And because Argentina is in hyperinflation, there is a specific accounting, you have to use the forex exchange rate of the last day of the period to value the full period.

So, when such a devaluation happened in December, which was the case, we had to revalue, so to cut, to reduce the full P&L of the year, and this was, the full impact of that was in Q4. So, of course, when we compare Q4 '24 to Q4 '23, we have this as a distortion. If we look at the full year, it's more normal, I would say.

David Placet: Yes. Okay. Thanks, Nathalie. Next question – from Inigo, relates to '25 guidance. Three questions there. One is, what can we expect in terms of EBITDA margin?

And the second is: How do you see pricing coming down? And the last is: What about volumes? So, in '25. Is “Europe flattish and LatAm positive” a fair assumption?

Patrice Lucas: So, on the last question, yes, it is a fair assumption. We see Europe flattish to slightly up, as we said, due to the consumption. And we see LATAM very supportive again.

So, you're right in your assumption. But EBITDA margin, so we do not guide on this topic, right? We are guiding on this EBITDA in million euro, again, close to what we delivered in '24.

And on pricing, I think I did answer that already. So, again, we're going to get some impact of what we did in price reduction in '24 into '25. And then we see a slight down in price evolution due to market conditions, due to the environment, due to some contract that we are working on. And a little bit to be confirmed, but this is our assumption as we speak.

David Placet: Thank you, Patrice. And last question was about, so the capex in '25, I think we mentioned 9% of sales. And Inigo was also asking whether that would be our mid-term goal.

Patrice Lucas: Yeah, let me, so it depends on what you call mid term. But obviously, so our normalised level in the previous period was, we were always around 10%. And around this 10%, there was some, obviously, the current capex, plus what we call strategic capex, which were, to make it simple, CO_2 roadmap implementation plus additional capacities.

And obviously, due to the market conditions and the way we see it, we have got all the additional capacities we are thinking about, except the one in Brazil, so which we are going to launch in Campo Bom in Q2, and the Pescia one in Italy that is going to be launched at the end of this year. So obviously, it means that within our capex level compared to previous period, we will not see any more additional capacity.

And this is why we have reduced – a decision in '24 to reduce our capex level. And you have seen that down the year. This is why for next year, we see that already also being down compared to '24, let's say. And we see that, you are right, as a mid-term normalized level, meaning that we are moving from around 10% to around 9%.

David Placet: Thank you, Patrice. Last three questions. One is in relation to the price negotiation, so I think we addressed that already.

Another is about glass containers demand in Europe. How much does it amount to in tonnes? That is slightly over 20 million.

And the last question, which came in two slightly different forms, is around share buybacks. One question being, did you at some point consider suppressing the dividend to increase the amount of share buyback? Another being, what are your thoughts around share buyback for '25?

That will be the last question.

Patrice Lucas: Okay, so for the dividend, to answer your question, no, our priority was always dividend plus share buyback if opportunity. And this was our clear capital allocation policy. And by the way, what we are proposing, we are walking the talk of the policy which was in '21 year-on-year 10% increase of dividend. We are doing better than that.

And so, share buyback, no, we don't see that for '25. But again, we will come back at the end of the year, in September, and within our Capital Market Day. This will be the opportunity to define clearly our capital allocation policy for the mid term and the period to come.

David Placet: Great. Thanks, Patrice. Thanks, Nathalie. That's it from my end.

Patrice Lucas: Okay, thanks a lot to all of you. Have a good day. Take care. Bye-bye.

Nathalie Delbreuve: Thank you. Bye-bye.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.

[END OF TRANSCRIPT]