

COMPANY PRESENTATION

JULY 2020



vidrala





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- 1. GENERAL OVERVIEW**
- 2. BUSINESS FUNDAMENTALS**
- 3. FINANCIALS**
- 4. TARGETS**
- 5. ANNEXES**



VIDRALA, AT A GLANCE



SUPPLIER OF REFERENCE IN THE PACKAGING INDUSTRY

- ✓ Vidrala manufactures glass containers for a wide variety of products in the **food and beverage industry**.
- ✓ We are one of the main **glass container manufacturer** in Western Europe, leaders in the Iberian market, co-leaders in the British market and supplier of reference in Italy and France, through **eight complementary sites** located in five different countries.
- ✓ We sell more than **8.3 billion bottles and jars** per year, among more than 1,600 customers.
- ✓ Vidrala is a **public listed company**, with a market capitalization over EUR 2.0 billion.

OVER
3,500
EMPLOYEES



48%
USE OF
RECYCLED
GLASS



8
MANUFACTURING
SITES



19
FURNACES

ANNUAL PRODUCTION
8.3 BILLION
CONTAINERS



OVER
1,600
CUSTOMERS

[Click here for
ESG credentials](#)

MAIN FIGURES FY 2019



SALES
1,010.8
EUR million
+5.5% YoY organic

EARNINGS
5.27
EUR per share
+24.0% YoY



vidrala

EBITDA
274.6
EUR million
27.2% EBITDA margin

FREE CASH FLOW
121.1
EUR million
12.0% FCF over sales

CREATING VALUE AND FUTURE IN A SUSTAINABLE WAY

OUR HISTORY



- 1965**
The origin of Vidrala
1965 - Vidrala begins operations in Alava (Spain)
- 1975**
- 1985**
Vidrala goes public
1985 - IPO Madrid and Bilbao stock exchanges
Domestic expansion
1989 - Second greenfield in Albacete (Spain)
- 1995**
- 2005**
Internationalisation
2003 - Acquisition of one plant in Portugal
2005 - Acquisition of two plants: Barcelona (Spain) and Italy
2007 - Acquisition of one plant in Belgium
- 2015**
Transformational acquisitions
2015 - Acquisition of Encirc (UK and Ireland)
2017 - Acquisition of Santos Barosa (Portugal)
- 2020**
Strategic divestment
2019 - Sale of our manufacturing activity in Belgium



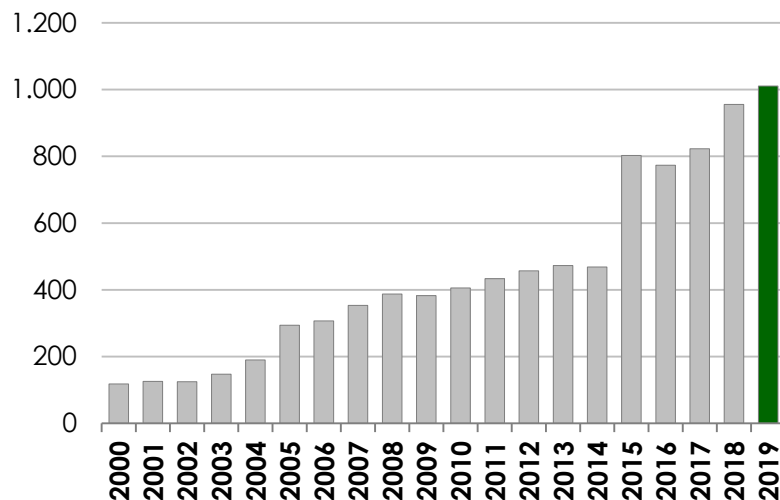
CUSTOMER, COMPETITIVENESS & CAPITAL
THE GUIDELINES ON WHICH WILL BE SUSTAINED OUR AMBITIOUS FUTURE

OPERATING PROFILE



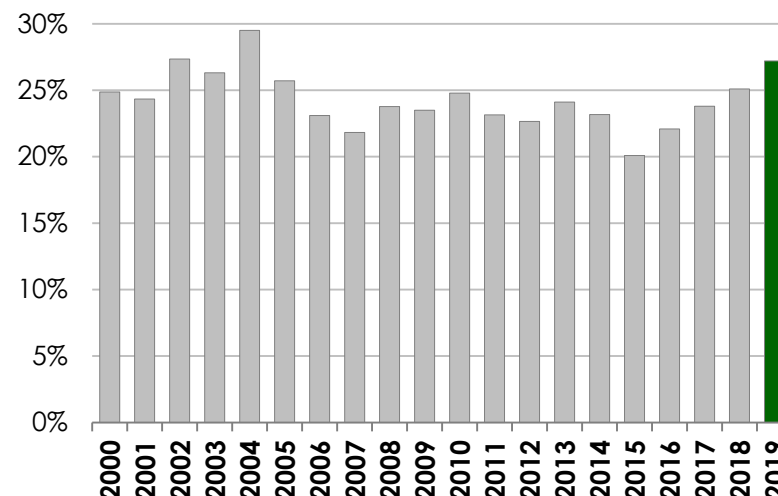
NET SALES.

Since 2000, EUR million.



EBITDA MARGIN.

Since 2000, as percentage of sales.



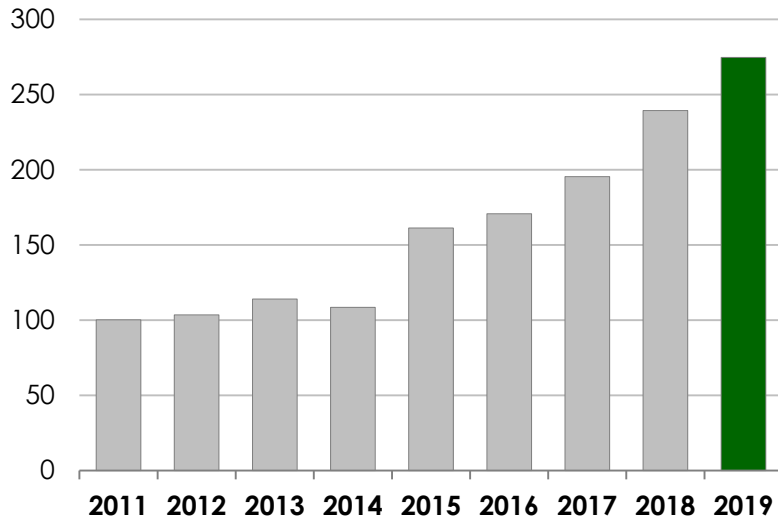
STRATEGIC DIVERSIFICATION & COHERENT GROWTH
STABILITY OF MARGINS, RESILIENT TO INTEGRATIONS AND ECONOMIC CYCLES

CASH PROFILE



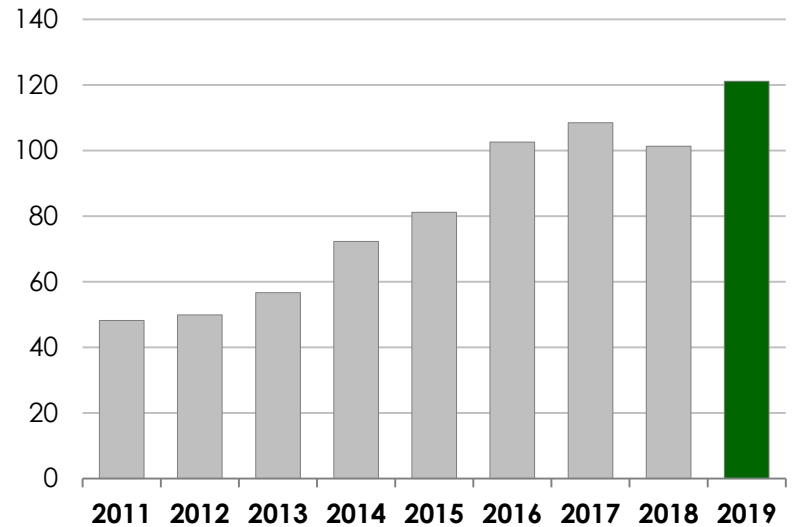
EBITDA.

Since 2011, EUR million.



FREE CASH FLOW.

Since 2011, EUR million.



51% CASH CONVERSION
OF EBITDA 2011-2019

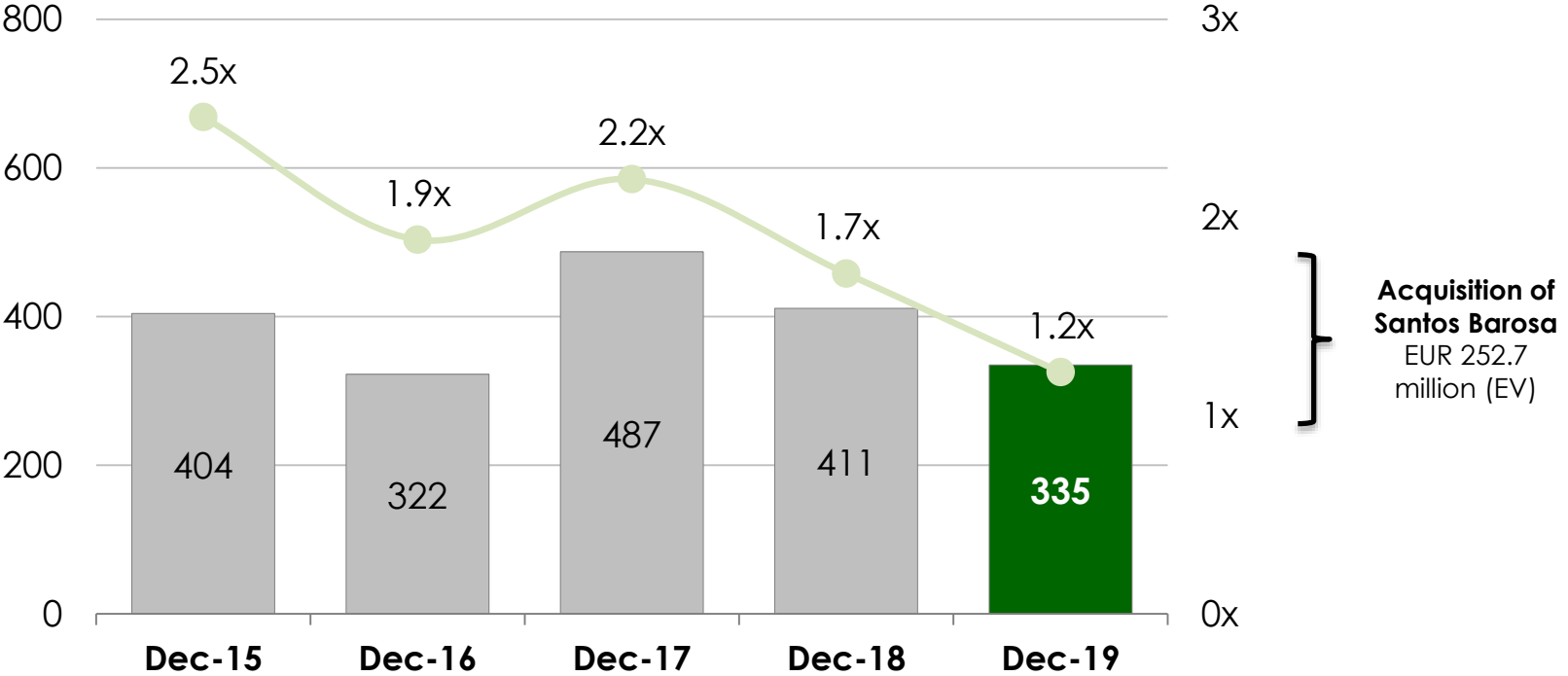
VALUE CREATION, MATERIALISED IN A
SUSTAINED CASH GENERATION

FINANCIAL PROFILE



FINANCIAL SOLVENCY.

Year-over-year evolution of debt since 2015, EUR million and times EBITDA.



ON THE BASIS OF A
SOLVENT FINANCIAL STRUCTURE

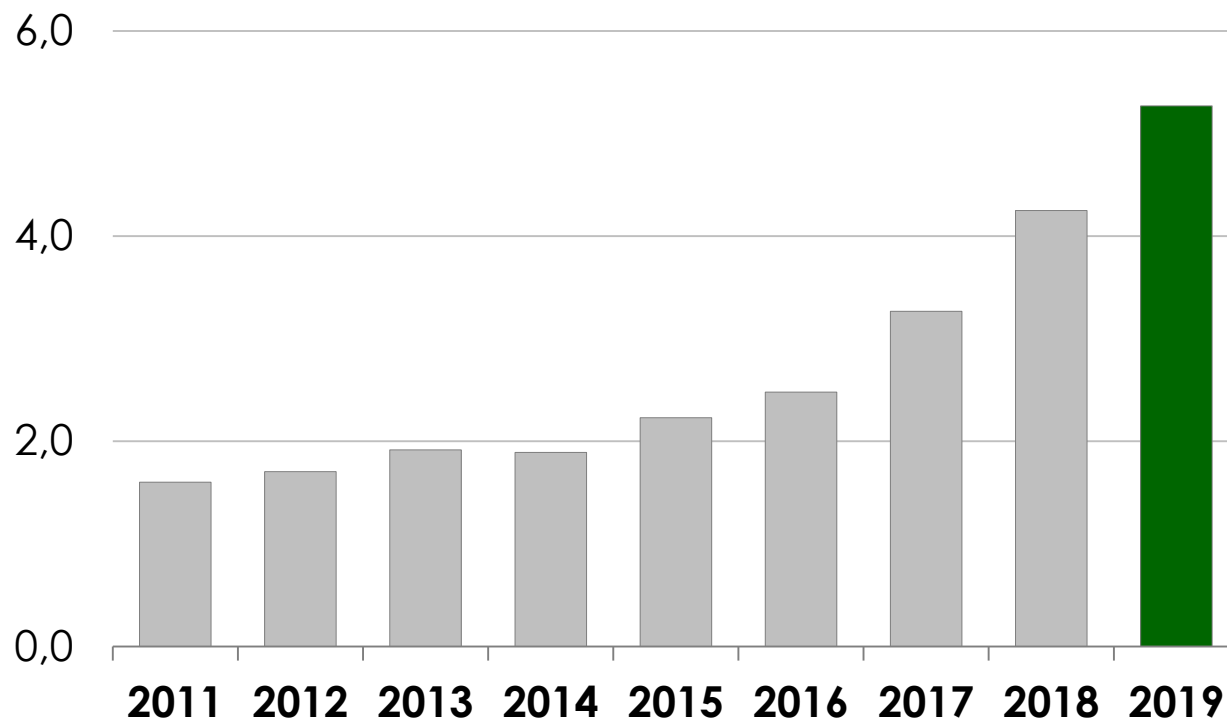
Debt/EBITDA ratio is calculated on pro-forma basis.

EARNINGS PROFILE



EARNINGS PER SHARE.

Since 2011, EUR per share.

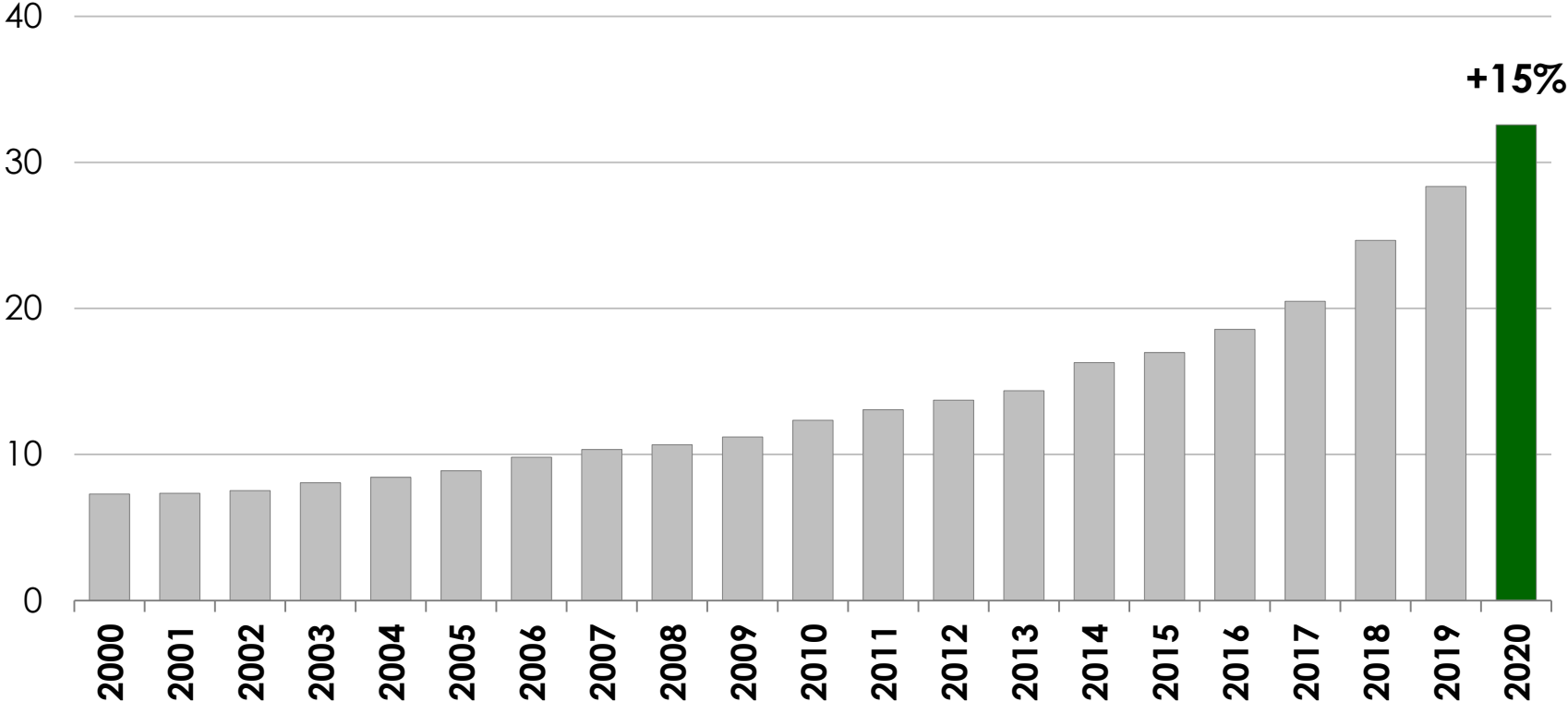


DIVIDEND POLICY



CASH DIVIDENDS.

Since 2000, EUR million.



A DIVIDEND POLICY FOCUSED ON LONG TERM STABILITY
ANNUAL GROWTH, COHERENT WITH PREVAILING BUSINESS CONDITIONS

SHAREHOLDER REMUNERATION



EXPECTED 2020 DIVIDEND PAYMENTS

Proposed FY 2019 results distribution

February 14th, 2020

Interim dividend

EUR 84.30 cents per share

July 14th, 2020

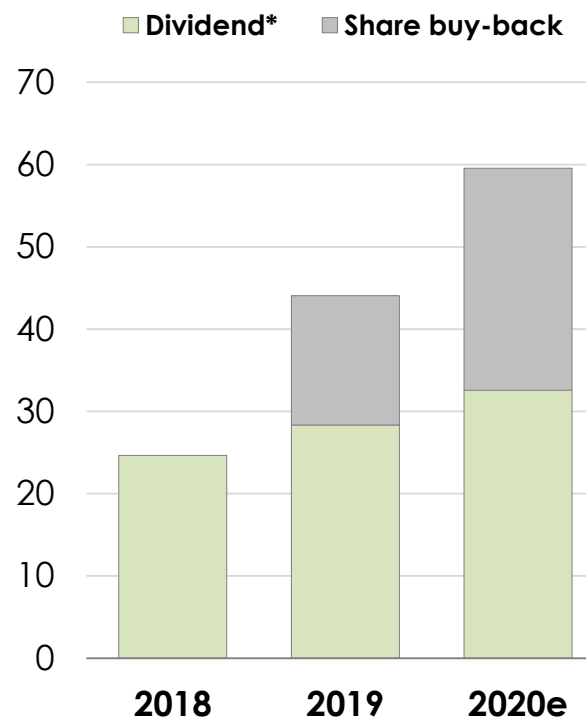
Complementary dividend

EUR 32.09 cents per share

EUR 4.00 cents per share
*as attendance bonus to the
shareholders' annual general meeting*

SHAREHOLDER REMUNERATION

Since 2018, EUR million



DIVIDEND PAYMENTS REPRESENT AN INCREASE OF +15%**
+34% IN TOTAL REMUNERATION, INCLUDING THE SHARE BUY-BACK PROGRAM ON TRACK

**Including cash dividends and AGM attendance bonuses. **Considering the effect of the bonus share issue completed in December 2019.*



BUSINESS FUNDAMENTALS

Understanding the european glass packaging industry





1 LOGISTICS. Local sales nature.

- ✓ Natural characteristics of hollow glass containers limit logistics.
- ✓ Customers' packaging activity demands service on time and supply flexibility.
- ✓ Proximity to the customer and service quality determines sales capabilities.

2 CONTINUOUS PROCESS. Capital intensive.

- ✓ Glass manufacturing is based on a continuous 24/365 activity.
- ✓ Production process is intensive in cost (labour and energy) and capital (periodical replacements). Technological development demands constant and complex adaptation.

3 OPERATING GEARING. Utilization rates.

- ✓ Cost and capital intensity creates a high level of operating leverage.
- ✓ High utilization rates are crucial for profitability.

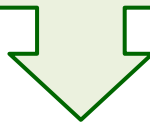


NOTEWORTHY ENTRY BARRIERS

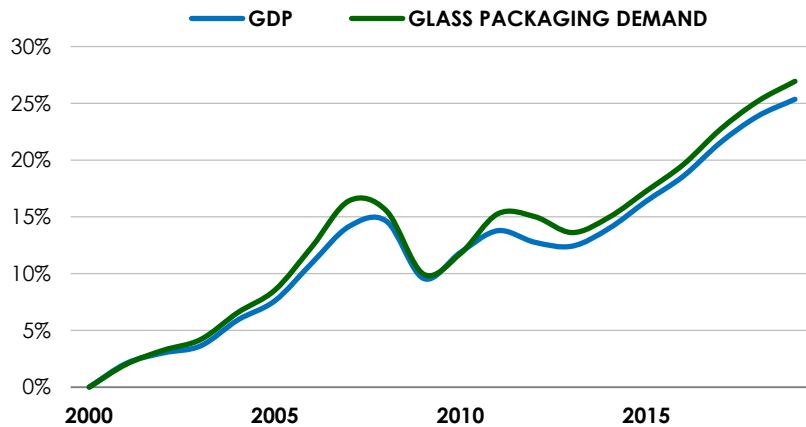
DEMAND FUNDAMENTALS



The glass packaging market in Europe
SOLID AND STABLE



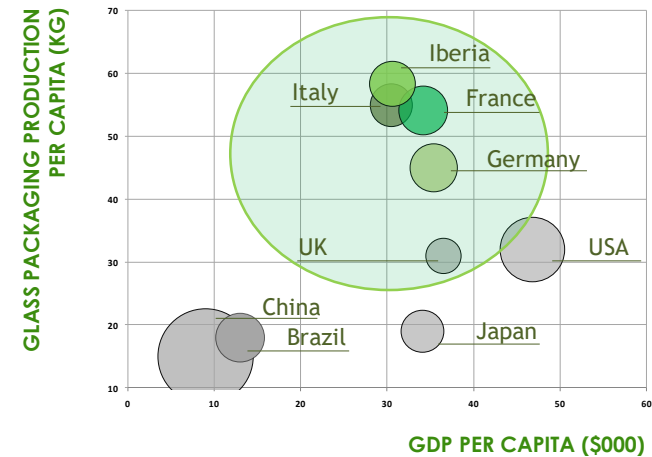
Glass containers demand in Europe vs GDP.
Annual variation (accumulated), base year 2000.



Our key geographical regions
STRATEGIC MARKETS FOR THE SECTOR



Glass packaging production vs GDP per capita.



THE GLASS PACKAGING MARKET
A MATURE AND STABLE DEMAND



GLASS, THE BEST OPTION

Environmentally friendly

Glass is a 100% recyclable material that can be shaped over and over again without losing any of its properties or advantages.

The healthiest type of packaging

It is a completely hygienic material, impervious to gases, vapour, and liquid, thereby protecting and preserving the flavour and properties of the food within.

Premiumisation trend

Glass is seen by consumers as a guarantee of quality and reliability. Brands design containers, bestowing them with different shapes and colours to give their product its own personality.

GLASS, THE PREFERRED MATERIAL
ENVIRONMENTAL, HEALTHY & BRAND PERCEPTION BENEFITS

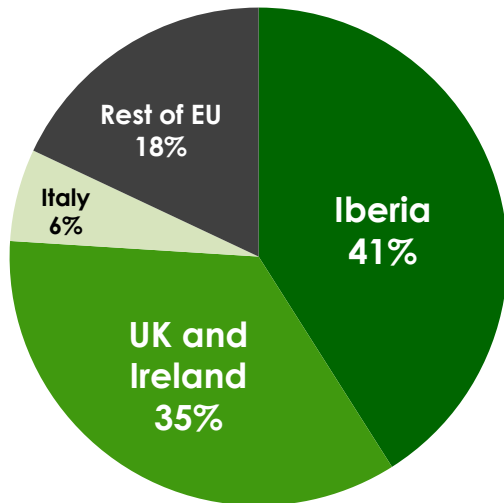
VIDRALA FUNDAMENTALS



Vidrala's commercial positioning is focused on geographic regions and product segments of **long term strategic value**. Vidrala sells its products to a **strong customer base** composed of a solid balance between blue chip customers, multinational brand owners and domestic packagers.

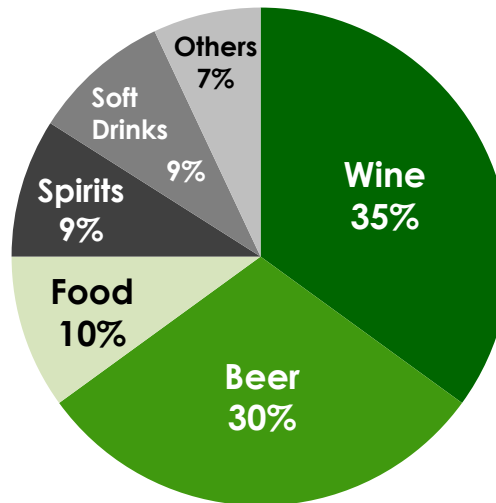
2019 SALES BREAKDOWN.

By geography.



2019 SALES BREAKDOWN.

By segment.



More than **1,600 active customers**

Top10 customers stand for **≈30% of revenue**

50% of sales made up by **≈30 customers**

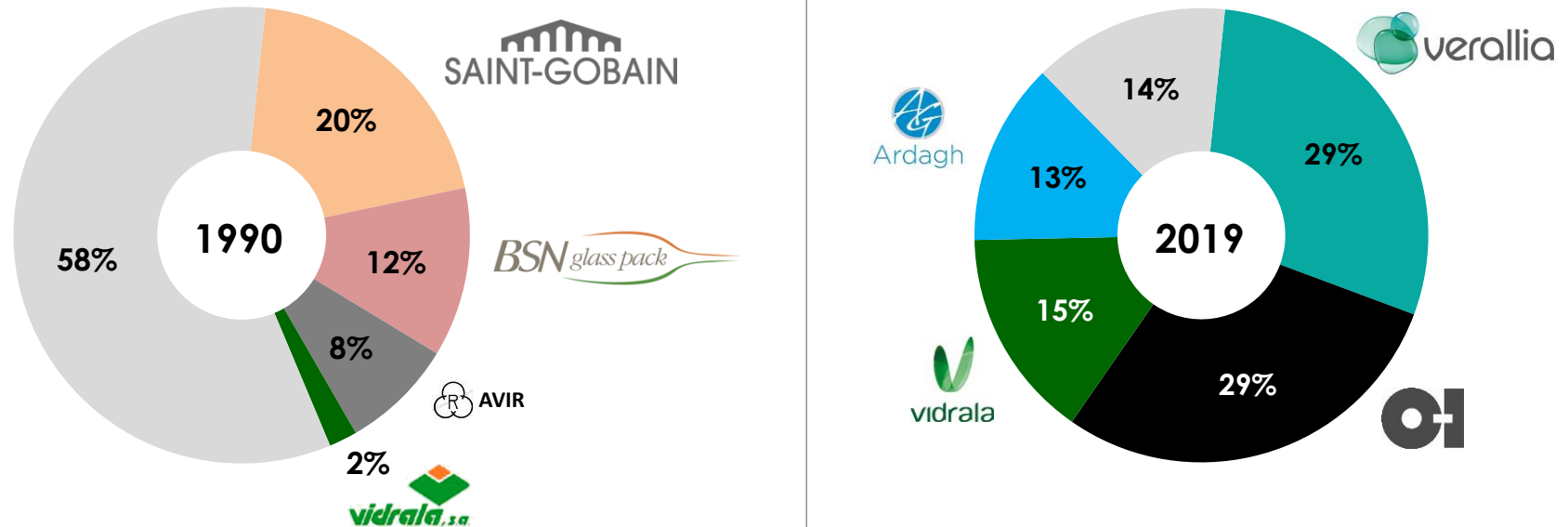
TOWARDS A STRATEGIC POSITIONING IN OUR KEY MARKETS

COMPETITIVE LANDSCAPE



EVOLUTION OF MARKET SHARES IN WESTERN EUROPE.

2019 vs 1990.

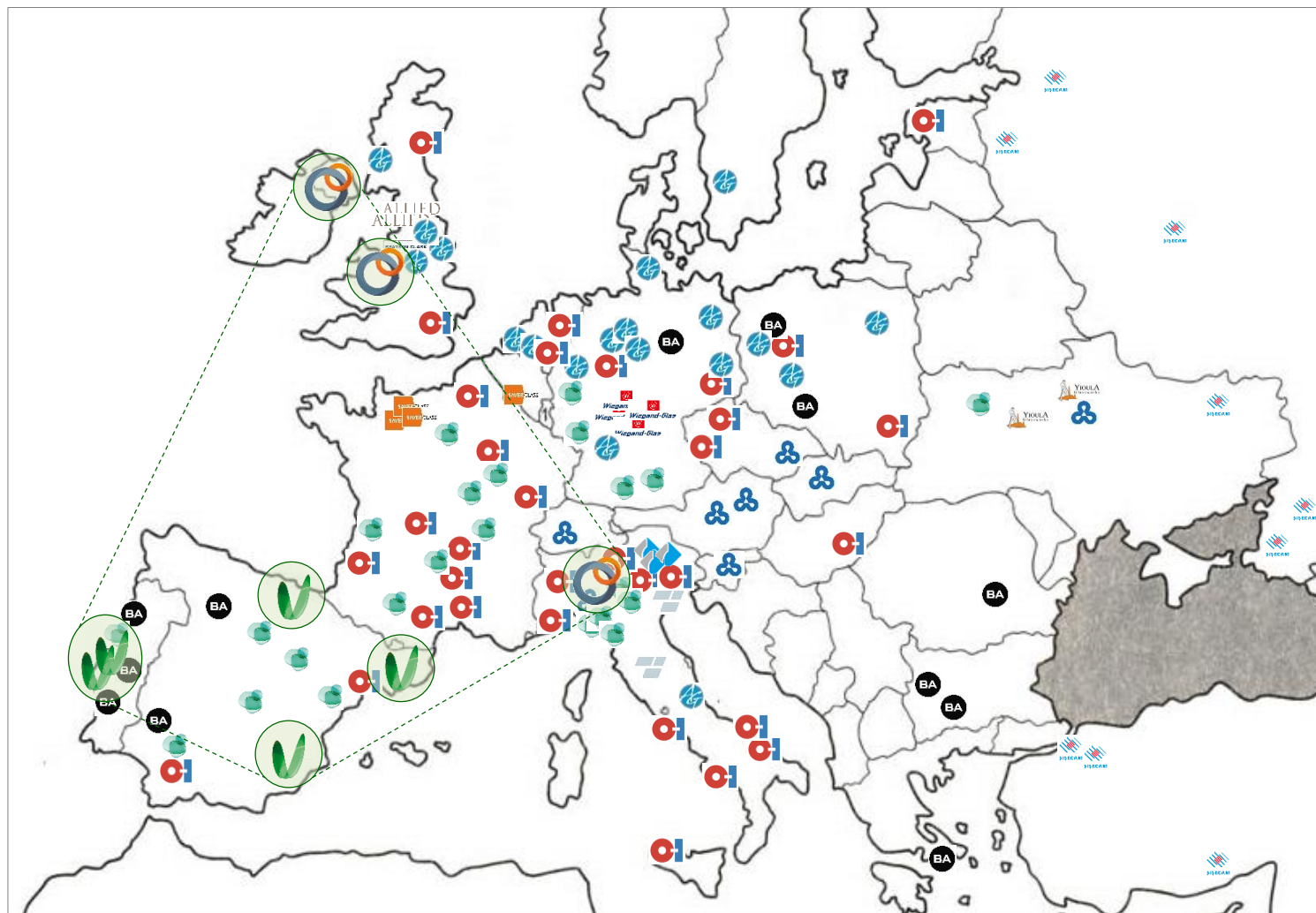


A DYNAMIC ATTITUDE TOWARDS CONSOLIDATION

COMPETITIVE LANDSCAPE



LOCATION OF PRODUCTION SITES





FINANCIALS

Latest earnings release

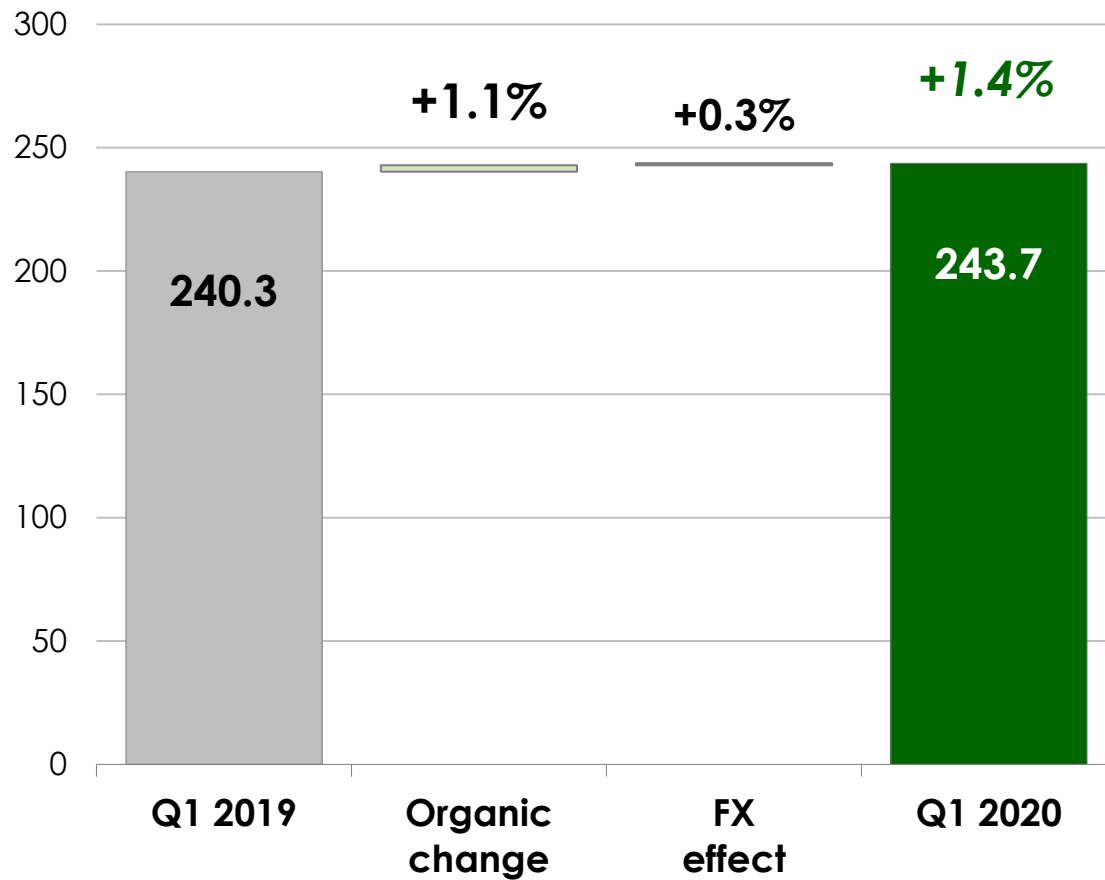


Q1 2020 RESULTS. Sales.



SALES.

YoY change, EUR million.

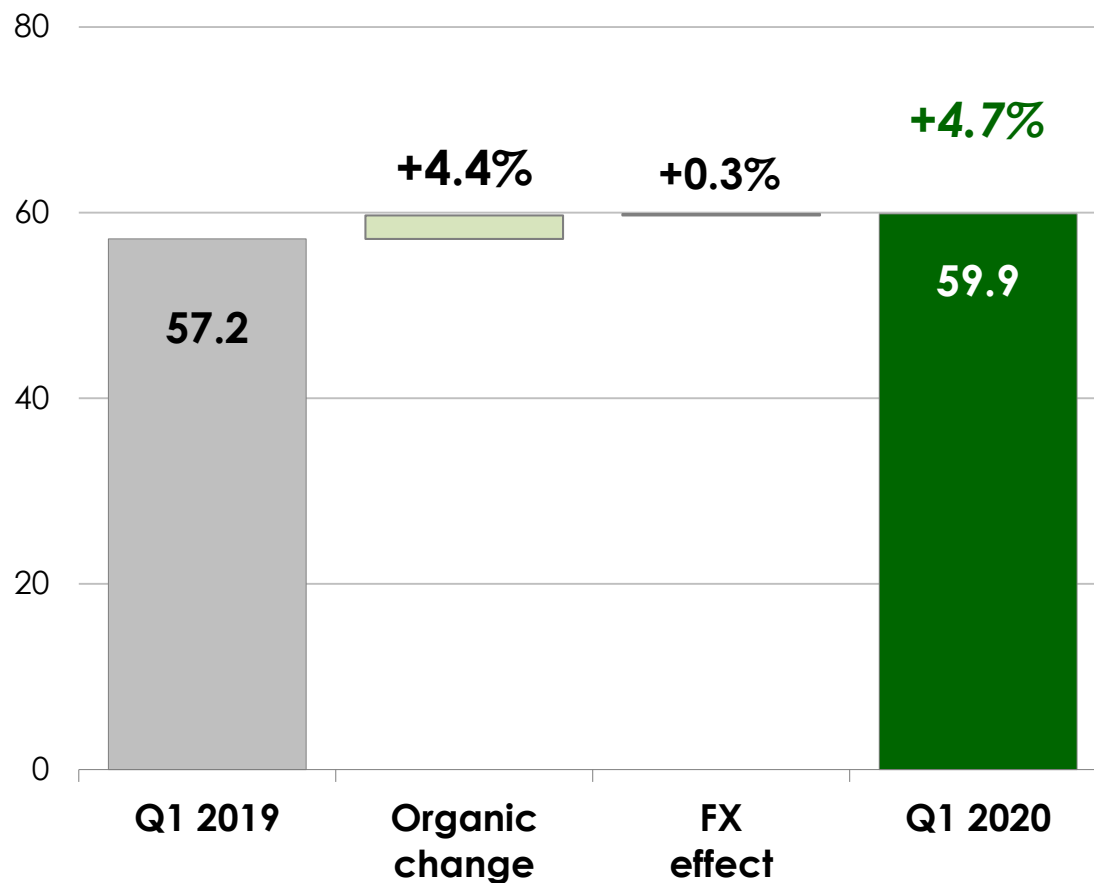


Q1 2020 RESULTS. EBITDA.



EBITDA.

YoY change, EUR million.

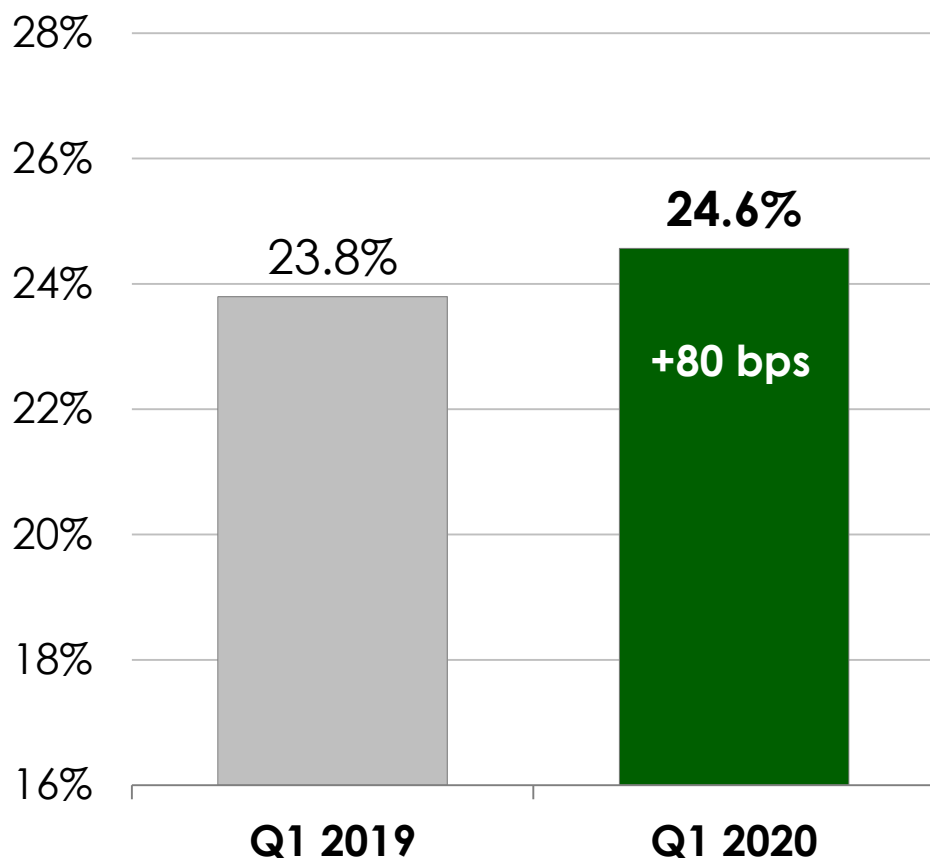


Q1 2020 RESULTS. *EBITDA margin.*



EBITDA MARGIN.

YoY change, as percentage of sales.

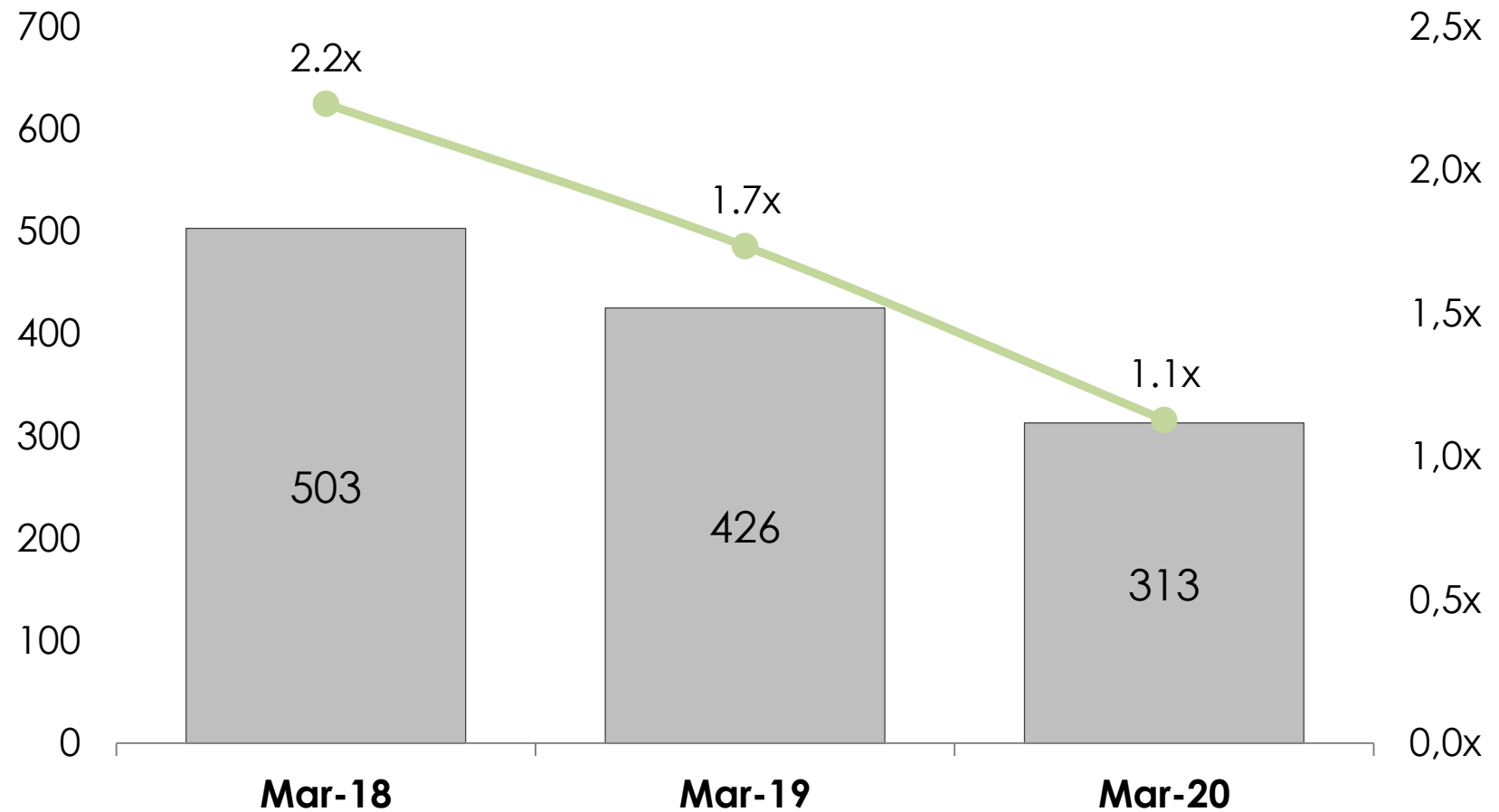


Q1 2020 RESULTS. Debt.



NET DEBT.

YoY evolution, in EUR million and times EBITDA.





TARGETS

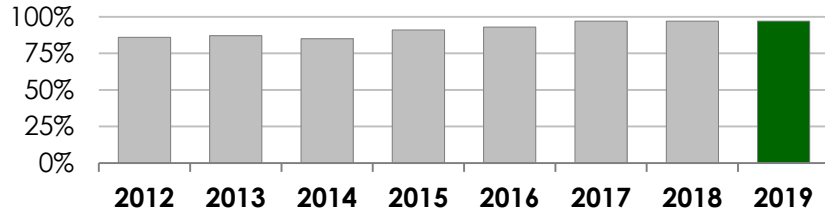
Business profitability and cash generation



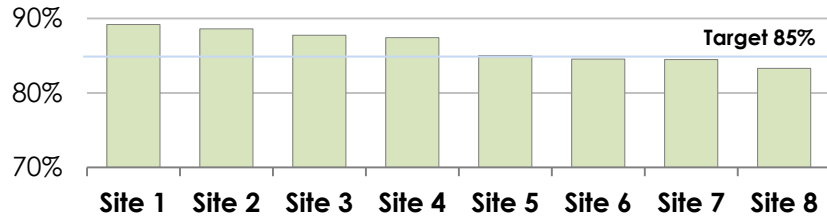
EBITDA MARGINS



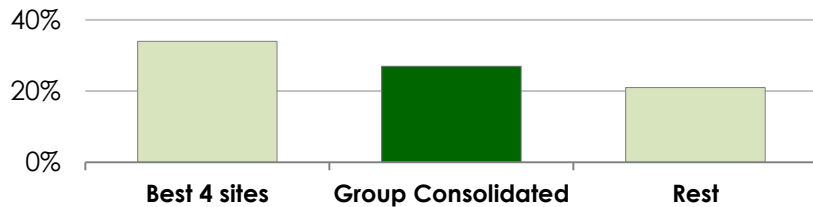
Capacity utilization.



Pack-to-melt ratio.



EBITDA margins.

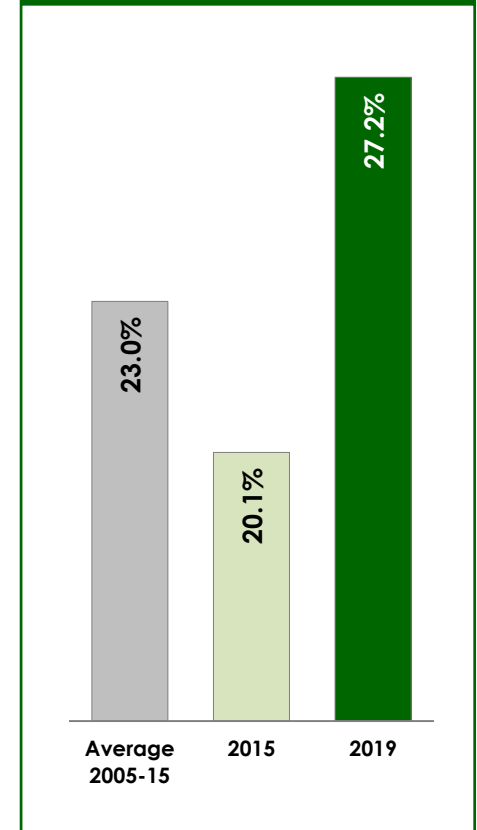


1. Operational leverage

2. Internal efficiency

3. Integration

EBITDA margin



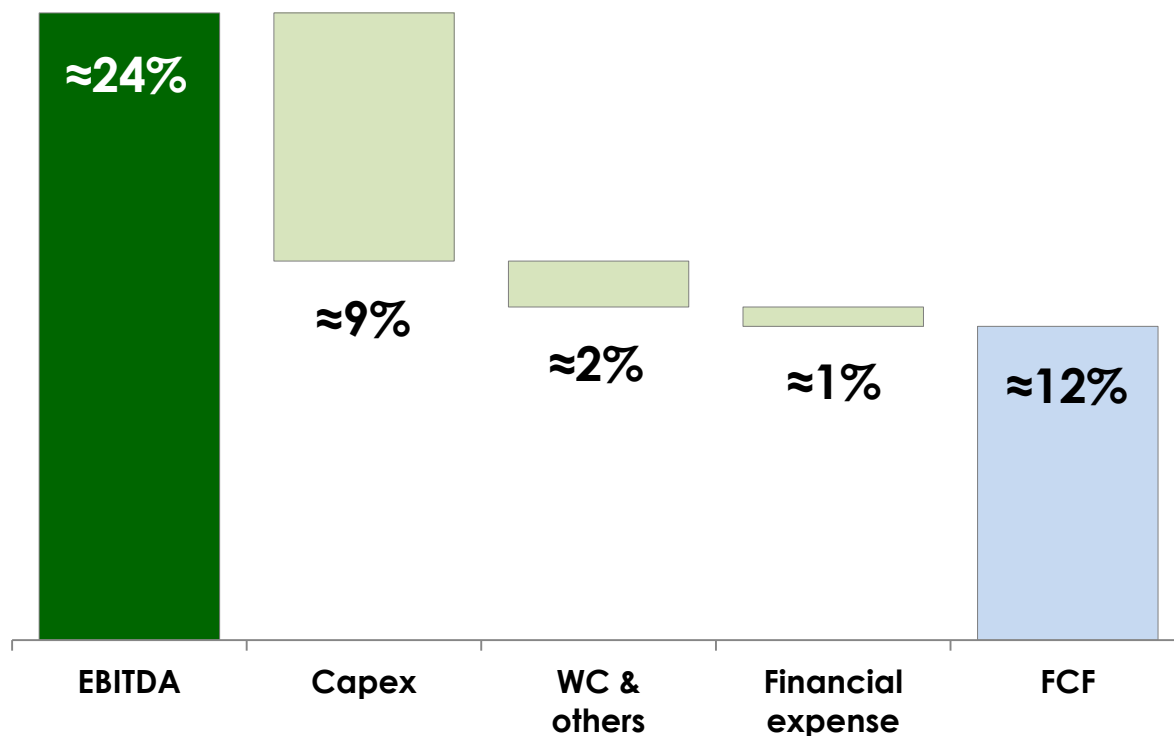
OPERATIONAL TARGETS

SUSTAINED CASH GENERATION



Historical cash profile.

5-year accumulated average rates (2015-2019), as percentage of sales.

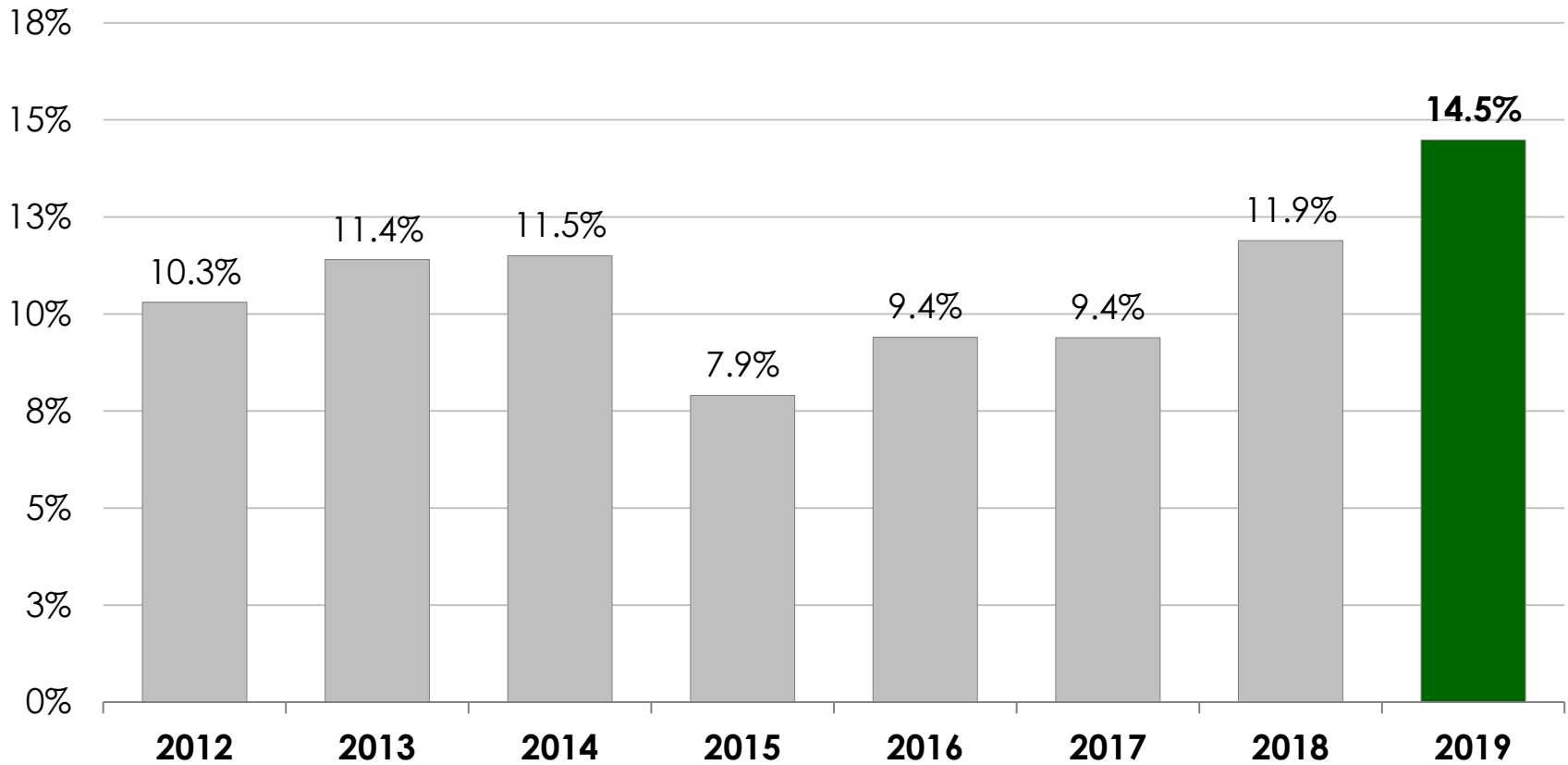


>50%

**CASH CONVERSION
OF EBITDA 2015-2019**

CASH GENERATION
MATERIALISATION OF VALUE

RETURN ON CAPITAL EMPLOYED



FOCUS ON BUSINESS PROFITABILITY



ANNEXES

Other relevant information



ANNEX I. Acquisition of Encirc (2015).



Encirc Glass is a **glass packaging manufacturer** for the food and beverage markets in UK and Ireland. It is the sole player in Ireland and the second player within the UK (market share ≈30%).

The **DERRYLIN** plant (Northern Ireland), built in 1998, is the only glass container plant in Ireland. The **ELTON** plant (England), built in 2005, is the largest glass container plant in Europe and includes filling and logistics facilities.

ANNEX I. Acquisition of Encirc (2015).



QUALITY OF ASSETS

- ✓ High-scale facilities
- ✓ Triple gob and quad gob flexibility
- ✓ Highly modern inspection machines
- ✓ Filling capabilities
- ✓ Fully automated warehouse



ANNEX II. Acquisition of Santos Barosa (2017).



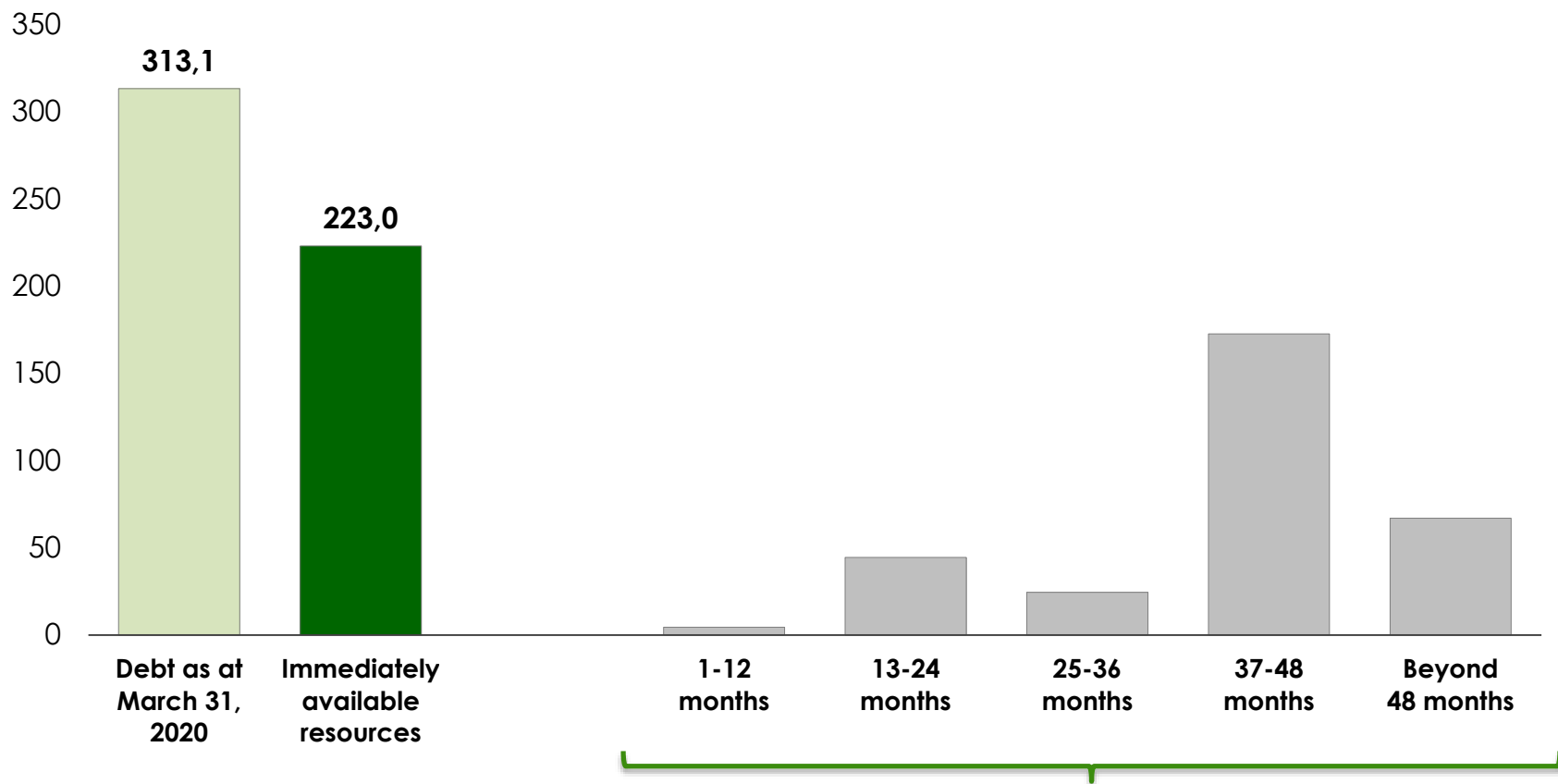
Santos Barosa manufactures and commercialises glass containers. It operates a major production facility located in **Marinha Grande**, Portugal. The company produces around **400,000 glass tons** per year.

The agreed transaction price amounts to an **enterprise value** equivalent to EUR 252.7 million.

Trough this acquisition, Vidrala becomes the **leader of the attractive Iberian market**.



ANNEX III. Financing structure.



Debt maturity profile.

Per year, EUR million.

Current financing structure
As at March 31, 2020

Debt / EBITDA ratio
≈1.1x

Average maturity
≈ 4 years

Estimated cost, all-in
< 1.0% annual



BUSINESS UPDATE

- Sales volumes during Q2 standalone down approx. -15%, as expected
- Operating margins year-to-date consolidated at levels above 25% EBITDA over sales
- Financial position remains solid, debt reduction approx. -25% year-on-year

STRATEGIC GUIDELINES UNDER THE PANDEMIC

OUR VIEW, ON THE FUTURE

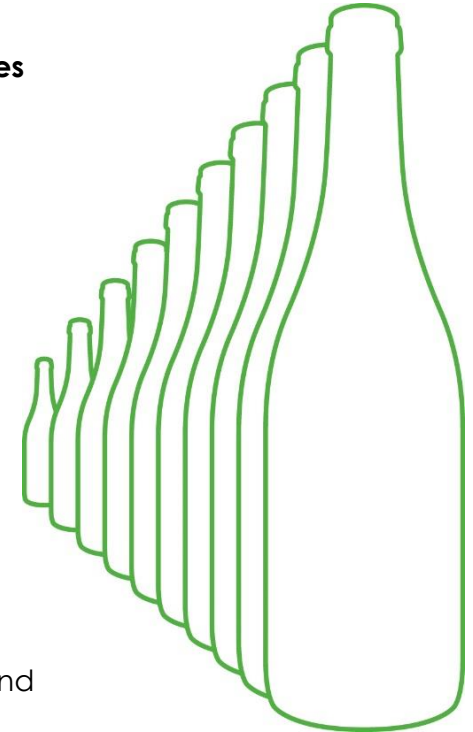
- Invest more now, for our business future
 - ✓ *With our customer in mind*
 - ✓ *To further improve our competitiveness*
 - ✓ *Selectively allocating capital in strategic projects*
- CapEx 2020 reaffirmed at levels of EUR 130 million, approx. 14% of sales

SECURING A SOLID FINANCIAL POSITION

- Current leverage ratio below 1.2x EBITDA
- No maturities until end of 2023
- Total current cost of debt below 1% annual
- Strong committed liquidity, currently in excess of 1.0x EBITDA
- Disciplined protection of our cash, gradually balancing production with real demand

FULL YEAR 2020 OUTLOOK

- FY 2020 sales volumes expected to decline in the range of 5-10% vs. 2019
- FY 2020 operating margins expected to remain solid around 25% EBITDA over sales
- FY 2020 earnings expected to drop in the range of 15-25% vs. 2019
- FY 2020 cash after capex to exceed dividend payments and to be used for further debt reduction
- Uncertainty high amid the pandemic, macro context weak, business conditions changing
- Prudence and time needed before defining new mid-term business targets
- **STRATEGIC INTERNAL ACTIONS WILL REMAIN FIRMLY COMMITTED TO OUR LONG TERM BUSINESS PRINCIPLES: CUSTOMER, COST AND CAPITAL**





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SUSTAINALYTICS



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