



VARUN BEVERAGES LIMITED



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February 20, 2019

To,

BSE Limited Phiroze Jeejeebhoy Towers , Dalal Street, Mumbai – 400 001 Email: corp.relations@bseindia.com Security Code: 540180	National Stock Exchange of India Ltd. Exchange Plaza, Block G, C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Email : cmlist@nse.co.in Symbol : VBL
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Sub: Press Release

Dear Sir/Madam,

Please find attached herewith a copy of the Proposed Press Release to be issued by the Company.
Kindly upload the same on your website.

The same is also being uploaded on the website of the Company at www.varunpepsi.com

Yours faithfully,

For Varun Beverages Limited

Ravi Batra
Chief Risk Officer & Group Company Secretary



Encl: As above



Varun Beverages Ltd. Q4 & 2018 Financial Results

<u>Q4 2018</u>	<u>2018</u>
Revenue grows 49.0% YoY to Rs. 7,856 million	Revenue grows 27.5% YoY to Rs. 51,053 million
EBITDA increases 46.6% YoY to Rs. 478 million	EBITDA increases 20.4% YoY to Rs. 10,066 million
	Net Profit expands 40.1% to Rs. 2,999 million

Gurgaon, February 20, 2019: Varun Beverages Limited (BSE: 540180, NSE: VBL), a key player in the beverage industry, announced its financial results for the fourth quarter and year ended December 31, 2018.

Financial Performance Highlights*

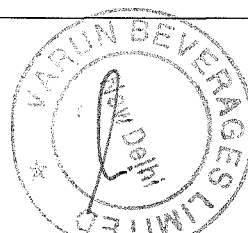
Performance Review for 2018 vs. 2017

- Revenue from operations (net of excise / GST) grew 27.5% YoY in 2018 to Rs. 51,052.5 million
 - Total sales volumes were up 21.9% YoY at 340.0 million cases in 2018 as compared to 278.8 million unit cases in 2017
 - India business recorded strong organic volume growth trend of 13.3% in 2018
- EBITDA increased by 20.4% to Rs. 10,065.9 million in 2018 from Rs. 8,357.7 million in 2017
 - Underlying margins have improved in existing as well as recently acquired territories
 - Blended EBITDA margins declined 116 bps YoY to 19.7% due to sub-optimal volumes/margins in acquired sub-territories and contribution from the Tropicana juice portfolio, where at present VBL has only a supply and distribution arrangement, and is not manufacturing the product
- PAT increased by 40.1% to Rs. 2,998.6 million in 2018 from Rs. 2,140.6 million in 2017

Performance Review for Q4 2018 vs. Q4 2017

- Revenue from operations (net of excise / GST) grew 49.0% YoY to Rs. 7,856 million as compared to Rs. 5,274 million
 - Total sales volumes were up 40.2% YoY at 45.6 million unit cases in Q4 2018 as compared to 32.5 million unit cases in Q4 2017
 - Strong organic volume growth trend continued in India at 28% in Q4 2018
- EBITDA increased by 46.6% to Rs. 478 million from Rs. 326 million
- Loss reduced to Rs. 708 million in Q4 2018 from Rs 721 million in Q4 2017

***Note 1:** VBL follows a calendar year of reporting (Jan to Dec); **Note 2:** Given the seasonality in the business, it is best to monitor the business on an annual basis as a significant portion of the revenues and entire profits are realized in the Apr-June quarter



Key Developments

- Concluded the acquisition of PepsiCo India's previously franchised territories of parts of Maharashtra (14 districts), parts of Karnataka (13 districts) and parts of Madhya Pradesh (3 districts) w.e.f. February 14, 2019
- Entered into a binding agreement with PepsiCo India Holdings Private Limited ('PepsiCo') to acquire franchise rights in South and West regions from PepsiCo for a national bottling, sales and distribution footprint in 7 States (Gujarat, parts of Maharashtra, parts of Karnataka, Telangana, parts of Andhra Pradesh, Kerala and Tamil Nadu) and 5 Union Territories (Daman & Diu, Dadra & Nagar Haveli, Andaman & Nicobar Islands, Lakshadweep and Puducherry (except Yanam)) (subject to receipt of necessary statutory approvals)

Awards & Accolades

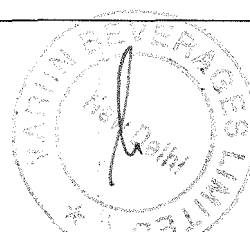
- National Best Employer Brand Award for 2018, by ET Now in collaboration with World HRD Congress
- WINNER of Special Commendation for Golden Peacock National Quality Award – 2019
- Mr. Ravi Jaipuria - Distinguished Entrepreneurship Award in the PHD Annual Awards for Excellence 2018
- Mr. Kamlesh Jain – Recognition of Excellence at CFO 100 Awards in 2018

Commenting on the performance for Q4 & 2018 Mr. Ravi Jaipuria, Chairman, Varun Beverages Limited said,

"We have ended the year on a strong note delivering a robust topline growth of 49% and EBITDA growth of 47% in Q4. Organic volume growth in India was robust at 28% on the back of a strong festive season. The trends for the full year have also been encouraging as we have reverted to our historical growth trends with revenue growth of 28%. This was led by robust volume growth of 21.9% and value growth of ~5.6%, driven by the introduction of higher realization products. Our India business has delivered organic volume growth of 13.3% for 2018. PAT increased by 40% YoY driven by strong volumes in India as well as Zimbabwe, where we have recorded ~15 million cases in only 10 months since we commenced operations.

Further, we are excited to share that VBL and PepsiCo India are further strengthening their close to three-decade long partnership. We recently concluded the acquisition of PepsiCo India's previously franchised territories of parts of Maharashtra, parts of Karnataka and parts of Madhya Pradesh. We have also entered into a binding agreement with PepsiCo India to acquire franchise rights in South and West regions from PepsiCo for a national bottling, sales and distribution footprint, subject to receipt of necessary statutory approvals.

Acquisitions have been a key component of the Group's growth strategy for many years and substantially accelerated our revenue growth rate, profitability and cash flow. We are confident that this development



will help us acquire greater scale, operational productivity and efficiency leading to higher revenues and profitable growth and should generate better asset usage as the seasonality in these regions is relatively lower. This comes as a welcome force multiplier to our efforts to aggressively expand our beverage business across geographies. This consolidates our dominant position as a key player in the beverage industry and post the proposed acquisition, Upon completion, VBL will account for 80%+ of PepsiCo India's beverage sales volumes in India from 51% earlier, and expand our presence to 27 States and 7 Union Territories. The acquisitions have been made in line with the guidelines that have been laid out by the Board.

As we enter the new year we are on a strong footing. We have created a stronger business with several value accretive acquisitions, continuously enhanced our product portfolio, and are well-poised to capitalize on the significant growth potential in our target markets for many years to come on the back of our end-to-end execution capabilities and presence across the entire beverage value chain."

– ENDS –

About Varun Beverages Limited:

Varun Beverages Limited (VBL) is a key player in beverage industry and one of the largest franchisee of PepsiCo in the world (outside USA). The Company produces and distributes a wide range of carbonated soft drinks (CSDs), as well as a large selection of non-carbonated beverages (NCBs), including packaged drinking water sold under trademarks owned by PepsiCo. PepsiCo CSD brands produced and sold by VBL include Pepsi, Diet Pepsi, Seven-Up, Mirinda Orange, Mirinda Lemon, Mountain Dew, Seven-Up Nimbooz Masala Soda, Evervess, Sting, Gatorade and Slice Fizzy Drinks. PepsiCo NCB brands produced and sold by the Company include Tropicana Slice, Tropicana Frutz, Tropicana Juices (100%, Delight, Essentials), Nimbooz, Quaker Value-Added Dairy as well as packaged drinking water under the brand Aquafina.

VBL has been associated with PepsiCo since the 1990s and have over two and half decades consolidated its business association with PepsiCo, increasing the number of licensed territories and sub-territories covered by the Company, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in the portfolio, and expanding the distribution network. As on date, VBL has been granted franchises for various PepsiCo products across 22 States and 2 Union Territories in India. India is the largest market and contributed ~71% of revenues from operations (net) in Fiscal 2018. VBL has also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

For further information, please contact:

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Safe Harbor

Certain statements in this communication may be 'forward looking statements' within the meaning of applicable laws and regulations. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation and labour relations. Varun Beverages Ltd (VBL) will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

