

Coca-Cola Amatil Ltd

Consumer Staples

HOLD

CCL A\$13.38 **TARGET PRICE A\$13.36**

Coca-Cola Amatil Limited, together with its subsidiaries, prepares, distributes, and sells non-alcoholic and alcoholic ready-to-drink beverages in Australia, New Zealand, Indonesia, Papua New Guinea, Fiji, and Samoa.

Company Data

Number of shares	724.0 M
Market Capitalisation	\$9,679.9 M
Free float (%)	68.6
12-month high/low	\$13.41/\$7.94
Average Daily Turnover (\$m)	18.24
% S&P/ASX200	0.50%
DDM Ranking	191
% All Ordinaries	0.43%
GICS Industry Group	Food, Beverage & Tobacco

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end December	2020A	2021F	2022F	2023F
Revenue (\$M)	4,762.1	4,959.9	5,212.5	5,639.4
EBITDA (\$M)	898.9	966.9	1,038.1	1,096.6
Reported NPAT (\$M)	179.9	359.9	430.9	469.2
Adjusted NPAT (\$M)	340.3	388.8	434.3	469.2
Reported EPS (c)	24.8	52.5	58.5	64.8
Adjusted EPS (c - FD)	47.0	53.5	59.6	64.8
Adjusted EPS growth (%)	-13.6	13.9	11.2	8.8
Adjusted P/E (x)	28.4	24.9	22.3	20.6
Dividend (c/sh)	27.0	43.3	49.1	52.0
Gross yield (%)	2.7	4.3	4.9	5.1
Net yield (%)	2.0	3.2	3.7	3.9
ROIC (%)	10.8	12.5	13.9	15.0

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Full Year Results Media Release

On 18th February, Coca-Cola Amatil Ltd (CCL) released their interim results for the full year ended 31 December 2020 with the following highlights:

- Results consistent with January 2021 trading update;
- Improvement in trading performance in Australia and New Zealand in 2H20, in line with easing of COVID-19 lockdown measures;
- FY20 volumes down 8.4% (2H down 5.4%) and trading revenue down 6.1% (2H down 3.3%) on FY19;
- Tight cost management delivered \$140 million of savings in FY20 of which approximately \$60 million are permanent;
- Ongoing EBITDA down 9.0% (2H up 0.1%) and ongoing EBIT down 13.9% (2H up 3.2%);
- Ongoing NPAT of \$340.3 million down 13.6% on FY19;
- Statutory NPAT of \$179.9 million down 51.9% on FY19 inclusive of non-trading items (NTIs) which were largely due to the Indonesia impairment;
- Net debt reduction of \$289.4m on FY19, reflecting a significant improvement in working capital;
- The Board has declared a 18.0 cents per share (cps) fully franked final dividend.

Group Ongoing Performance Measures	FY20	FY19	% change
Volume (muc)	617.6	674.4	(8.4)
Trading Revenue (A\$m)	4,762.1	5,070.6	(6.1)
Ongoing EBITDA (A\$m)	898.9	987.4	(9.0)
Ongoing EBIT (A\$m)	550.7	639.3	(13.9)
NPAT (A\$m):			
o Statutory	179.9	374.4	(51.9)
o Ongoing	340.3	393.9	(13.6)
Net Debt (\$Am)	1,462.1	1,751.5	(16.5)

Outlook

Whilst the impacts of COVID-19 on trading are continuing to evolve, the Company's 2H20 performance has demonstrated that when pandemic mobility restrictions are eased and confidence increases Amatil is able to respond rapidly.

Uncertainty as to the timing and impact across their various markets remains, as does uncertainty around trading conditions, with the pandemic still progressing in Indonesia and the reduction of government stimulus in Australia.

CCL MD Alison Watkins said:

"In the immediate term we remain focused on continuing to drive market share gains, growing our presence in e-commerce and delivering our Fighting Fit cost efficiencies."

"We are confident that our enhanced competitive position together with our strong balance sheet, ample liquidity, robust cashflows and solid credit rating position us well financially and operationally to emerge a stronger, better business."

Earnings changes

For FY20 CCL reported adjusted NPAT of \$340.3M which is largely in line with market expectations of \$335.9M. Hence, we don't expect any significant earnings revisions.

Valuation

We are initiating on CCL with a price target of \$13.36 and a HOLD recommendation. The price target is underpinned by our Valuation.

23 February 2021

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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23 February 2021

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Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)