

# PROPOSED ACQUISITION OF COSTA LIMITED



AUGUST 31, 2018

# FORWARD-LOOKING STATEMENTS

This presentation may contain statements, estimates or projections that constitute “forward-looking statements” as defined under U.S. federal securities laws. Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will,” “plan,” “seek” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from The Coca-Cola Company’s historical experience and our present expectations or projections. These risks include, but are not limited to, obesity and other health-related concerns; water scarcity and poor quality; evolving consumer preferences; increased competition; product safety and quality concerns; perceived negative health consequences of certain ingredients, such as non-nutritive sweeteners and biotechnology-derived substances, and of other substances present in our beverage products or packaging materials; an inability to be successful in our innovation activities; increased demand for food products and decreased agricultural productivity; an inability to protect our information systems against service interruption, misappropriation of data or breaches of security; changes in the retail landscape or the loss of key retail or foodservice customers; an inability to expand operations in emerging and developing markets; fluctuations in foreign currency exchange rates; interest rate increases; an inability to maintain good relationships with our bottling partners; a deterioration in our bottling partners’ financial condition; increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters; increased or new indirect taxes in the United States and throughout the world; failure to realize the economic benefits from or an inability to successfully manage the possible negative consequences of our productivity initiatives; inability to attract or retain a highly skilled and diverse workforce; increased cost, disruption of supply or shortage of energy or fuels; increased cost, disruption of supply or shortage of ingredients, other raw materials, packaging materials, aluminum cans and other containers; changes in laws and regulations relating to beverage containers and packaging; significant additional labeling or warning requirements or limitations on the marketing or sale of our products; unfavorable general economic and political conditions in international markets; litigation or legal proceedings; failure to adequately protect, or disputes relating to, trademarks, formulae and other intellectual property rights; adverse weather conditions; climate change; damage to our brand image or corporate reputation from negative publicity, even if unwarranted, related to product safety or quality, human and workplace rights, obesity or other issues; changes in, or failure to comply with, the laws and regulations applicable to our products or our business operations; changes in accounting standards; an inability to achieve our overall long-term growth objectives; deterioration of global credit market conditions; default by or failure of one or more of our counterparty financial institutions; an inability to renew collective bargaining agreements on satisfactory terms, or we or our bottling partners experience strikes, work stoppages or labor unrest; future impairment charges; multi-employer pension plan withdrawal liabilities in the future; an inability to successfully integrate and manage our company-owned or -controlled bottling operations or other acquired businesses or brands; an inability to successfully manage our refranchising activities; failure to realize a significant portion of the anticipated benefits of our strategic relationship with Monster; global or regional catastrophic events; risks and uncertainties relating to the transaction, including the risk that the businesses will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected, which could result in additional demands on our resources, systems, procedures and controls, disruption of our ongoing business and diversion of management’s attention from other business concerns; the possibility that certain assumptions with respect to Costa or the transaction could prove to be inaccurate; the failure to receive, delays in the receipt of, or unacceptable or burdensome conditions imposed in connection with, all required regulatory approvals and the satisfaction of the closing conditions to the transaction; the potential failure to retain key employees as a result of the proposed transaction or during integration of the businesses and disruptions resulting from the proposed transaction, making it more difficult to maintain business relationships; the response of customers, policyholders, brokers, service providers, business partners and regulators to the announcement of the transaction and other risks discussed in our company’s filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2017 and our subsequently filed Quarterly Reports on Form 10-Q, which filings are available from the SEC. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. The Coca-Cola Company can give no assurance that the expectations expressed or implied in the forward-looking statements contained herein will be attained and undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

# NON-GAAP MEASURES

This presentation contains disclosure of the EBITDA, or underlying earnings before interest, tax, depreciation and amortization, excluding income from joint ventures, and revenue of Costa for the fiscal year 2018 (ending March 1, 2018), which may be deemed to be non-GAAP financial measures within the meaning of Regulation G promulgated by the SEC. Costa uses a range of measures to monitor its financial performance, which include both statutory measures in accordance with International Financial Reporting Standards (“IFRS”) and alternative performance measures which are consistent with the way that business performance is measured internally and which are believed to provide both management and investors with useful additional information about the financial performance of Costa’s business. Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that Costa considers relevant for comparison of the financial performance of Costa’s business either from one period to another or with other similar businesses. Costa’s calculation of EBITDA for the 52 weeks ended March 1, 2018, is as follows:

	£m
Underlying profit before tax	158.3
Income from joint ventures	(0.2)
Net finance revenue	0.6
Underlying depreciation and amortization	79.5
Underlying EBITDA	238.2

The above unaudited historical financial information relating to Costa has been extracted without material adjustment from the underlying consolidation schedules used in preparing Whitbread PLC’s consolidated financial statements for the financial year ended March 1, 2018. EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP; accordingly, EBITDA may not be comparable to similar measures presented by other companies. EBITDA should be considered in addition to, and not as a substitute for, or superior to, operating income, cash flows, revenue, or other measures of financial performance prepared in accordance with GAAP. EBITDA is not a completely representative measure of either the historical performance or, necessarily, the future potential of Costa.

# THE AGENDA FOR TODAY

- Strategic Context
- Value Creation Potential
- Transaction Overview
- Next Steps

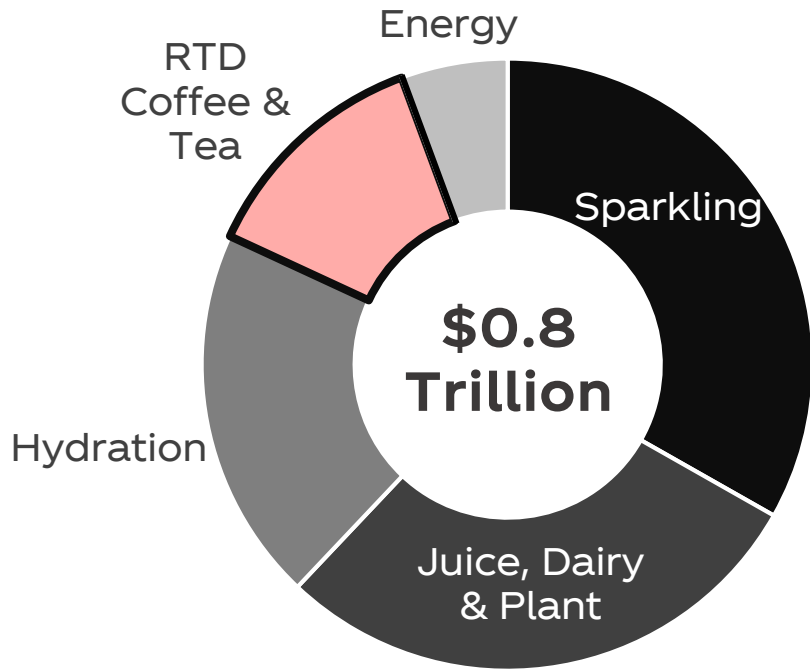
# THE ACQUISITION OF COSTA PROVIDES A COMPELLING STRATEGIC RATIONALE

- Coffee is significant, on-trend, fast-growing and profitable
- Costa has a strong consumer proposition
- Scalable coffee platform to engage with consumers across multiple formats and channels
- Opportunity for value creation via Costa's capabilities and Coca-Cola's marketing expertise and global reach

# ACCELERATING OUR MOVE TO A TOTAL BEVERAGE COMPANY REQUIRES FOCUSING ON HOT BEVERAGES

*The Coca-Cola Company*

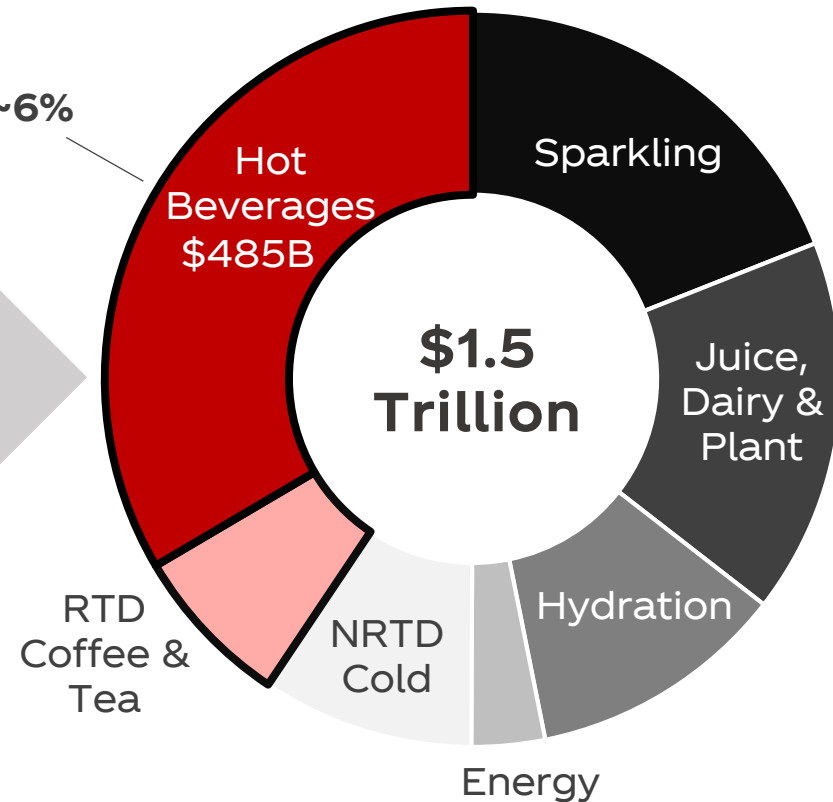
NARTD Beverages



**THE COCA-COLA COMPANY**

Hot & Cold Beverages


Growing ~6%





# WE HAVE BEEN COMPETING AND LEADING ONLY IN THE SMALLEST SEGMENT WITHIN THE HALF TRILLION DOLLAR GLOBAL COFFEE & TEA INDUSTRY

**GLOBAL COFFEE & TEA\* ~\$570B**

**Out of Home ~\$360B**



Other Out of Home 80%

Coffee Shops 20%

**NRTD ~\$125B**



**RTD ~\$85B**



THE COCA-COLA COMPANY

**TCCC Market Share**

**<1%**

**<1%**

**~15%**

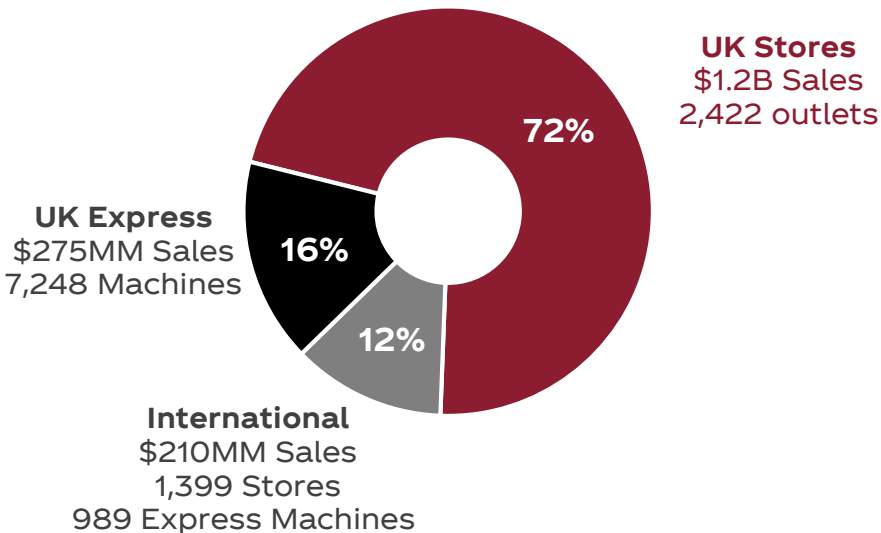
\* Hot & Cold, Includes other hot  
 Source: RTD & Other OOH Brewed/Dispensed = Company estimates; NRTD = Euromonitor; Coffee Shops = Euromonitor

# COSTA: A PROFITABLE BUSINESS WITH SCALE IN THE UK AND ATTRACTIVE GROWTH AREAS

## Multi-National Coffeehouse Based in the UK

**\$1.7B Sales / \$312MM EBITDA**

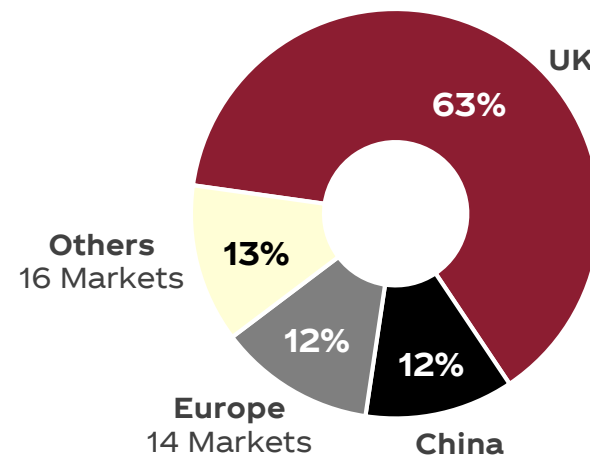
**Sales Mix**  
(2018, %)



## Retail Presence in 30+ Markets

**3,821 Stores**

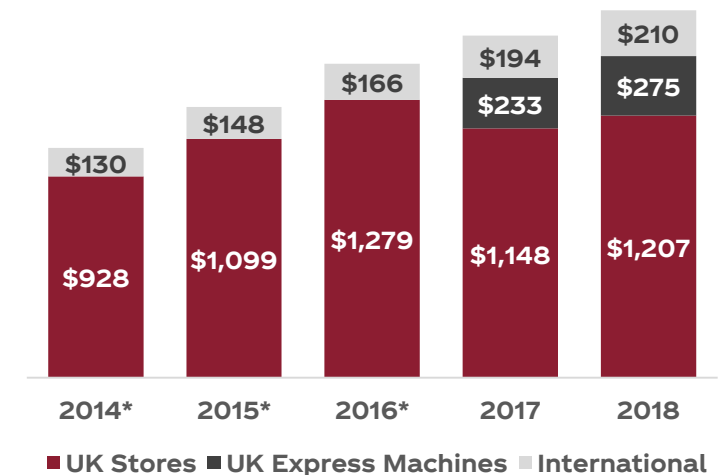
**Stores Mix**  
(2018, % Excludes Express)



## Increasing Sales Across Three Streams

**12.5% CAGR**

**Revenue Trends (\$MM)**



\*UK Costa Express not disclosed prior to 2017.

# OUR VISION IS TO CREATE A WORLD CLASS LEADING COFFEE BUSINESS



- **STARTS WITH DELIVERING THE BEST COFFEE, ACROSS WIDE-REACHING FORMATS**
  - **USE STORES FOR BRAND-BUILDING**
  - **LEVERAGE COCA-COLA'S MARKETING EXPERTISE AND GLOBAL REACH**



# THE COSTA ECOSYSTEM PROVIDES THE EDGE REQUIRED TO BUILD A GLOBAL LEADERSHIP POSITION IN COFFEE

## COFFEE EXPERTISE

- Sourcing, roasting
- Coffee Express (fresh beans, fresh milk)

## HOT CAPABILITY

- Perfect serve
- Temperature management
- Equipment & supplies

## RETAIL FOOTPRINT

- Second-largest coffee house in the world
- Format breadth
- Location scouting, management



## BRAND CREDENTIALS

- Strong heritage, European / Italian roots
- Unique mocha Italia blend
- Credibility to leverage with customers globally

## EXPERIENCE-LED BRAND BUILDING

- Exceptional quality
- 5MM+ Costa Coffee Club members

## UK LEADERSHIP

- #1 in UK
- 35%+ share of coffee houses
- 10% top-line growth
- Growing international footprint

# BUILDING A GLOBAL COFFEE BUSINESS THROUGH MULTIPLE AVENUES



## Use Retail to Build Brand & Experience

- Capitalize on consumers' preference for 'third place' experiences by enhancing the attributes of Costa coffee
- Leverage current Coffee Club membership base to build / expand our direct-to-consumer digital marketing capabilities



## Provide Total Beverage Solutions to Customers

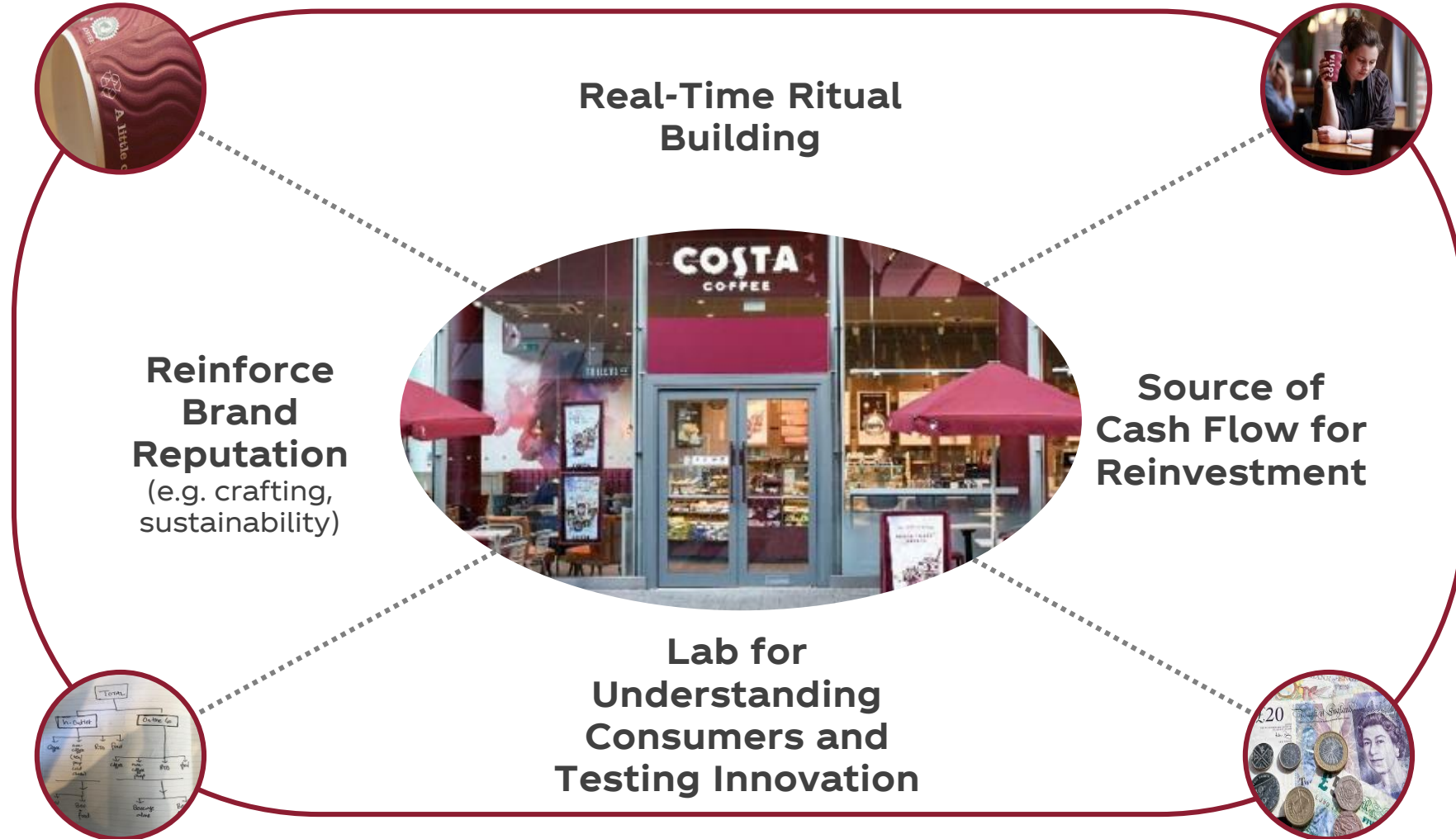
- Leverage Costa's coffee supply chain capabilities to provide total beverage solutions to customers
- Multiple retail solutions available - Costa Express, beans, roast & ground, other



## Expand Consumption Occasions (Cold | Hot)

- Launch the brand in both ready-to-drink and at-home consumption products globally

# USE THE RETAIL PRESENCE STRATEGICALLY TO BUILD THE BRAND AND EXPERIENCE



# COSTA PROVIDES A PLATFORM TO REIMAGINE OUR BEVERAGE SOLUTIONS FOR CHANNELS AND CUSTOMERS

## Leverage System's Capabilities to Expand Total Beverage Solutions

### Sourcing and Roasting



Modern Roasting Facility with Capacity

Strong Sourcing Capabilities

### Convenience Stores, Cinemas, @Work, Transit



Vending

### Hotels, Cafes, Restaurants, Fine Dining



Total Beverage Solutions

### Food Service Chains



Beans and Machines

# EXPAND INTO NEW CONSUMPTION OCCASIONS

Launch Globally as a Cold | Hot RTD Coffee Brand, Extend Rapidly to New Formats & Products

### Positioning

Consumer Insights | Marketing Capabilities to Define Brand Edge

### Expand Cold RTD Coffee

Launch in New Geographies

### Launch Hot RTD Coffee

Innovate in Hot RTD Packs

### @Home Solutions

Expand Beans, Roast & Ground, Pods & Others

### Portfolio

Potential to Extend to Hot Tea & Cocoa

# TRANSACTION DETAILS

- Acquire all the issued and outstanding shares of Costa Limited, a wholly owned subsidiary of Whitbread
- Purchase price of £3.9 billion or \$5.1 billion\* (16.4x 2018 EBITDA)
- Expected to be slightly accretive to earnings in first full year
- Funded with existing cash on hand
- Net Debt Leverage\*\* expected to increase 0.3x post-closing

\*Assumes GBP/US exchange rate of 1.31

\*\*Non-GAAP, defined as net debt divided by trailing twelve month EBITDA. Net debt is calculated by subtracting total cash, cash equivalents and marketable securities from gross debt.

# NEXT STEPS

- Whitbread to obtain shareholder approval, expected by end of October
- File required anti-trust documents for EU and China
- Transaction expected to close in the first half of 2019

# UNLOCKS ENTRANCE INTO FAST-GROWING, HALF TRILLION DOLLAR BEVERAGE SEGMENT

- Costa is a strong brand with great-tasting coffee
- Costa has a platform that crosses multiple formats and channels
- Opportunity for value creation via Costa's brand capabilities and Coca-Cola's marketing expertise and global reach



## THE COCA-COLA COMPANY





# **APPENDIX**

# COSTA BY THE NUMBERS (2018)



- **23.5 million customers** each month



- Voted **U.K.'s favorite coffee shop** for 8 consecutive years
- Preferred 2.8x vs. Starbucks in the UK



- **~3,800 stores in 32 countries**
  - 51% equity / owned / JVs
  - 49% franchised
  - >60% of stores in UK



- **>16,000 employees**



- **~8,200 Costa Express** vending machines across multiple countries



- **5.4 million active Costa club members** (loyalty program)
  - ~40% of UK sales to Costa club members
  - >1.7 million active Costa app users

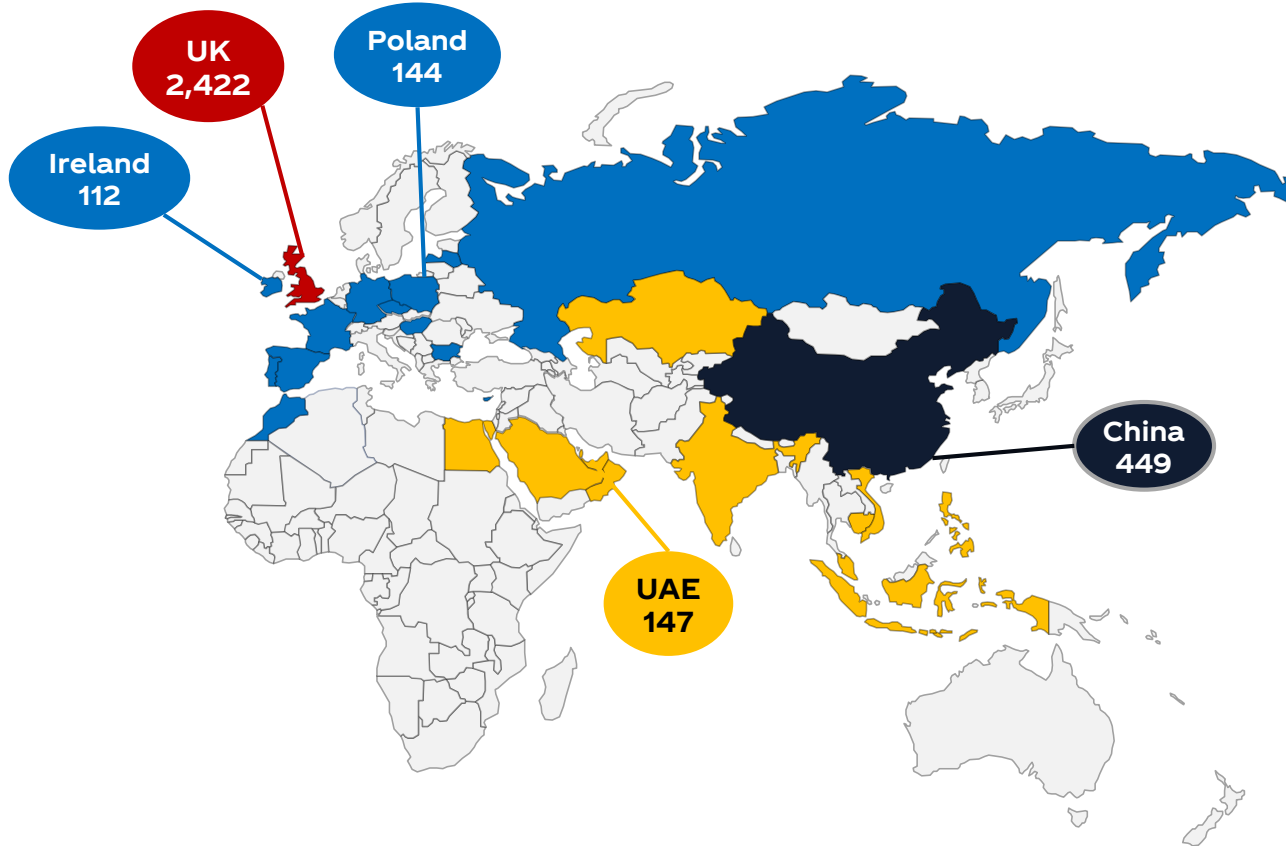
# RETAIL COFFEE SHOP STORE FOOTPRINT PROVIDES BRAND BUILDING & FLAGSHIP STORE OPPORTUNITY

3,821 Stores Across 32 Countries

**COŠTA**



**COŠTA**  
DRIVE THRU



**COŠTA**  
*pronto*

	UK	China	Europe	MEA	Total
Markets	1	1	14	16	32
Total Stores	2,422	449	472	478	3,821

# ROASTERY PROVIDES BEST IN CLASS SUPPLY CHAIN CAPABILITIES

- All Costa coffee sold globally\* is roasted in a single, new roasting facility in the UK
- Expert coffee blenders and coffee tasters
- Production capacity offers ability to expand
- New packing lines being added to provide retail packs
- CSR credentials: first industrial processing building to BREEAM Outstanding to the latest 2014 standards.



## Sourcing

- All coffee sourced from Rainforest Alliance certified growers
- Sourced from highest quality beans across 10 countries
- Communities supported by Costa Foundation
- Coffee beans acquired to specs by brokers