Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, Level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235
t (02) 9252 4244 | f (02) 9071 9877
e share@asa.asn.au

| | |
|---|---|
| **Company** | Coca-Cola Amatil |
| **Code** | CCL |
| **Meeting** | AGM |
| **Date** | 15 May 2019 |
| **Venue** | Isabel Menton Theatre, 11 Mount Street, North Sydney |
| **Monitor** | Roger Ashley assisted by Gary Barton |

| | |
|---|---|
| **Number attendees at meeting** | 55 shareholders, 4 proxy holders and 95 visitors |
| **Number of holdings represented by ASA** | 142 |
| **Value of proxies** | $5.0m, the equivalent of the 16th largest shareholder |
| **Number of shares represented by ASA** | $0.57m |
| **Market capitalisation** | $6.4 bn |
| **Were proxies voted?** | Yes, on a poll |
| **Pre-AGM Meeting?** | Yes, with Chair Ilana Atlas and Director John Borghetti |

# Will Transition succeed?

Between the Chairman and CEO the financial results were reviewed along with more inspiring comments on working with the company's business partners, its culture, people and sustainability, including laudable efforts to reduce packaging, increase recycling and use of renewables and reducing the company's carbon footprint. Changes in product formulation to reduce sugar content also featured prominently.

2018 was deemed to be the first of a two year "transition" in which investments in the core businesses would return the company to mid-single digit growth in 2020, following the second year. In reality, as the ASA representative pointed out, Australian Beverages and Indonesia represent the best part of three-quarters of the company's sales and profits and it is in the former segment where transition funds are largely directed including a 97-person sales force and support increase. The other business segments, New Zealand and Alcohol & Coffee are performing well but they are a smaller part of the mix. The upshot is that the company is forecasting unquantified growth in Australian Beverages in 2020 (post transition) and volume growth in Indonesia albeit with ongoing adverse economic conditions.

The final dividend pay-out ratio was 87.6% and this was behind ASA's question whether the company's cash flow could support this level given that the 2018 dividend exceeded cash flow from operations net of investments. While assurances were given that future cash flows would not be adversely impacted, it is difficult to believe that this level of pay-out can be sustained.

Other than ASA's input from the floor, there were only three other speakers. One asked whether franking credits would be maintained, whether the sale of SPC would give rise to a special dividend and why audit fees were increasing. The response was that higher audit fees reflected accounting policy changes in 2018 and it was too early to answer the other questions.

A question on the refusal of Indonesian management to recognise an independent union movement was vigorously defended by the CEO who seemed to be well briefed on the situation. Another shareholder took issue with the fact that a replacement Director for Catherine Brenner had not been named despite the Board having been aware of her retirement for some time, a not unreasonable observation.

We voted for all resolutions other than the 2019-21 Long-Term Incentive Plan due to the removal of the EPS hurdle. All resolutions passed by more than 97%.