frigoglass group

Frigo DebtCo plc Investor Update

31 October 2024

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Introductory remarks: Recap since April 2023 Restructuring

- Pursuant to the restructuring which was consummated in April 2023, Frigoglass Group's capital structure was reconstituted as follows:
  - Conversion of the €110 million of 2025 Notes[1] to equity and issuance of €150 million of Existing Second Lien Notes[2]
  - Issuance of €75 million of Existing Senior Secured Notes[2]
  - Establishment of Frigo DebtCo plc (the "Company") – a UK company – which is both the issuer of the Existing Second Lien Notes and Existing Senior Secured Notes and the owner of Frigoglass Group
  - Frigo DebtCo plc is owned 85% by Group's bondholders and 15% by the Group's old shareholders (Frigoglass S.A.I.C.)
- A key element of the restructuring was the reconstitution of the board of Frigo DebtCo plc, whereby the Company's control shareholders appointed three representatives which would drive an aggressive transformation plan with the dual mission of (i) creating value across the Group's two businesses and (ii) realizing value at the appropriate time
- Over the past 18 months the board's strategy & transformation committee has led an intense effort focused on value creation for stakeholders by making significant changes across the Group's ICM and glass packaging segments
  - The plan for each segment incorporated six elements: (i) Balance sheet & liquidity; (ii) Strategy; (iii) Management & incentives; (iv) Cost & operational improvements; (v) Commercial activities regarding customers & product portfolio; and (vi) Corporate presence & standing
  - Over the course of the period the plan was adjusted to address several major unexpected developments such as loss of volume from a major customer due to a strategic shift, challenges in getting ICM's new plant in Romania to reach optimum operational performance, logistics cost challenges due to the Red Sea shipping crisis, the Naira's devaluation, inflation and impact on consumer spending in Nigeria
  - The two business segments have had different sets of challenges and, as such, the focus of the transformation in each segment has been tailored according to their needs and priorities
  - The results of these changes have been significant along each of those six elements and are reviewed later in this presentation

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Notes:
1. The €260 million senior secured notes due 2025 issued on 12 February 2020 by Frigoglass Finance B.V.
2. €75.0 million 4.00% Cash Interest and 7.00%/8.00% PIK Toggle Interest Senior Secured Notes due 2026 (the "Existing Senior Secured Notes") and €150.0 million Senior Secured Second Lien Notes due 2028 (the "Existing Second Lien Notes") issued on 27 April 2023

Introductory remarks: Transaction overview & Go-Forward Plan

- As part of Frigoglass Group continuing its transformation plan, Frigo DebtCo plc intends to pursue a notes purchase agreement for a private placement of €20 million in aggregate principal amount of 4% Cash Interest and 11.5% PIK Interest Senior Secured Notes due 2026 (the "New Senior Secured Notes")
- The net proceeds from the offering of the New Senior Secured Notes will be used to:
  - Fund the cash interest payment due on November 1, 2024 on its Existing Senior Secured Notes and Existing Second Lien Notes;
  - Fund upcoming working capital and capital expenditure requirements to continue its business operation;
  - Support future plans
- The financing provides Frigoglass with sufficient runway to fund its operating requirements and meet its upcoming financial obligations and thereafter to continue its transformation plan
- The notes' offering is supported by the vast majority of the Company's senior creditors and is a validation of the aggressive transformation that has taken place since the consummation of the restructuring in April 2023
- The Company's focus moving forward is to:
  - Continue driving value creation efforts for its stakeholders by leveraging the momentum it has built to accelerate top line growth, enhance profitability and further strengthen its strategic position in its two major operating segments
  - Pivot towards value realization of its Commercial Refrigeration and Glass businesses

Illustrative pro forma capital structure

€m, as at Sept-24	Pre-Offering	*Adj.*	Post-Offering[1]		
Instrument	**Amount**	***Delta***	**Amount**	**Maturity**	**Interest**
ICM Local Facilities[2]	14		14	Various	Various
Glass Local Facilities	30		30	Various	Various
Local Facilities	**44**		**44**		
New Senior Secured Notes		*20*	20	Mar-26	4% Cash + 11.5% PIK
Existing Senior Secured Notes	81	*3*[3]	84	April-26	4% Cash + 8% PIK
Existing Second Lien Notes	165	*7*[3]	172	April-28	3% Cash + 8% PIK
Senior Secured Debt	**246**	***30***	**276**		
Accrued Interest	23[4]	*-14*[5]	9		
IFRS 16 Leases	3		3		
Group Gross Debt	**316**	***16***	**332**		
Cash and Cash Equivalents	16[6]	*15*[7]	31		

Notes:
1. Assumes the minimum cash interest payment for Existing Senior Secured Notes and Existing Second Lien Secured Notes on November 1, 2024
2. ICM Local Facilities include €4.1m in Romania, €2.6m in India and €7.1m in Russia
3. Accrued interest until end of October which is then capitalized on November 1, 2024
4. Adjusted to include accrued interest of the Existing Senior Secured Notes and Existing Second Lien Secured Notes for October 2024 (€2.3m)
5. Including the payment of €4.1 million cash interest of Existing Senior Secured Notes and Existing Second Lien Secured Notes
6. Cash and cash equivalents includes cash in Nigeria (€9m) and Russia (€0.9m). As a result of sanctions and other restrictions, the usage of cash held in Russia outside of the country is restricted
7. Assumes drawdown of New Senior Secured Notes, the payment of the cash interest on the Existing Senior Secured Notes and Existing Second Lien Secured Notes on November 1, 2024 and estimated fees related to the offering

New Instrument Terms

New Senior Secured Notes |Key terms

Providers	Certain noteholders of the Existing Senior Secured Notes due 2026
Issuer	Frigo DebtCo plc
Facility	Standalone senior secured notes
Amount	€20 million issued utilizing the available capacity under Section 4.09(b)(1) of the Existing Senior Secured Notes Indenture and the Existing Second Lien Notes Indenture
Maturity	17 months from the Issue Date
Margin	▪ 4% cash + 11.5% PIK ▪ Paid / accrued semi-annually
Ranking and Security	▪ Pari passu with the Existing Senior Secured Notes ▪ Within 20 Business Days, same guarantor and collateral package, as for the Existing Senior Secured Notes, subject to the Agreed Security Principles in the ICA ▪ Additional ICA to ensure priority vis-à-vis Existing Senior Secured Notes and Existing Second Lien Notes with respect to distribution of any enforcement proceeds ▪ Priority mandatory redemption with certain proceeds of an ICM Sale or a Glass Sale
Guarantors	Comprehensive guarantee package including asset and share security as per the Existing Senior Secured Notes
Use of Proceeds	Payment of cash interest due on November 1, 2024 on the Existing Senior Secured Notes and the Existing Second Lien Notes, general corporate purposes and payment of transaction fees and expenses
Covenants	No maintenance financial covenant; incurrence covenants as per Existing Senior Secured Notes
Distribution	Private placement; Regulation S only
Governing Law	New York law

Business Plan Summary

Commercial Refrigeration: Progress of transformation plan

Organization

- Appointment of Group CEO who also assumed responsibility for the ICM segment
- Appointment of COO to drive operational efficiency
- Cost-out initiatives at Head Office
- Implementation of Management incentive scheme to align interest with stakeholders
- Alignment of organization structure with priorities
- Allocation of additional resources to drive business development and innovation initiatives

Revenue

- Diversification of customers in Europe
- Record volume in India (>170k units in 2024)
- Strategic partnership in Egypt (November 2024), enabling Frigoglass to increase its penetration in the rapidly growing MENA region
- Frigoserve network expansion through a new hub in Sweden; Roadmap to further enhance presence in both existing and new markets
- Increase market penetration in Europe and SE Asia, unlock new markets and enhance profitability through upcoming product launches
- On-track to launch Energy A class cooler by H1 2025
- Assess opportunities in vending industry through innovative cooler solutions

Profitability

- Improvement of contribution margin from negative to double-digit for its high-volume model
- Ongoing sourcing initiatives to improve material cost
- Technical modifications to improve cost/unit
- Upgraded offering through market leading options
- Productivity improvements by reduction of inefficiencies
- Increase profitability through sales growth initiatives

Liquidity

- Improvement of inventory planning processes in Romania and India
- Monetisation of its non-core assets (idle Greek plant sale completed)
- Improvement of collections by 4 days (2024 vs 2023)

Corporate Communication

- New brand identity and corporate logo
- Standalone Frigoserve logo and brand identity
- Launch of a revamped Group website
- Active in media
- Participate in trade fair BrauBeviale 2024 in November
- Ongoing actions to increase brand awareness

ICM (excl. Frigoglass Eurasia) Outlook: 2023A – 2026E

Key Drivers

- Expand geographical footprint by entering the Egyptian market (population of 100 million), resulting in c.€15m annual sales by 2026
- Gain market share in Europe by the development of a compelling value proposition for new customers, resulting in expected incremental annual sales of c.€18m by 2026
- Launch new products in selected markets, differentiated from competitors, to gain market share in East Europe and Southeast Asia with key customers, resulting in c.€16m annual sales by 2026
- Continue the expansion of the asset performance services network with entry in new geographies in Europe, Africa and Egypt, resulting in €5m incremental sales by 2026
- Execute strategic sourcing and procurement initiatives to drive material cost reduction and realize productivity savings, resulting in EBITDA margin enhancement
- The above factors moderated by lower sales in India and South Africa due to increased competition

Financial Highlights[4]

€m	Actual	Projections		
	2023A	**2024E**	**2025E**	**2026E**
ICM[1]				
Sales	**246**	**241**	**271**	**309**
Reported EBITDA[2]	**-3**	**5**	**14**	**25**
EBITDA Margin (%)	*-1%*	*2%*	*5%*	*8%*
Capex	**15**	**5**	**7**	**5**
Δ Net Trade Working Capital[3]	**-4**	**-4**	**-4**	**-6**

Notes:
1. Excluding its Russian subsidiary Frigoglass Eurasia LLC
2. Reported ICM EBITDA includes €2.1m allocation of Group expenses to Glass
3. Defined as change in Inventory, Trade Receivables and Trade Payables
4. The assumptions involve known and unknown risks, uncertainties, and other factors outside the control of the Company Group. The principal risks and uncertainties set out in the Strategic Report, Board of Directors Report and Financial Statements for the period 6 March (date of incorporation) to 31 December 2023 should also be considered

ICM strategic and value realization considerations

- The ICM market is fragmented with multiple players serving specific regions
- However, there has been increased M&A activity in the sector over the past year (acquisition of Imbera & Torrey by private equity; Hoshizaki's acquisition of 25% of Fogel)
- Frigoglass' ICM business represents a compelling platform for market consolidation
  - The only truly global player serving Europe, Asia and Africa
  - Offering expanded geographical footprint and significant operational synergies
- Frigoglass is an attractive partner both in the context of a company undergoing rapid and profound transformation with significant upside, as well as its potential to transform the entire industry structure with the right partner
  - Valuation likely driven by its medium to long term outlook on a stand-alone basis, plus
  - Strategic and financial synergies resulting from a combination in terms of cost and top line synergies, plus
  - Multiple arbitrage with larger global refrigeration players trading at higher multiples than smaller players
- Key attributes of Frigoglass include:
  - A leader with significant presence in key markets, serving customers in Europe, Asia and Africa
  - Strategically located manufacturing operations worldwide with a new state-of-the-art cooler plant in Timisoara, Romania
  - Long-term relationships with iconic global beverage brands
  - Premium European brand, broad product offering and innovation at the core of its DNA
  - Sustainability leader with platinum Ecovadis rating for 3 consecutive years – top 1% of its industry
  - Well-positioned, competitive and profitable Asset Performance Services offering
  - Experienced and committed management team

Glass: Progress of Transformation plan

Organization

- Restructuring of top management team with appointment of a new CEO and CFO
- Appointment of COO to drive profitability related initiatives
- Restructuring of the board with appointment of four new Independent NEDs to better align incentives, deepen skill set, and drive growth
- Alignment of organization with operational and value generation priorities
- Strengthen commercial, marketing and business development capabilities
- Communication of long-term incentive plan aligned with stakeholders’ priorities

Revenue

- Implementation of agile pricing to absorb faster cost escalation and FX changes – significant change in repricing period from annual/nine months to quarterly
- Strong focus on customer centricity
- Development of an export strategy; 9M 2024 exports up 39% y-o-y
- Assess opportunities for collaboration with distributors outside Nigeria

Profitability

- Improvement of EBITDA margin through agile pricing; Q3 2024 EBITDA margin of c.26% (vs 10.6% in Q1 2024)
- Development of sourcing strategy to minimize stockouts; no disruption in the last 12-months
- Completion of a furnace cold-repair in June in record time and plan for a rebuild in 2025
- Cost efficiency, quality and flexibility benefits through furnace cold-repair

Liquidity

- Improvement of collections by 10 days (2024 vs 2023)
- Enhancement of banking partners portfolio

Corporate Communication

- New brand identity and corporate logo
- Launch of Beta Glass website in English and French
- Participation in trade fair BrauBeviale 2024 in November
- Ongoing actions to increase brand awareness (e.g. English and French websites, commercial presence)
- Celebrate Beta Glass 50 years of operation

Glass outlook: 2023A – 2026E

Key Drivers

- Leverage market recovery from breweries and growth from soft-drinks - resulting in a 9% CAGR volume growth
- Continue implementation of commercial initiatives to deliver a more agile price adjustment mechanism as it relates to FX headwinds and cost inflation, resulting in margin enhancement
- Drive commercial activities to grow profitable volume, combined with agile pricing and cost improvement initiatives, resulting in margin expansion
- Continue developing a systematic and recurring export business
- Position for further growth in expectation of high-cost inflation to moderate in 2026
- Expect NGN/EUR rate at 1,904 in 2025-26E (vs 2023 NGN/EUR average of 707)

Financial Highlights[3]

€m	Actual	Projections		
	2023A	**2024E**	**2025E**	**2026E**
Glass				
Sales	**122**	**95**	**112**	**138**
Reported EBITDA[1]	**23**	**16**	**24**	**38**
EBITDA Margin (%)	*19%*	*17%*	*22%*	*27%*
Capex	**22**	**20**	**14**	**10**
Δ Net Trade Working Capital[2]	**0**	**-7**	**-7**	**-6**

Notes:
1. Reported Glass EBITDA includes €2.1m allocation of Group expenses
2. Defined as change in Inventory, Trade Receivables and Trade Payables
3. The assumptions involve known and unknown risks, uncertainties, and other factors outside the control of the Company Group. The principal risks and uncertainties set out in the Strategic Report, Board of Directors Report and Financial Statements for the period 6March (date of incorporation) to 31 December 2023 should be also considered

Glass strategic and value realization considerations

- Beta Glass is the leading supplier of high-quality glass containers and complementary packaging products in West and Central Africa
- The company has strong Free Cash Flow generation on significant EBITDA improvement and low capex requirements post 2025 after all major furnace rebuild work is completed
- Beta Glass is a highly compelling investment opportunity:
  - Favorable industry structure
  - Sizeable and leading manufacturing platform offering a multiple color glass furnaces capability and complementary metal crowns and plastic crates products
  - Leading position in the attractive Nigeria and West/Central African markets with increasing population and demand
  - Blue-chip customer base – relationships with nearly all top beverage brands in the region as well the burgeoning food, pharma and cosmetic segments
  - Best in class manufacturing capabilities with European efficiency
  - Technical and product development expertise
  - Strong management and operational team
  - Deep local market understanding
- Nigeria offers substantial growth opportunities due to increasing population and urbanization trends, despite the short-term challenges
- Macro situation has been challenging but is improving – interest rates and inflation expected to decline, currency volatility has improved, nevertheless any valuation will incorporate high discount rates and high nominal growth rates vs traditional western European and US comparables

Medium to long term outlook – snapshot 2023A – 2026E

€m	Actual	Projections		
	2023A	2024E	2025E	2026E
ICM[1]				
Sales	246	241	271	309
Reported EBITDA[2]	-3	5	14	25
EBITDA Margin (%)	*-1%*	*2%*	*5%*	*8%*
Capex	15	5	7	5
Δ Net Trade Working Capital[3]	-4	-4	-4	-6
Glass				
Sales	122	95	112	138
Reported EBITDA[2]	23	16	24	38
EBITDA Margin (%)	*19%*	*17%*	*22%*	*27%*
Capex	22	20	14	10
Δ Net Trade Working Capital[3]	0	-7	-7	-6
Group Sales[1]	368	336	383	447
Group Reported EBITDA[1]	20	21	38	62
EBITDA Margin (%)	*5%*	*6%*	*10%*	*14%*

Key Observations

ICM (excl. Frigoglass Eurasia)

Capex:
- 2025 includes spending related to growth and cost improvement initiatives

Working Capital:
- Working capital/sales from 16.3% in 2023 to 17.5% in 2026, driven by sales growth and payables' normalization

Glass

Capex:
- 2024-25 includes spending towards the rebuild of a glass furnace (c.€14m)
- 2026 capex refers mainly to maintenance related spending, as well as new moulds

Working Capital:
- 2024 outflow following high inventory levels
- 2025-26 outflow to support sales growth

Glass 2027-29E
- Sales to grow by a c.14% CAGR, reaching >€200m
- EBITDA margin enhancement by around 500bps to 32.5% in 2029, primarily reflecting volume leverage and consistent price increases
- Capex expected at c.€10m p.a.
- Working capital/sales to improve from 21.7% in 2026 to 14.1% in 2029

Frigoglass Eurasia LLC 2024E
- Expected sales and EBITDA of €70m and €15m, respectively

Notes:
1. Excluding its Russian subsidiary Frigoglass Eurasia LLC. As a result of sanctions and other restrictions, the usage of cash generation of Frigoglass Eurasia LLC outside of Russia is restricted
2. Reported Glass EBITDA includes €2.1m allocation of Group expenses. Reported ICM EBITDA includes €2.1m allocation of Group expenses to Glass
3. Defined as change in Inventory, Trade Receivables and Trade Payables

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