

Engine Capital Sends Letter to C&C Group’s Board of Directors Calling for a Review of Strategic Alternatives

Notes that C&C’s Current Trading Valuation of ~7x Normalized EBITDA Is Disconnected from the Strategic Value of Its Assets and Reflects a Steep Discount to Transaction Multiples in the Industry

Believes Shareholders Could Conservatively Receive Between 239.00 and 263.00 GBp Per Share in Value via a Sale, Which Would Represent a 58% Premium to the Company’s Current Trading Price at the Midpoint of this Range

NEW YORK—(BUSINESS WIRE)—Engine Capital, LP, which owns just under 5% of C&C Group Plc’s (LSE: CCR) outstanding common shares, today sent the below letter to C&C Group Plc’s Board of Directors.

June 24, 2024

C&C Group Plc
Bulmers House,
Keeper Road, Crumlin,
Dublin 12, D12 K702
Attention: Board of Directors (the “Board”)

Dear Members of the Board:

Engine Capital LP (together with its affiliates, “Engine” or “we”) is a long-term, significant shareholder of C&C Group Plc (LSE: CCR) (“C&C” or the “Company”), holding just under 5% of the Company’s outstanding common shares.

We invested in C&C more than four years ago due to the Company’s high-quality portfolio of brands, leading distribution position in the U.K. and Ireland beverage markets, strong free cash flow generation, and the ample opportunities for the Board to significantly increase shareholder value. Despite these favorable attributes, C&C has been a perennial underperformer and today is deeply misunderstood and undervalued by the market because of a combination of structural and self-inflicted problems. C&C’s current trading valuation of ~7x normalized EBITDA¹ is entirely disconnected from the strategic value of its assets and reflects a steep discount to transaction multiples in the private markets, which have averaged around 13x EBITDA.²

Given these dynamics, we believe the best path forward is for the Board to explore strategic alternatives for the Company. C&C remains a unique and strategic asset, which is why we are confident that buyers would pay a price that is far superior to its standalone value, especially

¹ Normalized EBITDA (Excluding IFRS 16) of ~€110.5M per Engine’s estimates. Assumes share price as of June 21, 2024 close of 159.00 GBp.

² See Appendix A.

considering the time value of money and execution risks (including CEO succession risks). A review of relevant and comparable transactions indicates that shareholders could conservatively receive between 239.00 and 263.00 GBp per share³ in value via a sale, which would represent a 58% premium to the Company's current trading price at the midpoint of this range.

STRUCTURAL AND SELF-INFLICTED ISSUES HAVE CONTRIBUTED TO C&C'S UNDERPERFORMANCE AND VALUATION DISCOUNT

C&C has been a perennial underperformer and has failed to create shareholder value over any relevant measurable period, as shown below.⁴

Total shareholder returns over time					
	Total Shareholder Return (YTD)	Total Shareholder Return (1-Year)	Total Shareholder Return (2-Year)	Total Shareholder Return (3-Year)	Total Shareholder Return (Since listed on LSE)
FTSE 250 Index	5.3%	13.3%	14.1%	(1.7%)	17.3%
Peer Group Average	14.6%	25.3%	18.8%	(1.6%)	24.1%
C&C Group plc	4.2%	26.1%	(14.4%)	(30.5%)	(51.7%)
<i>C&C Group vs. FTSE 250</i>	<i>(1.1%)</i>	<i>12.8%</i>	<i>(28.6%)</i>	<i>(28.8%)</i>	<i>(69.0%)</i>
<i>C&C Group vs. Peer Group Average</i>	<i>(10.4%)</i>	<i>0.8%</i>	<i>(33.3%)</i>	<i>(29.0%)</i>	<i>(75.8%)</i>

We believe this underperformance and the Company's discounted valuation are the result of structural and self-inflicted problems.

The structural issues relate to C&C's small size and the complexity of its portfolio. The Company is subscale with a small market capitalization and limited daily trading liquidity. At the same time, the business is complex with disparate assets with different financial characteristics across different geographies. As a result, the Company has no pure play peers of similar size or geographic composition, making it more difficult for public market investors to evaluate, diligence, and value it. Given these dynamics, we believe C&C makes for a poor public company and is unlikely to ever be properly valued in its current form.

The Company has also suffered from a host of self-inflicted issues over the last few years, including succession missteps, strategic mistakes, execution blunders, and an inability to return to its higher historical earnings profile. The Company has consistently disappointed operationally and financially, failed to grow its Magners brand in England and Wales, and its enterprise resource planning implementation has been mismanaged. This has all led to reduced customer service levels and increased customer churn. The Company recently recorded a €125M goodwill impairment tied to the deteriorating performance of the Magners brand, and it just announced several prior-year accounting adjustments due to deficient internal controls. Further, with the recent appointment of

³ This range assumes a transaction between 10x and 11x normalized EBITDA and is inclusive of free cash flow generated through the current fiscal year end (February 2025).

⁴ Calculated as of June 21, 2024. Total Shareholder Return since LSE listing as of October 8, 2019, which represents the first day C&C shares were publicly listed on LSE. Peer group per the Company's 2023 annual report.

Ralph Findlay, C&C has now had four CEOs in less than four years⁵ with the prospect of a fifth chief executive in 12 to 18 months,⁶ further compounding uncertainty and execution risks.

**C&C'S BOARD HAS AN OPPORTUNITY TO MAXIMIZE SHAREHOLDER VALUE
THROUGH A STRATEGIC REVIEW AIMED AT A SALE**

Given the Company's underperformance, poor track record of execution, discounted valuation, and CEO succession risks, we believe it is time for the Board to consider a different path forward and explore strategic alternatives for the Company. In our view, a sale could deliver returns far superior to the standalone value of the Company, especially considering the time value of money and the execution risks of attempting to reverse self-inflicted issues. We urge the Board to take the following steps with a view toward maximizing value for long-suffering shareholders:

1. Strengthen the Board with Necessary Financial and M&A Expertise

As C&C considers whether to explore strategic alternatives, we believe it is critical to have individuals in the boardroom who possess the relevant financial skillsets and a shareholder mindset to assist the Company. As such, we believe the Board should add new directors with strong financial backgrounds – particularly in M&A, capital markets, and capital allocation – and add independent shareholder representation.

2. Initiate a Strategic Review Process to Monetize the Company

We believe C&C makes for an attractive acquisition target given the quality of its assets. C&C owns a portfolio of strong local brands including Tennent's, the leading Scottish beer brand (~30% market share); Bulmers, the leading Irish cider brand (~60% market share); as well as a range of fast-growing, premium, and craft ciders and beers. The Company is also the number one drinks distributor to the U.K. and Ireland hospitality sectors, a channel that is extremely important to the local beverage industry. Finally, C&C also has multiple manufacturing facilities in the U.K., which allows the Company to be nimble and flexible and lower import fees relative to Continental European players.

We suspect the optimal strategic acquiror of C&C's assets is a scaled company with a global, established brand that could optimize marketing expenses, benefit from U.K. manufacturing capabilities, reduce general and administrative expenses, benefit from procurement savings, and leverage C&C's leading distribution businesses to accelerate the growth of its own branded and higher margin products. Regardless of whether C&C's assets are sold together or transacted separately, a combination with one or multiple strategic acquirors will create significant synergies. Additionally, due to its strong free cash flow generation, C&C is a suitable candidate for private

⁵ Steward Gillilan (January – November 2020), Davide Forde (November 2020 – May 2023), Patrick McMahon (May 2023 – June 2024), and Ralph Findlay as of June 2024.

⁶ A fifth CEO will have to be selected in the next 12 to 18 months per the Company's announcement.

equity buyers, who would be comfortable using more leverage, and therefore would reduce the Company's cost of capital.

Finally, we believe the appointment of Mr. Findlay as CEO for the next 12 to 18 months is fortuitous as we believe he is particularly well-suited to lead this strategic review given his operational credentials, significant industry knowledge, and prior transaction experience.

3. Incentivize Management to Ensure the Best Possible Outcome

As the Board begins to evaluate the Company's strategic alternatives and what C&C could be worth in the private market, it is important to appropriately motivate executives critical to a potential transaction. We encourage the Compensation Committee to consider a transaction bonus pool for critical employees and the potential acceleration of unvested securities, as well as potential change of control payments if an executive is let go within 12 months following a transaction. We believe instituting this type of compensation framework will go a long way toward calming and motivating the relevant employees.

In conclusion, we firmly believe that C&C is at a crossroads today. The Board has a timely opportunity to maximize value over the coming months under the leadership of Mr. Findlay. It is our desire to work collaboratively with the Board to improve C&C and drive value for all shareholders, which is why we request an opportunity to discuss these important matters further with the Board. We look forward to engaging with you to discuss these topics further.

Sincerely,

Arnaud Ajdler

Managing Member

Appendix A: Relevant Precedent Transactions			
Date	Target	Acquirer	EV/LTM EBITDA
Dec-22	Waterloo Brewing	Carlsberg	12.4x
Jul-22	Guinness Cameroon	Castel Group	15.6x
May-20	Marston's Brewing Company	Carlsberg	13.0x
Aug-19	Greene King	CK Noble	9.5x
Jan-19	Fuller, Smith & Turner P.L.C. Beer Business	Asahi Group Holdings	23.6x
Apr-17	BrewDog	TSG Consumer	14.3x
Dec-16	Anheuser-Busch InBev SA/NV (CEE Brands)	Asahi Group Holdings	14.8x
May-16	Bibendum PLB	Conviviality Plc	9.0x
Feb-16	Peroni, Grolsch and Meantime brand families	Asahi Group Holdings	21.6x
Nov-15	MillerCoors LLC (58% stake)	Molson Coors Brewing Company	11.5x
Nov-15	SABMiller plc	Anheuser-Busch InBev	18.9x
Sep-15	Matthew Clark	Conviviality Plc	8.0x
Jan-14	Oriental Brewery Co.	Anheuser-Busch InBev SA/NV	11.6x
Jul-13	Oy Hartwall Ab	Royal Unibrew	8.8x
Feb-13	Crown	Constellation Brands	9.0x
Sep-12	Heineken N.V.	Asia Pacific Breweries (APB)	17.2x
Jun-12	Grupo Modelo, S.A.B. de C.V. (49.7% stake)	Anheuser-Busch InBev	12.9x
Apr-12	Cerveceria Nacional Dominicana	Anheuser-Busch InBev	13.0x
Apr-12	StarBev	Molson Coors Brewing Company	11.0x
Oct-11	Anadolu Efes	SABMiller plc	12.8x
Sep-11	Foster's Group	SABMiller plc	14.5x
Aug-11	Schincariol	Kirin Holdings Company	15.8x
Jan-10	FEMSA	Heineken N.V.	11.3x
Sep-09	Tennent's	C&C Group	8.3x
Apr-09	Lion Nathan	Kirin Holdings Company	13.2x
Jul-08	Anheuser-Busch	InBev N.V./S.A.	12.4x
Jan-08	Scottish & Newcastle Limited / Baltic Beverages Holding AB	Carlsberg	12.2x
Jan-08	Scottish & Newcastle Limited Assets	Heineken N.V.	12.9x
Nov-07	Royal Grolsch N.V.	SABMiller plc	14.4x
Median			12.9x
Average			13.2x

Notes:

(1) Data per publicly available filings and company materials (multiples include estimates based on public info)

About Engine Capital

Engine Capital LP is a value-oriented special situations fund that invests both actively and passively in companies undergoing change.

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