



O-I GLASS REPORTS FULL YEAR AND FOURTH QUARTER 2019 RESULTS

February 4, 2020

PERRYSBURG, Ohio, Feb. 04, 2020 (GLOBE NEWSWIRE) -- **FOR IMMEDIATE RELEASE**

O-I Glass, Inc. (NYSE: OI) today reported financial results for the full year and fourth quarter ended Dec. 31, 2019.

"O-I's 2019 earnings were in line with our most recent guidance and cash flows exceeded expectations. We made significant progress during the second half of the year, ending on a positive note despite a very challenging start to 2019," said Andres Lopez, CEO.

"As we enter 2020, we are taking bold structural actions to improve O-I's business fundamentals. We are optimizing the company's business portfolio and capital structure through accretive acquisitions and divestitures of assets that are not core to our strategy. Likewise, our recent corporate modernization effort, which rebranded the company as O-I Glass, supported January's actions to establish a final, certain and equitable resolution of our legacy asbestos-related claims liabilities. We are focused on improving our operating performance with key turnaround initiatives including revenue optimization, factory performance and cost transformation. Furthermore, we intend to revolutionize glass, supported by our new MAGMA technology and leveraging glass's clear advantages as a highly sustainable packaging choice. The combination of these efforts will drive improved operating performance and cash flow generation in 2020 and beyond," said Lopez.

Comments

- For the full year 2019, the company recorded a loss from continuing operations of \$2.56 per share, compared with earnings of \$0.89 per share (diluted) in 2018. Both periods included items management considers not representative of ongoing operations.
- Excluding certain items management considers not representative of ongoing operations, 2019 adjusted earnings¹ were \$2.24 per share, compared with the prior year of \$2.72 per share. Current year results were in line with the company's guidance of \$2.20 to \$2.25 per share.
- Cash provided by continuing operating activities for 2019 was \$408 million, compared with \$793 million for 2018. Adjusted free cash flow¹ for 2019 was \$133 million, which solidly exceeded the company's expectation of approximately \$100 million, compared with \$362 million for 2018.
- 2019 Key Accomplishments:
 - O-I continued to optimize its business portfolio and capital structure. The addition of Nueva Fanal further aligned O-I to the growing premium beer category in Mexico. As part of the company's ongoing tactical divestiture program, O-I sold its interest in a soda ash joint venture with proceeds used to reduce debt. O-I also advanced its strategic portfolio review to improve the company's competitive position and create shareholder value. This review includes the evaluation of alternatives for O-I's Australia and New Zealand operations which the company expects to resolve by mid-2020. Following refinancing activities, including the first high-yield industrial Green Bond by a U.S. issuer, the company has significantly improved liquidity, reduced interest costs and extended near term maturities.
 - In December 2019, the company completed a corporate modernization effort which resulted in the creation of O-I Glass, the new public company. In January 2020, Paddock Enterprises, LLC, a new subsidiary containing all of the company's legacy asbestos-related claims liabilities, voluntarily filed for Chapter 11 relief with the aim of establishing a final, certain and equitable resolution for the company's asbestos-related claims liabilities. This action does not include O-I Glass or any of its operating subsidiaries which continue to operate business as usual.
 - O-I is driving profitable growth with key strategic customers supported by capacity expansion initiatives across South America and Europe.
 - The company has initiated several turnaround portfolio initiatives to improve operating performance. The company has identified over \$150 million of benefits over the next 3 years, and is targeting between \$35 and \$50 million of net benefits in 2020.
 - The first commercial products were delivered utilizing the company's new MAGMA technology. Building from this important milestone, the company announced the deployment of MAGMA to its second location at Holzminden, Germany which should start production in the second half of 2020.
- On February 4, 2020, the company's Board of Directors declared a quarterly cash dividend of \$0.05 per share, payable on March 16, 2020, to stockholders of record as of the close of business on February 28, 2020.
- O-I expects full year 2020 adjusted earnings will be approximately \$2.10 – \$2.25 per share. Cash provided by continuing operating activities is expected to exceed \$650 million and free cash flow¹ should approximate or exceed \$300 million.

Full Year 2019 Results

Full year net sales were \$6.7 billion compared to \$6.9 billion in 2018. Higher selling prices increased revenue \$176 million reflecting a 2.6 percent increase in average selling prices on a global basis. However lower shipments negatively impacted sales by \$96 million as sales volume in tonnes declined 0.6 percent. Sales volumes reflected the net effect of a 1.7 percent decline in organic sales volumes and the benefit of Nueva Fanal. Unfavorable foreign currency translation reduced net sales by \$239 million compared to 2018.

Segment operating profit was \$841 million in 2019, compared with \$945 million in the prior year.

- **Americas:** Segment operating profit in the Americas was \$495 million in 2019 compared with \$585 million in 2018. Lower earnings primarily reflected incremental operating costs which more than offset the benefit from higher selling prices (net of cost inflation) and higher sales volumes. Total sales volumes in tonnes improved 0.4 percent as additional shipments attributed to the Nueva Fanal acquisition in mid-2019 more than offset a modest decline in organic sales volumes primarily due to lower demand in the North American beer category. Operating costs were unfavorably impacted by increased operating complexity following mix changes in North America, incremental costs to commission new capacity and market-related production downtime to balance supply with lower organic sales volumes. Earnings were also unfavorably impacted by foreign currency translation and temporary items that benefited 2018 but did not repeat in 2019, including a favorable resolution on indirect tax matters in Brazil.
- **Europe:** Segment operating profit in Europe was \$317 million in 2019 compared with \$316 million in 2018. Reflecting Europe's focus on improving mix, sales benefited from higher selling prices (net of cost inflation), which more than offset the unfavorable impact of lower sales volume and slightly higher operating costs. Sales volumes in tonnes declined 1.8 percent and were negatively impacted by weather-related factors in mid-2019 as well as capacity constraints across the network. Earnings were also unfavorably impacted by foreign currency translation and temporary items that benefited 2018, but did not repeat in 2019, including CO₂ credit sales.
- **Asia Pacific:** Segment operating profit in Asia Pacific was \$29 million in 2019 compared with \$44 million in 2018. Lower earnings primarily reflected a decline in selling prices, cost inflation and slightly lower shipments. Sales volume in tonnes declined 0.4 percent. Earnings also reflected unfavorable foreign currency translation.

Retained corporate and other costs were \$97 million in 2019 compared with \$106 million for 2018, reflecting efforts to mitigate costs and lower management incentive expense. Interest expense was \$311 million in 2019 or \$246 million after excluding \$65 million of charges for note repurchase premiums, write-off of finance fees and third party fees, compared to interest expense of \$261 million in 2018 or \$250 million after excluding \$11 million of charges for note repurchase premiums, write-off of finance fees and third party fees. The company's effective tax rate was negative 45.2 percent in 2019 compared to 39.0 percent in 2018. Excluding items that management does not consider representative of ongoing operations, the effective tax rate was 25.7 percent in 2019, which was higher than 20.8 percent in 2018 primarily due to changes in regional earnings mix.

Cash provided by continuing operating activities was \$408 million for 2019 and \$793 million in 2018. After deducting cash payments for property, plant and equipment, and adding back asbestos-related payments, adjusted free cash flow was \$133 million in 2019 and \$362 million in 2018. Lower adjusted free cash flow reflected a decline in operating profit, unfavorable foreign currency translation and higher working capital levels which was partially offset by lower capital expenditures. \$133 million of adjusted free cash flow in 2019 was favorable to O-I's most recent guidance of approximately \$100 million reflecting working capital management efforts in the second half of the year. Importantly, 2019 results were net of a \$61 million decrease in accounts receivable factoring levels as the company rebalanced its overall liquidity position.

Total debt was \$5.6 billion at the end of 2019 compared to \$5.3 billion in 2018. Net debt² was \$5.0 billion compared to \$4.8 billion in the prior year and was favorable to the company's most recent guidance of approximately \$5.1 billion. At year-end 2019, O-I maintained approximately \$2.0 billion in liquidity including cash and lines of credit.

In both 2019 and 2018, the company recorded several significant items impacting reported results as presented in the table entitled Reconciliation to Adjusted Earnings. Management considers these items not representative of ongoing operations and they are excluded from adjusted earnings. In 2019, the most significant items excluded from adjusted earnings were a \$595 million non-cash charge for goodwill impairment of the North America reporting unit, \$113 million for restructuring, asset impairment and other costs and \$65 million of debt refinancing expense. Also excluded were \$93 million of charges for a number of other items including corporate modernization expense, non-cash pension settlement charges and adjustments for asbestos-related liabilities. Asset sales resulted in \$107 million of gains that were also excluded from 2019 adjusted earnings. In 2018, charges excluded from adjusted earnings reflected \$125 million for asbestos-related liabilities, \$74 million of non-cash pension settlement charges, and \$102 million for restructuring, asset impairment and other charges, primarily related to the Americas region.

Fourth Quarter 2019 Results

Net sales in the fourth quarter of 2019 were \$1.6 billion, flat to the prior year period. Higher selling prices increased revenue \$42 million, reflecting a 2.6 percent increase in average selling prices on a global basis. However the net effect of shipments and mix changes negatively impacted sales by \$5 million, as sales volume in tonnes increased 1.1 percent. Sales volumes reflected the benefit of Nueva Fanal which was partially offset by a 0.8 percent decline in organic sales volumes. Unfavorable foreign currency translation reduced net sales by \$20 million compared to 2018.

For the fourth quarter 2019, the company recorded earnings from continuing operations of \$0.20 per share (diluted), which compares with a loss from continuing operations of \$0.79 per share (diluted) in the same period of 2018. Earnings from continuing operations before income taxes was \$65 million in the quarter, compared with a loss of \$105 million in the same period in the prior year. These figures include significant items that management considers not representative of ongoing operations.³

Excluding certain items management considers not representative of ongoing operations, adjusted earnings were \$0.50 per share in the fourth quarter of 2019 compared to \$0.61 per share in the prior year period. These results were at the high-end of the company's most recent guidance range of \$0.45 to \$0.50. Compared to the prior year, earnings reflected higher selling prices (net of cost inflation) and higher shipments which more than offset elevated operating costs. However, results were negatively impacted by a number of other factors. Temporary items that benefited 2018 did not repeat in 2019. Likewise, the fourth quarter tax rate was elevated compared to the prior year due to a change in regional earnings mix and discrete tax items

that benefited 2018 but did not repeat in 2019.

Segment operating profit was \$200 million in the fourth quarter, compared to \$211 million in the prior year fourth quarter.

- **Americas:** Segment profit in the Americas was \$115 million in 2019 compared to \$127 million in the prior year. The benefit from higher selling prices (net of cost inflation) and higher sales volumes partially offset the impact of elevated operating costs. Total shipments in tonnes were up approximately 3.5 percent as organic volumes were about flat net of Nueva Fanal. Operating costs were elevated reflecting market-related downtime to rebalance supply with lower demand earlier in the year including two furnaces stopped during the fourth quarter. Earnings benefited from favorable foreign currency translation which mostly offset the unfavorable impact of temporary items that benefited 2018 but did not repeat in 2019.
- **Europe:** Segment profit in Europe was \$69 million in 2019 compared to \$56 million in the prior year. Higher earnings reflected improved selling prices (net of cost inflation) which more than offset a modest decline in shipments. Sales volume in tonnes declined 1.8 percent as the region continued to focus on mix improvement. Earnings were also unfavorably impacted by foreign currency translation and temporary items that benefited 2018 but did not repeat in 2019.
- **Asia Pacific:** Segment profit in Asia Pacific was \$16 million in 2019 compared to \$28 million in the prior year. Lower earnings reflected elevated operating costs and incremental cost inflation while selling prices remained flat. These factors were partially offset by a slight increase in shipments. Sales volume in tonnes increased 1.1 percent and elevated costs reflected market-related downtime to align supply with weaker than expected demand in China linked to macroeconomic pressures. Earnings also reflected unfavorable foreign currency translation.

2020 Outlook

O-I expects full year 2020 adjusted earnings will be in the range of \$2.10 to \$2.25 per share. This outlook assumes higher selling prices (net of cost inflation) as well as sales volumes that will be flat to up 2 percent supported by capacity expansion initiatives and a full year of Nueva Fanal. Likewise, the company expects improved operating costs reflecting several turnaround initiatives as well as footprint adjustments in North America that were taken in 2019 to address unfavorable trends in the beer category. While these factors should boost results in 2020, comparisons to 2019 will be impacted by temporary items that benefited 2019 but will not repeat in 2020, resetting management incentives and the loss of income from the recently divested soda ash joint venture.

Cash provided by continuing operating activities is expected to exceed \$650 million in 2020. The outlook assumes capital expenditures of approximately \$350 to \$375 million and the suspension of all asbestos-related claims payments, pending final resolution. The Company anticipates 2020 free cash flow of approximately \$300 million or higher.

This outlook assumes foreign currency rates as of the end of January 2020. The earnings and cash flow guidance ranges may not fully reflect uncertainty in macroeconomic conditions and currency rates, among other factors.

Conference Call Scheduled for February 5, 2020

O-I CEO Andres Lopez and CFO John Haudrich will conduct a conference call to discuss the company's latest results on Wednesday, February 5, 2020, at 8:00 a.m. EDT. A live webcast of the conference call, including presentation materials, will be available on the O-I website, www.o-i.com/investors, in the Webcasts and Presentations section.

The conference call also may be accessed by dialing 888-733-1701 (U.S. and Canada) or 706-634-4943 (international) by 7:50 a.m. EDT, on February 5, 2020. Ask for the O-I conference call. A replay of the call will be available on the O-I website, www.o-i.com/investors, for a year following the call.

Contact: Sasha Sekpeh, 567-336-5128 – O-I Investor Relations

O-I news releases are available on the O-I website at www.o-i.com.

O-I's first quarter 2020 earnings conference call is currently scheduled for Wednesday, April 29, 2020, at 8:00 a.m. EST.

About O-I Glass

At O-I Glass, Inc. (NYSE: OI), we love glass and we're proud to make more of it than any other glass bottle or jar producer in the world. We love that it's beautiful, pure and completely recyclable. With global headquarters in Perrysburg, Ohio, we are the preferred partner for many of the world's leading food and beverage brands. Working hand and hand with our customers, we give our passion and expertise to make their bottles iconic and help build their brands around the world. With more than 27,500 people at 78 plants in 23 countries, O-I has a global impact, achieving revenues of \$6.7 billion in 2019. For more information, visit o-i.com.

Non-GAAP Financial Measures

The company uses certain non-GAAP financial measures, which are measures of its historical or future financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. Management believes that its presentation and use of certain non-GAAP financial measures, including adjusted earnings, adjusted earnings per share, segment operating profit, segment operating profit margin, net debt, free cash flow and adjusted free cash flow, provide relevant and useful supplemental financial information, which is widely used by analysts and investors, as well as by management in assessing both consolidated and business unit performance. These non-GAAP measures are reconciled to the most directly comparable GAAP measures and should be considered supplemental in nature and should not be considered in isolation or be construed as being more important than comparable GAAP measures.

Adjusted earnings relates to net earnings from continuing operations attributable to the company, exclusive of items management considers not

representative of ongoing operations because such items are not reflective of the company's principal business activity, which is glass container production. Adjusted earnings are divided by weighted average shares outstanding (diluted) to derive adjusted earnings per share. Segment operating profit relates to earnings from continuing operations before interest expense (net), and before income taxes and is also exclusive of items management considers not representative of ongoing operations as well as certain retained corporate cost. Segment operating profit margin is segment operating profit divided by segment net sales. Net Debt is defined as gross debt less cash. Management uses adjusted earnings, adjusted earnings per share, segment operating profit, segment operating profit margin and net debt to evaluate its period-over-period operating performance because it believes this provides a useful supplemental measure of the results of operations of its principal business activity by excluding items that are not reflective of such operations. Adjusted earnings, adjusted earnings per share, segment operating profit, segment operating profit margin and net debt may be useful to investors in evaluating the underlying operating performance of the company's business as these measures eliminate items that are not reflective of its principal business activity.

Further, free cash flow relates to cash provided by continuing operating activities less additions to property, plant and equipment. Adjusted free cash flow relates to cash provided by continuing operating activities less additions to property, plant and equipment plus asbestos-related payments. Management has historically used adjusted free cash flow to evaluate its period-over-period cash generation performance because it believes this has provided a useful supplemental measure related to its principal business activity. Free cash flow and adjusted free cash flow may be useful to investors to assist in understanding the comparability of cash flows generated by the company's principal business activity. It should not be inferred that the entire free cash flow or adjusted free cash flow amount is available for discretionary expenditures, since the company has mandatory debt service requirements and other non-discretionary expenditures that are not deducted from the measure. Management uses non-GAAP information principally for internal reporting, forecasting, budgeting and calculating compensation payments.

The company routinely posts important information on its website – www.o-i.com/investors.

Forward-Looking Statements

This press release contains “forward-looking” statements related to O-I Glass, Inc. (“O-I Glass” or the “company”) within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 27A of the Securities Act of 1933. Forward-looking statements reflect the company's current expectations and projections about future events at the time, and thus involve uncertainty and risk. The words “believe,” “expect,” “anticipate,” “will,” “could,” “would,” “should,” “may,” “plan,” “estimate,” “intend,” “predict,” “potential,” “continue,” and the negatives of these words and other similar expressions generally identify forward-looking statements.

It is possible that the company's future financial performance may differ from expectations due to a variety of factors including, but not limited to the following: (1) the company's ability to obtain the benefits it anticipates from the Corporate Modernization, (2) risks inherent in, and potentially adverse developments related to, the Chapter 11 bankruptcy proceeding involving the company's wholly owned subsidiary Paddock Enterprises, LLC (“Paddock”), that could adversely affect the company and the company's liquidity or results of operations, including risks from asbestos-related claimant representatives asserting claims against the company and potential for litigation and payment demands against us by such representatives and other third parties, (3) the company's ability to accurately estimate its total asbestos-related liability or to control the timing and occurrence of events related to outstanding asbestos-related claims, including but not limited to the company's obligations to make payments to resolve such claims under the terms of its support agreement with Paddock, (4) the company's ability to manage its cost structure, including its success in implementing restructuring or other plans aimed at improving the company's operating efficiency and working capital management, achieving cost savings, and remaining well-positioned to address the company's legacy liabilities, (5) the company's ability to acquire or divest businesses, acquire and expand plants, integrate operations of acquired businesses and achieve expected benefits from acquisitions, divestitures or expansions, (6) the company's ability to achieve its strategic plan, (7) foreign currency fluctuations relative to the U.S. dollar, (8) changes in capital availability or cost, including interest rate fluctuations and the ability of the company to refinance debt at favorable terms, (9) the general political, economic and competitive conditions in markets and countries where the company has operations, including uncertainties related to Brexit, economic and social conditions, disruptions in the supply chain, competitive pricing pressures, inflation or deflation, and changes in tax rates and laws, (10) the company's ability to generate sufficient future cash flows to ensure the company's goodwill is not impaired, (11) consumer preferences for alternative forms of packaging, (12) cost and availability of raw materials, labor, energy and transportation, (13) consolidation among competitors and customers, (14) unanticipated expenditures with respect to data privacy, environmental, safety and health laws, (15) unanticipated operational disruptions, including higher capital spending, (16) the company's ability to further develop its sales, marketing and product development capabilities, (17) the failure of the company's joint venture partners to meet their obligations or commit additional capital to the joint venture, (18) the ability of the company and the third parties on which it relies for information technology system support to prevent and detect security breaches related to cybersecurity and data privacy, (19) changes in U.S. trade policies, and the other risk factors discussed in the company's Annual Report on Form 10-K for the year ended December 31, 2018 and any subsequently filed Annual Report on Form 10-K, Quarterly Reports on Form 10-Q or the company's other filings with the Securities and Exchange Commission.

It is not possible to foresee or identify all such factors. Any forward-looking statements in this document are based on certain assumptions and analyses made by the company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. Forward-looking statements are not a guarantee of future performance and actual results or developments may differ materially from expectations. While the company continually reviews trends and uncertainties affecting the company's results or operations and financial condition, the company does not assume any obligation to update or supplement any particular forward-looking statements contained in this document.

¹ Adjusted earnings per share, adjusted free cash flow, free cash flow and segment operating profit are each non-GAAP financial measures. See tables included in this release for reconciliations to the most directly comparable GAAP measures.

¹ Adjusted earnings per share, adjusted free cash flow, free cash flow and segment operating profit are each non-GAAP financial measures. See tables included in this release for reconciliations to the most directly comparable GAAP measures.

² Net Debt is defined as Total Debt less Cash. See tables included in this release for reconciliations to the most directly comparable GAAP measures.

³ See table entitled Reconciliation to Adjusted Earnings.

Attachments

- [4Q 2019 O-I Earnings Presentation](#)
- [4Q 2019 O-I Earnings Release](#)

For more information, contact: Chris Manuel Vice President of Investor Relations 567-336-2600 Chris.Manuel@o-i.com