

The world wakes up to Hungary's canned energy

Barnabas Csereklye, Managing Director, HELL ENERGY, introduces the most dynamic performer in today's global energy drink sector

Rooted in Hungary, HELL ENERGY has rapidly expanded to become market leader in 10 countries, with a presence in over 50 nations on five continents. What is the origin story behind this unique company?

HELL is a family-owned Hungarian company. In 2005, the owners recognized that they could create a unique energy drink that was premium quality with a great taste but at an affordable, competitive price. At a tasting for the recipe they developed, someone said it was "hellishly good." That gave the drink its name: HELL ENERGY. In 2006, we secured the brand name and, within just four years, it had become the market leader in Hungary, while production was up and running at our first filling factory by 2011. Our vision is to become the market leader in every country in which we operate. This has already happened in Romania, Croatia, Serbia, Macedonia, Slovakia, Bulgaria, Greece, Cyprus and Azerbaijan. According to estimations, we are now the third-biggest energy drink manufacturer in the world after Austria's Red Bull and the U.S.'s Monster Energy. As opposed to all our competitors, we are self-sufficient and independent. We do our own aluminum can manufacturing, we have filling factories where we use those cans, and we do warehousing and logistics on our own as well. HELL is fully vertically integrated. No other energy drink manufacturer in the world has the capabilities that we do.

Today, HELL's range extends across energy drinks with caffeine, beverages for active lives, milk-based energy coffees, other drinks with beneficial properties, plus carbonated soft drinks and iced teas that are marketed under the name XIXO. What are the brand's key differentiators overall?

HELL is a premium product that is produced in Europe and offers quality. This starts with quality raw materials and ingredients. For example, we don't use any artificial sweeteners, but only best-quality granulated sugar from sugar beets. We use only high-quality ingredients and vitamins produced with the latest technology. And we ensure that quality stays premium during the whole manufacturing process. The shelf life of our energy drinks is two years thanks to pasteurization. We could use preservatives, which is what some of our competitors do as they are cheaper. But preservatives are artificial and maybe not even be that healthy—our products wouldn't be premium if we used them. It is also vital that our brand is an affordable premium product. The key is to constantly deliver the best value for money.

Our second main differentiator is our corporate social responsibility (CSR) stance. Our environment-conscious thinking determines our actions and we demonstrate best practice in the circular economy. For us, it is important to be a company that is environmentally aware and sustainable, as well as one that gives to charities and helps its local communities. For instance, we are one of the biggest employers in Northeast Hungary with more than 1,000 staff. We



Barnabas Csereklye, Managing Director, HELL ENERGY

are proud that our employees work in a safe and modern environment, with good opportunities to make their careers fulfill their dreams.

HELL has invested over €400 million in its production capabilities to date. To what extent have you set the bar for manufacturing in the sector?

We strive for excellence and have done since the beginning. Our first two filling lines were manufactured by KRONES, a German world leader in the industry. We have since installed another two high-speed lines from KRONES in our second filling factory. We opened Hungary's first canmaking factory in 2017 and U.S. company Stolle Machinery, which is also a market leader and a full-system integrator in this sector, won the tender to equip that facility. Our factories are certified and audited every year to the highest level in our industry, FSSC 22000. We want to be a good example, not only as a company that has achieved global success, but also in terms of best practice manufacturing. We have received many awards from the industry and will continue setting an ex-

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ample by using the most modern technologies and lean but efficient processes. HELL wants to become a benchmark in filling and canmaking. The same is true for warehousing and logistics. In 2019, we invested in a fully automated high-bay warehouse that can store 31,000 pallets, which is connected to our canmaking and filling factories to ensure wall-to-wall production. There are only three other factories in Europe that have this kind of wall-to-wall production and none of them belong to just one company.

Industry 4.0 is another key standard for us and we are constantly exploring how machines can connect and communicate with each other via manufacturing execution systems to build efficiencies, automate our production processes and make them more lean and reliable. This means our managers can watch the production lines on their smart phones, for example. They can view and control efficiencies, downtimes and defects whenever they need to in real time.

In September 2020, the Hungarian Minister of Finance cut the tape at the launch of your third filling factory. What will this be used for?

It is a 13,000 square-meter factory with an annual capacity of 300 million cans for our energy coffees that contain milk. It's a big milestone for the company as we used to produce the coffees outside of Hungary. We now fully control



HELL ENERGY produces its world-class beverage cans on its own

the supply chain and can ensure the high quality of our milk-based products. It also gives us flexibility in product development and, most importantly, our production capacities can support our continued double-digit annual growth.

How much emphasis does HELL put on product innovation?

We continuously invest in research and development for both our drinks and their packaging. Every year we release at least four new products. One of our newest can designs reflects ultraviolet light, while another innovation was for the specific benefit of our female consumers and helps open cans without damaging fingernails. We received an industry innovation award for that: it's a simple solution to a well-known problem, but not such a simple task as there was quite a bit of engineering involved. In 2020, we became the first, and are still the only, beverage company in the world to sign a contract for a new, very

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environmentally friendly aluminum to use in our cans: Hydro CIRCAL. It's guaranteed to contain at least 75 percent recycled content, making it probably the greenest metal of its type in the world. The remaining 25 percent consists of a bit more post-consumer scrap, process scrap and a fraction of primary metal.

Our new drink category—energy coffees—were an in-house innovation, as were our functional drinks that are enriched with an energy drink formula and other beneficial ingredients. One of our drinks, FOCUS, has been proven to enhance your attention capability by 26 percent. Another of our innovative categories is the high-quality products of our newest brand, Swiss Laboratory. These preservative-free drinks contain original Swiss herbal extract, vitamins and minerals, which provide an enjoyable alternative for daily vitamin intake.

What impact has COVID-19 had on HELL's performance?

We had a very successful bond issuance in 2019 where we achieved a BB rating. We maintained this rating after our 2020 annual review, which sends an excellent message after a challenging year for everyone. Our financial results for 2020 haven't been validated yet, but are looking great: we have seen very little impact on our business as a result of the pandemic. In fact, our sales increased by around 23 percent in 2020 when compared to the previous year and profitability has also increased. Our outlook remains positive as our business is running well and we continue to increase our share in key markets.



HELL has executed full vertical integration in its operation

HELL ENERGY: A company making an impact



INVESTMENT
HELL Group has invested more than €400 million in the last 10 years



VERTICAL INTEGRATION
beverage can manufacturing filling logistics sales



ONE OF THE BIGGEST
energy drink brands in the world



WORLD-CLASS
raw materials used, production technology and quality control



ENERGY CONSCIOUS
company, awarded for being conscious of its energy consumption in 2020



PATRIOTIC APPROACH
its investments are executed in a disadvantaged region

Leading the beverage sector to a sustainable future

HELL ENERGY sets another environmental benchmark by moving production of its drinks to cans made from a new ultra-green aluminum

In February, HELL ENERGY confirmed its position as possibly the world's greenest energy and soft drink manufacturer when it stopped packaging its popular XIXO line of carbonated drinks in plastic bottles. In line with over 95 percent of the company's other products, XIXO drinks are now packaged in 100-percent recyclable aluminum cans.

Not only are those cans totally recyclable, they are made from a groundbreaking material containing a guaranteed minimum 75-percent recycled metal. "We are the first and only beverage company in the world to be using a unique new aluminum called Hydro CIRCAL. The fact that it includes at least 75-percent post-consumer scrap is certified by an independent third party, making it the highest recycled-content aluminum available today," states Barnabas Cserekye, managing director of HELL ENERGY.

One of the best examples of the circular economy

The company set a new sustainability benchmark for the sector last July when it decided to use low-carbon Hydro CIRCAL across its entire portfolio of canned drinks in all global markets. By moving production of XIXO into green cans as well, HELL is fulfilling its pledge to reduce the amount of plastic it uses. "Plastic is one of the biggest polluters in the world and a root cause of many environmental problems, especially in our oceans," Cserekye explains. "In line with our corporate social responsibility strategy, we had set the goal of reducing plastic to a 5-percent share in our portfolio by 2020, which we achieved. Our new target is to reduce it to under 1 percent by 2025 and this takes us one more step toward that goal." HELL is now fully



HELL's cans contain at least 75-percent post-consumer scrap

dedicated to aluminum due to its clear advantages over plastic packaging, which poses a major environmental challenge for future generations.

Not only does plastic become unusable waste once it has been recycled a few times but, according to a study by the Ellen MacArthur Foundation, an independent expert in the circular economy, out of 78 million tons of plastic packaging used around the globe each year, only 2 percent is ever recycled within a closed loop. "Aluminum, on the other hand, is one of the best examples of the circular economy," asserts Cserekye. "Somebody consumes the product and throws the can away. It is collected, recycled and then the whole process can be repeated an infinite number of times, as you do not lose the quality or value of the aluminum in the recycling process."

By converting its range to cans made from Hydro CIRCAL, HELL has

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decreased the greenhouse gases it generates by an impressive 60 percent. But this move is far from being the only action the company has taken to prove its credentials as a leading green company, he stresses. Having overseen a huge leap forward for the global beverage sector with the introduction of Hydro CIRCAL, all eyes are on the next innovation that emerges from HELL's bold sustainability strategy—and it's not going to be a long wait: the company is entering the water market this summer with a new brand, Floewater, offering premium-quality water to restaurants, hotels, fitness clubs and workplaces—all without packaging. As HELL believes that the future belongs to premium-quality packaging-free water, it has searched for a solution that provides this through innovative filtration and water-treatment technology.

The company is proud that it will be an example for other manufacturers in the field of water consumption and in how to operate in a sustainable and climate-friendly way today, while still achieving outstanding results. "As a multinational company, we want to make a difference and this is why sustainability, environmental thinking and the circular economy are so important to us. These are the type of challenges that I personally find really exciting to work on: trying to create the best possible solutions, not only for our company, but also for our environment and society," says Cserekye.

HELL ENERGY in numbers

15 year-old brand

7 million drinks produced daily

Available in more than 50 countries

Market leader in 10 countries

More than 1,000 families' subsistence is provided by the company

Bruce Willis has been the brand's ambassador 2 times



The faces of HELL, Zuleyka Rivera and Bruce Willis

The power of the devil triumphs across the globe

Wide and reliable availability plus effective marketing campaigns are key for export success

HELL ENERGY offers a perfect illustration of a company that is sustainably expanding a brand's international presence to gain and retain leadership in multiple markets. Its successful strategy for maximizing exports of its affordable premium-quality energy drinks has seen the company's revenues grow by double-digit figures year after year, according to managing director Barnabas Cserekye.

"Typically, an exporter will use a local distributor that has several hundred other products in their portfolio—there's no real focus on becoming dominant quickly. We want to become market leader in all the countries we operate in, so our strategy is different: in summary, we arrive in a new country, build up our presence rapidly, and invest in local marketing and sales." In some countries, the firm establishes a subsidiary, while in most it will work with distributors that have few, if any, other products in their portfolio to divert their attention away from HELL's range. According to Cserekye, "Our tactics depend on the quality of distribution partners available and the business model of the market. We always try to adjust to different circumstances swiftly." This approach is clearing working: in 2019, exports represented more than half of the company's annual revenues of over \$170 million, it is the leading energy drink brand in 10 markets and its products are currently stacked on supermarket shelves in over 50 countries worldwide, with more being added regularly.

HELL's goal is to achieve an 80-percent distribution ratio in a market within three years of



Classic is the flagship product of the 15 year-old brand

entering it. To reach that, it has to guarantee reliable supplies to its ever-growing number of global customers—which it does by constantly investing in the expansion of its state-of-the-art greenfield production facilities in Szikszó, about 120 miles northeast of Hungary's capital, Budapest.

At present, HELL operates three ultra-modern can filling factories. All were built within the last decade and can fill nearly 3 billion 250-milliter cans with the company's drinks every year. In 2020, HELL opened its third filling plant, which is able to produce 50,000 cans of premium milk-based energy coffees an hour using high-quality local Hungarian milk plus real Arabica and Robusta coffee bean extracts. This substantial investment of nearly \$27 million will allow the firm to satisfy the booming international demand for HELL's newest line of products that are seeing remarkable growth in sales of 30–40 percent a year. As its filling capacity increases, so must the fully vertically integrated company's canmaking capabilities. This year, the company will add another high-speed line in its canmaking factory—already one of the largest of its kind in the world—which will double its potential annual throughput to an estimated 3 billion aluminum units.

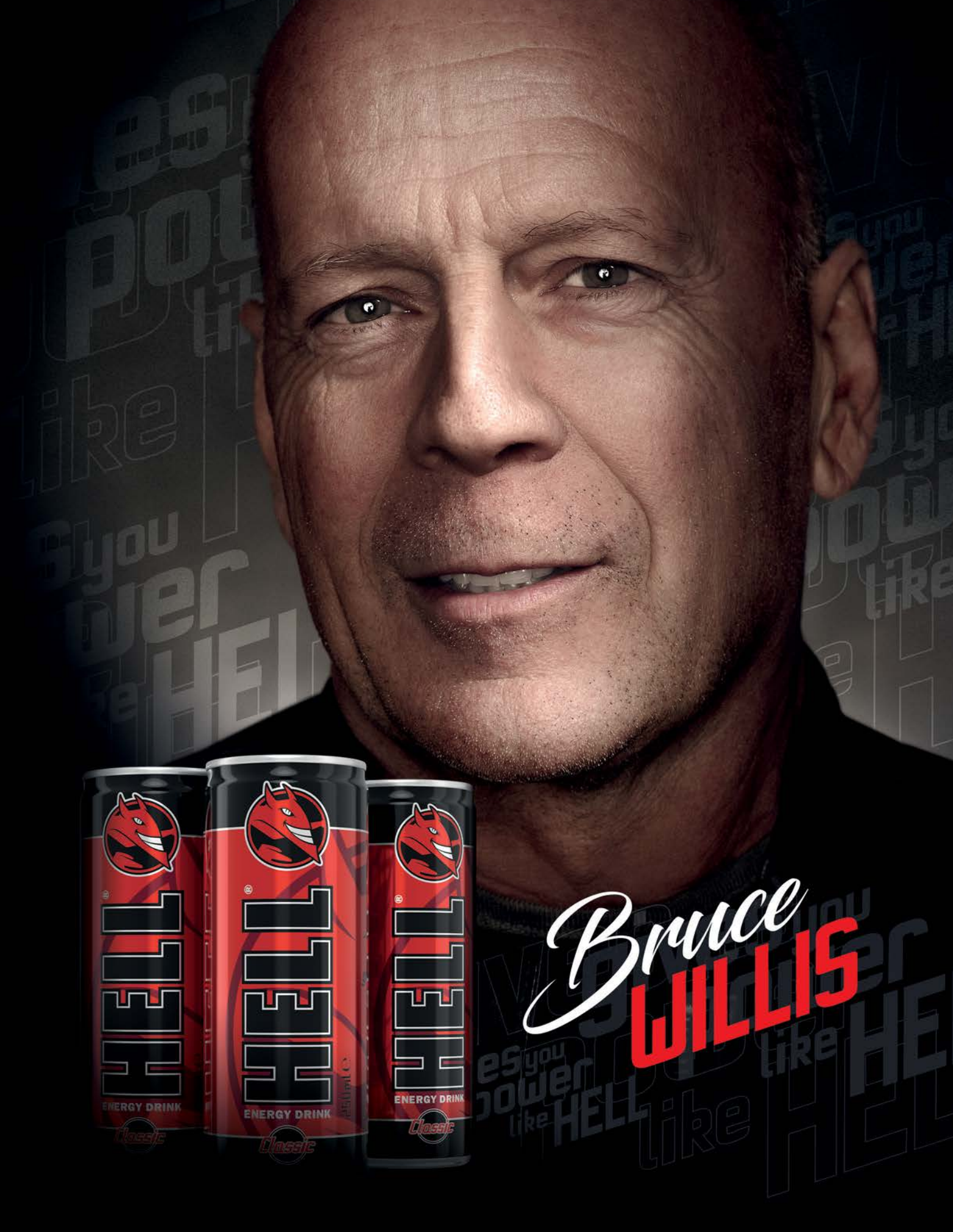
Hollywood star backs growth ambitions

Another key component in HELL's success has been a highly effective marketing strategy. It began to drive strong brand recognition by sponsoring the AT&T Williams Formula One team for two years from 2009, but a more recent milestone came in 2018 when a man who epitomizes the strength, energy and quality of HELL's products—Bruce Willis—became the international face of the brand in a major advertising campaign. "It was a very fruitful promotion and so we have recently launched a new campaign to support both our energy drinks and our new energy coffees. This time, Willis is supported by Puerto Rican actress, TV host and Miss Universe beauty queen Zuleyka Rivera. We think they fit our two lines flawlessly," Cserekye explains.

Although continuing to build and consolidate its share in its existing markets, HELL is ambitious for further dynamic expansion in the near future, he says. "For example, we've entered India recently, where we are seeing vigorous growth and we expect to see a steep increase in sales in the U.K. shortly.

We also think there is a great opportunity for us in Morocco and throughout the African continent. We have big plans, an excellent brand and products, and are working hard to succeed."





Bruce
WILLIS