CCH – 2023 Half-year results
Conference call Q&A transcript – 09 August 2023

CORPORATE PARTICIPANTS

Zoran Bogdanovic – Coca-Cola HBC AG - CEO

Ben Almanzar - Coca-Cola HBC AG – CFO

Questions From:

Mitch Collett (Deutsche Bank):

Sanjeet Aujla (Credit Suisse):

Simon Hales (Citi):

Edward Mundy (Jefferies):

Mandeep Sangha (Barclays):

Charlie Higgs (Redburn):

Fintan Ryan (Goodbody):

Alicia Forry (Investec):

Matthew Ford (BNP Paribas Exane):

Jared Dinges (JP Morgan)

Operator: This is the conference operator. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star, and one on their touchtone telephone. To remove yourself from the question queue, please press star and two. Please pick up the receiver when asking questions. Anyone who has a question may press star, and one at this time. The first question is from Mitch Collett of Deutsche Bank. Please go ahead.

Mitch Collett (Deutsche Bank): Good morning, Zoran. Good morning, Ben. I have got one question please. Your guidance, which you updated a month ago, clearly implies a lower level of organic EBIT growth in the second half. But presumably input costs are better in the second half than the first half, and you have a much easier comparator in terms of the performance of your Russia business. Perhaps could you give us some of the puts and takes as to why the second half profit growth is expected currently to be lower than the level of profit growth in the first half?

Ben Almanzar: Thank you, Mitch. Good morning. Yes, let me give you a bit more colour about what is happening at the second half guidance. Obviously, you have seen that we delivered strong first half with organic EBIT growth of 18%, led by good execution of price increases and a resilient volume performance across our markets. And you are right that our guidance implies a slowdown in organic EBIT growth in the second half.

What we are expecting to see is a moderation of the revenue growth driven by price mix, while COGS inflation is subsiding, we are still growing on a very high-COGS base from H2 2022 reflecting a more significant transactional FX headwinds in the second half. Also, we expect the lower contribution of EBIT from Russia in half two, which means that there is a big swing between half one and half two.

Mitch Collett: Understood. Thank you.

Operator: The next question is from Sanjeet Aujla of Credit Suisse. Please go ahead.

Sanjeet Aujla (Credit Suisse): Hi, good morning, Ben, Zoran. Just following up on that outlook comment, can you give a sense how significant Russia is from a profit contribution perspective in H1, and a little bit more context around the moving parts between H2 and H1 there? Would be really helpful, Ben what is driving that big swing in H2 versus H1 profitability in Russia? That is my first question.

Ben Almanzar: Thanks Sanjeet. So look, Russia's contribution to absolute H1 EBIT is slightly higher than 2022, but this is due to the consolidation of Multon. You remember that we have a full six months this year coming in.

One thing that I want to stress is that Russia did not drive our H1 organic EBIT performance and our subsequent full year upgrade in July. Actually, if I look at the organic EBIT growth of the group, excluding Russia, it would have been quite a bit higher. So from today's visibility, what we expect is a lower EBIT contribution in Russia over the full year.

Sanjeet Aujla: Got it. And is there anything in particular that is driving that second half swing in contribution, Ben?

Ben Almanzar: If you remember last year, the currency was in a different place. There was a number of one-offs, a lot of pricing and so on. Those conditions have changed this year.

Sanjeet Aujla: Got it. Thank you. And my second question is just to contextualise a little bit more the mixed market environment. Zoran, you were talking about, I think in the past you have called out some signs of weak consumer behaviour in Czech, Hungary, Romania. Are there any other markets you would add to that list throughout Q2, where volumes are becoming a little bit more of a concern. And on the flip side, any markets where you are seeing more consumer resilience, then perhaps you expect a few months ago? Thanks.

Zoran Bogdanovic: Yeah, thanks, Sanjeet. The markets you mentioned are the ones as especially we see that inflation levels persist on higher level plus in Hungary and Romania, I need to remind you we had either VAT or excise tax increases, which just kind of has added cream on the cake.

But then, apart from these markets, we did see in the first half more challenge behaviour in Egypt of consumers because the food inflation level is on a very high, very high level there, but also with the things that the team is doing in how dynamically we adjust the plans, I am really encouraged with the last month performance in Egypt.

Then I just want to say that there are a few markets when you see the volume performance, actually, the underlying thing is not as volume indicates because in few markets, we have made a conscious choice that we focus on the price mix in water segment. We focus on more premium segments of the water, and focused on a single serve as I had in my remarks.

If you strip out water just for temporary case, actually, several markets would be in the positive and would not be in the negative volume. Then, yes, there are several markets on the flip side that like, as Ben talked in his remarks, Greece, Ireland, Serbia, Bulgaria have performed quite well.

Let me highlight here, last three months, very, very encouraging trend and performance of Nigeria. But, I can just pause there to see if you have anything further that interest you.

Sanjeet Aujla: Yeah, I would just like to pick up from the Nigeria comment, particularly when most of the consumer companies are talking about a much tougher consumer backdrop to get a bit more colour about return to volume growth and perhaps how I think the second half.

Zoran Bogdanovic: Yes, look, I really think that this performance and the way we manage through Q1 and Q2 really comes as a consequence of something that has been done earlier. The fact that we really consistently invest and significantly in Nigeria to build our capability. Nigeria is always our lead market whenever we start with our prioritised capabilities, whether it is 2017 with revenue growth management, then was a significant reshape of route to market, then was the data insights analytics. All that has enabled that the ability of team to react quickly in Q1, as we had with] the bank notes crisis.

I mean, I cannot comment how other companies have managed through that, but I was really, really pleased to see how the team quickly reacted, and this is where route to market and proximity to customers have helped a lot. Our ability to switch them to online has helped us.

Then also in Q2 and devaluation happened, this is where again you see the effect of our revenue growth management because there is a constant monitoring of what is happening in the market on consumer sentiment elasticities by region, by category. The team has quickly adjusted the plans, and that was also blended with really consumer relevant marketing plans that are really touching the hearts of consumers, and it plays a role.

Bottom line of that, in a country, as important as Nigeria is for us, we have seen as soon as the bank notes crisis normalised, Nigeria has delivered very good performance in May, June and that trend has continued also now in July. That gives us cautious optimism for the rest of the year of what we expect from Nigeria.

Sanjeet Aujla: Well, thank you very much, Zoran, Ben.

Zoran Bogdanovic: You are welcome.

Operator: The next question is from Simon Hales of Citi. Please go ahead.

Simon Hales (Citi): Thank you. Morning Zoran, morning Ben, morning John. So yeah, couple from me then. Maybe just following up on Sanjeet's earlier question there around for the market performance. I wonder if you could just talk a little bit more about the trading you are seeing into Q3, maybe particularly in established markets, in July. I am just obviously very conscious of the mixed weather we have seen across Europe over the last month and a half, as well as potential disruption you might be seeing in your business in Greece given the wildfires that we have seen there. That is the first one.

Secondly, on the changes to some of the below the line guidance that you highlighted that been in the presentation. Can you explain some of the drivers behind particularly that improving finance cost line, clearly a much bigger interest income coming in than you originally expected? Maybe that being driven by interest income really on the track, 250 million euros cash in Russia, and that being higher than you thought or would be more broad based.

With regards to the tax increase for the full year, you highlighted geographic mix. Does that include also potentially at the higher windfall profit tax now in Russia on foreign company earnings that was announced earlier this week?

Zoran Bogdanovic: Hi, Simon. That is a good line up of a couple of questions. I will start, and then Ben will be very pleased to answer the other one. So, in July, trading was really in line with expectations and in line with the guidance that we have provided and how we see the year going on. You said very well that we have seen really mixed bag of unexpected weather impact as we also could see on the news. That did have certainly some impact because, Italy, Slovenia, Croatia, Hungary, Serbia have had really issues with incredible rainfalls and flood at the same time.

We have seen those horrifying things of wildfires in Greece. It did for sure in those areas impact because then when this happens, it is not about performance, it is about really doing the right thing for our employees, helping anyone we can, that becomes priority. That is the purpose of what we do there.

It has been in line with expectations. What we have seen also that what I made as comment for the first six half, we continued our strategy execution in terms of focus on the price mix, the same effect on the water. However, bottom line is that, overall, but also in established segment, the performance has been really in line with expectation.

Ben Almanzar: All right, so thanks Simon. On your first question, related to the improved finance cost; most of our debt structure is in fixed rates. What that means is that the increasing interest rates do not materially affect the finance costs in the near term. On the other hand, that increasing rates do provide us with higher interest income from our deposits. That is really the main driver of our finance cost decline when you look at the half year 2023 versus last year, and also for the updated guidance for the full year.

Addressing specifically your question in Russia, if you have been following the market, you see that interest rates in Russia actually are coming down there rather than not. Your second question was about the tax rate, and why are we guiding towards the top end. A reminder, our Group's effective tax rate varies depending on the mix of taxable profits that we have by territory. Also other items, like non-deductibility of certain expenses, non-taxable income, other one tax, one-off tax items that happen across different countries. I would also like to remind you that our H1 ETR of 27% is actually consistent with when we have been in 2022. So that is what we expect the year 2023 to remain based on the visibility that we have today. We have incorporated everything we know so far, and over the mid-term, we expect that to return to our 25% to 27% guidance.

Simon Hales: That is really helpful. Can I just check Ben, I mean, you said in your prepared remarks that overall, you expect Russia for the full year to be a smaller percentage of group EBIT than it was in 2022. Is that comment also true at the net profit level, which you take account of some of the further down the P&L impact you will see from the trapped cash in Russia on finance line etc.?

Ben Almanzar: Indeed because, remember the biggest driver of also the bottom, bottom line is going to be EBIT as well. So yes, it is applicable.

Simon Hales: Brilliant. Thanks very much.

Operator: The next question is from Edward Mundy of Jefferies. Please go ahead.

Edward Mundy (Jefferies): Morning Zoran, morning Ben. I appreciate you showcased to the capital markets' event your revenue growth management toolkit that is getting increasingly sophisticated and it gives you a lot of insights and analytics to think about affordability and premiumisation. As you think about 2024, and given this focus on joint value creation plans for your big customers, what is your level of confidence and ability to not just hang on to price taken over the last couple of years, but continue to grow revenue per case into next year?

As part of that same question, could you perhaps talk about the outlook for COGS inflation, given it is moderating into the second half of the year for 2024?

Zoran Bogdanovic: Good morning, Ed. Thank you. We talk almost on every call about revenue growth management as a critical capability. And it is because, through everything that we have been going through the last couple of years and whatever will be ahead of us, we really find revenue growth management as a foundational capability, which I feel even more confident in the last two years exactly because we see the value when it is enabled, and supported by data insights and analytics because it really gives us opportunity to play at a different level, granularity of so many parameters that we now take into account.

All that comes into a play because the segmentation is really in the very heart of what we do. Not only that every country has it is own dynamic, but the beauty of this is that, this really gives us the ability to play unique game and algorithm within the country, whether that is a region, that is a category, follow the elasticities of categories and packages.

This really gives me a very strong confidence that as we go forward, we only get – I dare to say, better and smarter. And this is the process with the, like even example of promo effectiveness. The more we do it, the more we learn, the more we are capable to really make the improvements.

Evidence of that is the fact that also in the first six months of this year, we have had a better promo effectiveness play than we even anticipated, and that was one of the drivers of our better profitability and overall result. We are getting really excellent insights, which are helping us to constantly adjust our plans. That is why, even though next year the pricing is not going to be at the levels, probably with the visibility we have at with what we have experienced at the beginning of this year and last year, but revenue growth management is far more than just price.

It is about price. It is about promotions. It is about mix. All that will play a role, and in our future algorithm, price mix will remain and I am confident that it remains a driver of how we will generate revenue.

Ben Almanzar: Ed, hi, and your second question about 2024 CGOS per case. As you know, it is a bit early for us to talk about 2024 and provide guidance. We will do it on the full year results as usual. What I can share now is that we certainly do not foresee the same level of inflation that have seen recently in 2023.

Obviously, we are not assuming that we will go back to 2021 levels, but we should see some benefit in terms of easing of commodities and energy prices, and perhaps the exception there is sugar. It is the key main commodity where we are seeing big increases this year, and we can expect some more pressure next year as well.

As you can imagine, we have some hedges in place, and will continue to look for the right opportunities to increase the coverage. The last thing to highlight, as you think about 2024, it is that concentrate represents about a third of our COGS, and we had excellent top line delivery in pricing work that we have been doing over the past 18 months, then concentrate costs are expected to increase proportionally.

So very important, we continue to focus on improving price mix, as Zoran rightfully said, continue driving our hedging strategy and long-term supply contracts and the focus on productivity as those key levers to help us navigate the 2024 COGS environment.

Edward Mundy: All right, thank you. And as my follow-up really on the energy category, which is at 6% of your volumes are still growing 20% or so. I know it is seen a lot of growth over the last four or five years. How do you think about the opportunities to continue to broaden distribution and expand the range there?

Zoran Bogdanovic: We have been continuously doing exactly that, and that is been the driver of growth. I think we, like no one else play in the energy category with stratified brands. In most cases, two, sometimes even three brands, and really expanding number of occasions.

The distribution is constantly increasing. Number of coolers, it is constantly increasing because we know that in this category, roundabout 60 plus percent is all coming from impulse, and spontaneous purchase. There is a constant recruitment of new consumers and innovation plays continuously a role. We see that very well.

The beauty of that is that while innovation plays a big role, there is also foundational flavour of a green monster, which now will come also with zero sugar. That is again, innovation of reformulation happening in energy as we see also in the sparkling. All that really gives us a really strong confidence how energy is going to continue to perform. Best estimate of that is these last seven years of very strong performance and our plans are very, very robust, and to cut a long story short, I really, really believe that we will continue seeing strong performance there.

Edward Mundy: Great. Thank you.

Zoran Bogdanovic: Thanks, Ed.

Operator: The next question is from Mandeep Sangha of Barclays. Please go ahead.

Mandeep Sangha (Barclays): Good morning, Zoran. Good morning there, Ben. Thank you for the questions. My first one very much relates to the cost phasing into the second half. You mentioned that obviously the second half revenue growth will slow down and price mix normalises. You obviously spoken about cost inflation at the COGS line item into the second half. How should we think about Opex that you think, I mean, it is certainly stepped up in the first half, about 14% per unit case. Is there anything we should be aware of in terms of phasing between 1H and 2H, or do you think like Opex per unit case level is probably a good case to be for the second half also? That is my first question.

Ben Almanzar: All right, thanks Mandeep. When we think about Opex, we take a very disciplined approach. That said, you have seen that 30 bps as percentage of sales delivering the increase in the first half. This has to do with our continuous investment to further enhance our in-market execution with our customers as well as some phasing to half one of our Opex spending.

We also increase marketing, strongly in half one. To give you, Zoran mentioned some of the examples in prepared remarks for Fanta, What the Fanta, which is being deployed in around 14 markets. There is also the introduction or further acceleration of Coca-Cola zero sugar and zero caffeine as well. As Zoran mentioned energy as a very important category for us to continue to drive marketing support behind.

Naturally, we invest behind coffee and preparation for the summer season, particularly in the out of home channel. For H2, we expect to continue to invest in marketing, but we are also mindful of some the comparatives of last year. We will continue to be disciplined in Opex. The idea is that we should see an improvement as the year progresses.

Mandeep Sangha: Absolutely. That is great. Then I guess my follow-on question really relates to Nigeria. As you pointed out in this slide, there was a strong sequential improvement in 2Q and returning to positive growth. Are you confident there then that sort of the worst of the market is now behind us potentially? If we look at the second half of the year, do you do have more favourable comparatives? Is there anything that maybe you should call out on a more cautious note or do you think that the momentum we see in Nigeria in the second quarter can certainly continue over the next half? Thank you.

Zoran Bogdanovic: Yeah, Mandeep, so look, with the visibility we have, elections behind us bank notes topic is out., look we are monitoring to see with the new President how some of the new policies are panning out. We have seen devaluation, which should be seen as a positive move, but that still needs to be surrounded with a couple of more things that we hope will happen.

The fact that fuel subsidies are out, potentially, we see conversation debate, and probably something will come, would come with a minimum wage increase in Nigeria. While this could be like a short-term cost impact to certain degree, however, overall, that is a positive sign that consumer will be better off and will be positioned to have increased consumption.

There are some signs that really, some things, some good things should start happening with policies. Therefore, as I said, I do expect that performance for the rest of the year in Nigeria will be quite positive. You said, well, we see that we are now entering into Q3 and Q4 where we are cycling negative volumes that we had last year.

That is also something to bear in mind. Overall, as I said, I have to use this word cautiously, but certainly, optimistic, about Nigeria and about next year. In line with that, we are also looking, and continuing with our investments to support the growth.

Mandeep Sangha: Excellent. Thank you very much.

Operator: The next question is from Charlie Higgs of Redburn. Please go ahead.

Charlie Higgs (Redburn): Yeah, good morning, Zoran, Ben, thanks for the question. My first one is on Russia and the sugar tax. It was implemented there on the 1st of July. I was just wondering if you could give any early colour on what reception has been from the consumer on the ground, and then also any competitor reaction. Have we seen any falling away? Then just was there any pre-buying in H1 that influenced the numbers of ahead of that sugar tax? That is my first question.

Zoran Bogdanovic: Hi, Charlie. Yeah, so indeed, the sugar tax has happened nothing new as per se. It is a flavour of main markets. It happened and it drove local team to do immediate price increase as we always do. That is the way how we treat those taxes, never absorbing them.

I assume that competitors have also done the same thing. Just to say that on the market, there is nothing much different, quite dynamic, and market became quite more fragmented with many more players that have emerged, but basically, no change over there. Ben?

Ben Almanzar: No, nothing to add. I think you said it very well, Zoran. Okay.

Charlie Higgs: Thank you. My second one is just on the water category and some of the de-productisation. How should we think about that in H2 in terms of volume drag perspective? Where is it mainly situated in the established region in Italy? How we should think about that from volume, but also an improving category mix perspective?

Zoran Bogdanovic: Yeah, we will stay the course with what we are doing. We see this as, not just a quarter play, but it is a full year play where we deliberately focused on enhancing the value from the category. Actually, very good, very good element to highlight there that apart from a very healthy price mix, that is an element of the price in a number of markets where we really have not been shied to do what had to be done, but also mix plays a very important part.

This year, we are having around four percentage points increase of the single-serve mix, and that comes at the back of I think three, four percentage points which we had last year. We are continuously doing that while also doing more on the enhanced and advanced hydration, those subcategories which are kind of leaning onto water like Vitamin water, which we launched a few months ago in Switzerland. There is the Smartwater in a couple of markets. That is the play, and we will stay consistent the rest of the year to executing that strategy whilst building respective relevant plans for next year from this kind of a rewired base.

Operator: The next question is from Fintan Ryan of Goodbody. Please go ahead.

Fintan Ryan (Goodbody): Good morning, Zoran, Ben and John, three questions for me, please, so two technical and maybe one sort of bigger picture. I will start in the technical questions. Firstly, could you call out what specific FX transactional headwind you saw in H1, and what broadly is in your guidance for H2? I appreciate there were a lot of moving parts, particularly in the Naira, but at this point in time, what you would anticipate as a potential FX transactional headwind into 2024? First question.

Ben Almanzar: Hi Fintan, so one thing, very, very important. We talk about translational effects in our guidance, and we say that there is 50 to 60 million based on the spot rates that we see for this year. When it comes to transactional effects, that is baked into our guidance for EBIT.

Fintan Ryan: And you are not calling out what is baked in that?

Ben Almanzar: No. So basically, what we do is to help guide the market, we take all the puts and takes including the transactional impact which is operational because you remember we hedged for that, you know as part of how we manage our costs, et cetera, et cetera. Therefore, that is included already within our guidance of organic EBIT expansion this year of 9 to 12%.

Fintan Ryan: Thanks for clarifying. My second technical question would be around the free cash flow dynamics. I appreciate your call out working capital flows in the first half and CapEx increasing in the second half; could you give us a sense of where you think the full year free cash flow is going to come out at, and in particular as well, the regional dynamics behind that. Like you say, you called out the 250 million cash that is stuck in Russia, how much do you think that will be increase in the second half?

Ben Almanzar: Let me tackle that question about the duration in the first half and to what extent it is a phasing issue. What we saw is that despite the higher profitability in the first half of the year, we saw that free cash flow was lower, and that was indeed adversely impacted by working capital movements. What is happening there, we all understand, is that our receivables increase with that strong net sales revenue growth performance that we delivered in the first half of the year. Personally, I am very reassured because there is no issue with collections, in fact, we are performing better than prior years. There are no one-off impacts, quite the contrary. So, this is really a phasing aspect of working capital, and we see that improving as the year progresses. The other thing that I mentioned also in my prepared remarks is also CapEx. We will continue to invest, to support the growth of the business, and I expect that the free cash flow will continue to improve as the year progresses.

Fintan Ryan: Right, thank you. And just my final question is the bigger picture, in the coffee category you have talked about getting to 10,200 outlets, and I think in the past you talked about you are aspiring to reach mid-single digit share of the coffee category in your markets. What does that look like in terms of the ultimate number of out of home outlets targeting coffee, 40,000 or 50,000, to put that 10,200 number into context?

Zoran Bogdanovic: Thank you, Fintan. Look, as you have seen also at our investor day in Rome, where we featured what we are really doing with coffee, you will see, and just for the benefit of everyone, we are really seriously allocating resources to build the capability and to strengthen our right to win. And all that is reflected through continuous outlets and customer acquisition and penetration. I can only say that I do expect that quarter by quarter we are in more outlets, and I am pretty sure we will be. One caveat to say is that this is not about account and outlet acquisition at any cost; we really want to get into the right outlets from the right segment and with right proposition, both for customer and us. And I am happy that the team is very conscious of the types of outlets we are doing and converting from obviously competitors. I see this as a journey that has a multi-year plan, and progress so far has been, a) encouraging and b) in line with our expectations on quantity and quality. I hope that answers, Fintan.

Fintan Ryan: Yes. Thank you very much.

Operator: The next question is from Alicia Forry of Investec. Please go ahead.

Alicia Forry (Investec): Thanks. Good morning, everyone. Two questions from me. The first one on the cost inflation that is now moderating. Can you say whether that is broad based across your COGS based or is that a few key inputs? And also is that market driven or due to specific actions that you yourself have taken hedges or some other activity?

The second question is on Finlandia, I think the rationale is very clear in terms of strengthening the relationship with HORECA customers. I was wondering if you could talk about the timeline to full integration of that brand; I expect it would likely be shorter than we have seen with coffee because you are already well-versed with the proposition and with the brand. Also, are there any investments required to deliver on the full potential of including that brand within your portfolio? Thank you.

Ben Almanzar: Alright, good morning, Alicia. I will start with your first question around the COGS per case and what is driving it. That improvement that we are signalling, to finish the year in high single digit inflation of our COGS per unit case is driven primarily by a couple of factors. First and foremost, we saw already in half one a better-than-expected delivery, and we see that continuing into the second half, and more favourable comparatives. We also are seeing a relief in key commodities like aluminium and PET, and that is starting to benefit us. We see that coming through in the P&L. We are also experiencing more normalised energy costs, which for us it is important, both indirectly, because it affects input cost, but also directly with the lower utilities. Again, particularly in the second half, we were lapping a very high energy inflation from last year. Those are the fundamental drivers, and we see that generally across the businesses.

Zoran Bogdanovic: Thanks Ben. Good morning, Alicia. On Finlandia, firstly, I am very glad to hear that you also find the rationale very clear. Now, indeed this is different than coffee. In coffee, we started from scratch. Here with Finlandia as well as with our premium spirits capability, we have it for 17 years. We have dedicated the teams in the countries. We have dedicated the Premium Spirits Academy to constantly improve the skills and knowledge for this respective category. We know this brand really well because we have been working with it already in several markets. First of all, brand is known, there are developed toolkits, there are proven mixability programmes. We are not in a phase where we start growing, but we are already here in speed walking if not running. So, the moment the transaction closes, I expect, Q4 this year, next year we press the pedal.

Operator: Thank you. The next question is from Matthew Ford of BNP Paribas Exane. Please go ahead.

Matthew Ford (BNP Paribas Exane): Morning, Zoran, and morning Ben. Most of my questions been answered, so just one from me, really. Obviously mentioned the Finlandia acquisition, and recently we have heard from CCEP, quite a major acquisition there. What is your current thinking on more large-scale M&A, and what is the kind of outlook, if there are any options that are potentially on the table that you are considering?

Zoran Bogdanovic: Good morning, Matthew. I mean, the ink on the contract from Finlandia is still fresh. As I always say, we are very open. We are very open, whatever, strategically fitting can come our way. Ben highlighted that our fire power is clearly there. We always welcome and are always keen to look for sound opportunities that will support our growth. Are we looking in the background for those kind of opportunities? Yes. And I can only say that we are a growth mind-set company looking for avenues for growth that really make strategic complementary fitting sense. Whenever those occur, we will seriously evaluate them, and if ever valuation is good for our company and shareholders, we will go ahead. That is all I can say now.

Matthew Ford: Great. Thank you.

Zoran Bogdanovic: Thank you.

Operator: If I can move the last question from Jared Dinges of JP Morgan. Please go ahead.

Jared Dinges (JP Morgan): Thanks guys for letting me sneak one in here at the end. I wonder if you could talk about profitability in Nigeria, actually. It sounds like you guys are feeling much better, at least on the volume side and top line side, but I wonder if you could talk about kind of the profitability outlook there. I think especially given what we have seen with the currency, is it a market where you can sustain your margin or should we expect that to be kind of single digit, maybe even lower end of that on the EBIT margin side for some time? Thanks.

Zoran Bogdanovic: Good morning, Jared. You know we do not provide such data by country. The only thing I can say is that we focus constantly and are really doing work on all the levers that impact profit and profitability. That is why we talk a lot about price mix, because in these days and years that is especially critical. For that reason, we are front loading our capabilities investments in Nigeria. I also just want to say that we have done exceptional work on the cost efficiency and productivity in Nigeria over years, making it one of the absolute most efficient market cost wise that we have in the Group, so that helps a lot.

Jared Dinges: Thank you guys.

Operator: Mr Bogdanovic. That was the last question back to you for any closing remarks

Zoran Bogdanovic: Thank you for all your time questions and your interest, we really appreciate it. Let me just conclude to say that we believe that these strong results we announced today underline the fundamental attractiveness of the markets where we operate as well as the proven strengths of our execution and capabilities. I strongly believe that we are well prepared to adapt and seize the future opportunities in our industry this year and going forward. We look forward to speaking to you all again soon. Wishing you a great day. Thank you very much.

Operator: Ladies and gentlemen, thank you for joining. The conference is now over. You may disconnect your telephones. Thank you.