CCH – 2025 First quarter trading update
Questions & Answers transcript – 30April 2025

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Q&A

Nadine Sarwat (Bernstein): Two questions for me. The first on Italy. I know you called out volumes in Italy down low-single digits despite the headwinds of the lower selling days and the later Easter. Can you give us a sense of excluding those factors, how is the business doing on a normalised basis? I know last time you mentioned the Coke and Meals campaign being a really important thing for you guys in Italy, too. Any thoughts that you can share on that and how that is progressing. Then I will follow up with my follow-up on coffee.

Zoran Bogdanovic: Thank you, Nadine. Good morning. Indeed, I think you said spot on, that, first of all, Italy was really impacted by less selling days and also later Catholic Easter, which clearly has an impact in this country. I don't want to waste the opportunity to remind that over the last few years, we are very pleased with the development of the business in Italy, which over the last three years in average grew by 11% per year.

And in the last few years, we clearly prioritised price/mix as conditions were such. Now as we are also rebalancing the algorithm, we are focusing on all the levers of revenue growth management of price and mix and volume. If we would see this on a like-for-like basis, obviously, the performance in Italy was quite solid, definitely in line with our expectations. I am also pleased that the start of the trading in Q2 in Italy has been in line with expectations.

One of the drivers, as you alluded, is focused on food occasion, which in Italy, really means connecting with iconic and passionate food, which is pizza. This is where we are having a strong focus in our plans and execution behind meals, where this occasion of pizza for dinner, but also more and more with lunch is improving our results. That is also yielding that we see improving share trends in Sparkling in Italy, which is very encouraging.

Lastly to say that to say that there are so many opportunities that we have in Italy and the portfolio that we are developing, and we do see results across Zeros, Adults, with Energy, with Tea and Sports Drinks. All in all, I a little bit hijacked your question just to say a little bit more words on Italy because I am really passionate about it.

Nadine Sarwat: Understood. Then just on coffee and your decision to refocus on the out-of-home channel. In terms of the timeline of that, what is the status? Are you out of the in-home channels that you wanted to be out of, or is this going to bleed into Q2 and beyond? Once that is completed, how are you thinking about the normalised growth rate for the business that would then be focused on out-of-home?

Zoran Bogdanovic: Yes. I think you heard me saying that coffee for us is an important category. It is one of our, really, priorities. I want to emphasise that with coffee, we are not in any sprint. We are in a well thought-through marathon as we are building capabilities and our right to win in the category.

Specifically here, I talk about the fact that with Costa, our partner, we are continuously learning and reading the market, which is very dynamic, and you know that over the last few years, it has been impacted also by green coffee pricing, which is impacting the economics of the category in certain aspects. That is why we have seen clearly that opportunity and potential for more sustainable and profitable growth is in the out-of-home channel. That is why I am very pleased to see that our growth in that part of the market is continuing as a result of the fact that we are segmenting the market, leveraging our Data, Insights and Analytics, which we are leveraging also for this category, which is helping us in prospecting new customers and onboarding them and acquiring them, and then nurturing them once they are acquired.

That is why I would expect that over the next two, three quarters until we cycle out the volume that we had in the at-home part of the channel. And then we clearly expect to see that our total coffee volumes will continue growing.

As I said, we really want to build here the business that is not only growing for the sake of top line growth, but we look holistically how we are building the business in an economically viable way for, understandably, sustainable value creation.

Charlie Higgs (Redburn Atlantic): I had one on the initiatives you are doing with the Coca-Cola Company in Nigeria. I thought it was a very interesting example and clearly delivering very good results with Schweppes. Just two questions on that. One, why is this kind of initiative only starting to happen now? Two, is this something that you could perhaps roll out more broadly across your markets to help drive faster sales growth? Then I have a follow-up, please.

Zoran Bogdanovic: Good morning, Charlie. Look, the fact that this is happening now is a result of the fact that both us and Coca-Cola Company are developing individually, but more importantly, together, in the capability of Data, Insights and Analytics. We individually, but also as a system are sitting on an abundance of data. It is a gold mine, which only through this capability, we can put into better use.

Simply it comes as a result of the fact that also with the technological enablement, and the resources and use cases that we develop and our ability that is continuously increasing, I think we came to this more mature level that now we really can join the forces and do the segmentation of consumers and customers like we have not done before. Clearly, this has the potential to be scaled, I believe, across Hellenic, but also looking from Coca-Cola Company lenses also even broader.

And I know that this is getting also visibility on a global level, and we are really excited with the insights that this is giving us, which is informing all the plans that we are creating and how much sharper and precisely we can now target consumers and, consequently, also customers related to those consumer segments, which we can now identify. So very excited about this, and this gives us the confidence that we are doing investments behind the right things that are real business drivers.

Charlie Higgs: Excellent. Then my follow-up was just on the health of the consumer across your markets. In 1Q, you still had very good volume growth even with some of the headwinds you flagged from selling days and Easter timing. Is this talking to maybe a better consumer environment, or is it about the same? Or is CCH just executing better in a tougher environment?

Zoran Bogdanovic: Yes. Look, I cannot say that it is significantly or that there is any better consumer environment. I would call it stable. There is nothing significantly different than, I would say, Charlie, last two calls. It is a pretty consistent environment, which we constantly monitor, on every country level because this is where the business happens. This is where we continuously monitor and read what is happening, how is the consumer reacting. You know that we always say that in every country within our RGM, we have focus especially behind affordability and also behind premiumisation.

In short, pretty consistent state of consumer, which has enabled us to achieve this good blend of price mix and volume increase.

Matthew Ford (BNP Paribas Exane): My first question was just on the impact of Easter. You kind of called it out there for Italy but are you able to quantify the impact at a Group level from the technical factors you saw in Q1 and that kind of includes the selling day impact and the Easter impact, that would be great. Then again, you commented on April trading in Italy. But kind of same question really, could you comment on how April has gone across your business at the Group level? Then I will just follow up with a second question afterwards.

Anastasis Stamoulis: Good morning, Matthew. Anastasis here. Yes. Well, in quarter one, we had two less selling days than the previous period last year and you are right, we had also the Catholic Easter phasing. We can say that the impact of these two selling days was roughly 300 basis points of headwind to the volume.

When it comes to the Easter, of course, you understand that it varies from country to country, but on average, we can say that for the Established and Developing segments, it was about 100 basis points of headwind. But for the Group, overall, it was less than 50 basis points of headwind.

Now we do expect that this phasing will come in, of course, will reverse in quarter two, but that is well captured within our guidelines. Overall, I would not extrapolate this more to a bigger picture. We can say that we still see low-single-digit volume growth for the year to go.

I think when it comes to the trading update on April, Zoran, you want to add something?

Zoran Bogdanovic: Yes, Matt. As I said for Italy, it came fully in line with expectations. As Anastasis said, fully fits the guidance we provided and in line with expectations as we gear up for the pre-season and the season as our key trading periods.

Matthew Ford: That is great, thank you. Then just my follow-up, I suppose, as you mentioned the guidance. I mean we have had a very strong start to the year, and I suppose in Q2, you have got a little bit of help from Easter and potentially some easy comps maybe in some markets. I suppose what is embedded within that top line guidance of 6% to 8%. Are you expecting a slowdown in the second half? I suppose what makes you more cautious in terms of not upgrading that guidance at this level? Yes, just any comments around that at this stage would be great.

Zoran Bogdanovic: Yes. Matt, look, the thing is that Q1, as you know, is the smallest quarter, and given the whole dynamic that we see across the markets and lots of volatility and a dynamic situation, we really feel that the guidance that we have provided of 6% to 8% is what we really see. And still key trading periods are ahead of us. That gives us the confidence that we can deliver in line with our mid-term guidance. Actually, it is even a broader corridor than what we have guided for the mid-term. It is quite early in the year, and we are encouraged with the start, but still three more long quarters to go.

Edward Mundy (Jefferies): Two questions, please. Just on Share a Coke. Could you compare, I guess, the Share a Coke campaign today versus 10 years ago, when the world was a bit more analogue. You have got a lot more toys to play with. If you rewired the business from Data, Insights and Analytics perspective and you have got better relationships with your customers. I mean, how do you think about the parameter success of Share a Coke, both in terms of the near-term uplift and also the longer term impact on brand equity. That is the first question.

Then the second question is really around your revenue per case of 8.7%, pretty strong in the quarter. I think during the very high inflation period we have just come through, I think roughly two-thirds of your revenue per case is price and one-third was mix. Clearly, inflation is starting to ease, especially in your more mature markets. But are we looking at a more similar split today with roughly two-thirds and one-third price versus mix? Or is mix started to become a bigger part, given the growth of very high revenue per case categories such as Energy and Spirits and also the favourable pack mix you are still getting?

Zoran Bogdanovic: Good morning, Ed. On Share a Coke, I will start with that and then I will hand over to Anastasis for your second question. Share a Coke, as I said, 10 years ago, really was an excellent campaign. And I think that is the type of campaign that truly fits so well what Coca-Cola as a brand means in the lives of consumers and how much it brings connectivity, connections. We are quite excited in the way also the Coca-Cola Company has designed the whole campaign, also respecting that a decade later, there are also very exciting digital tools. Coca-Cola Company has excellent ways of how consumers connect through relevant platforms, and this is all embedded in the design of the campaign.

Now, yet to be seen what the campaign will deliver, but we are all very excited and we truly believe that this is something that is at the core of consumer and brand equity building that we need, but also connected with what we love, which is that also campaigns are designed to drive transactions, and that is what we clearly need and want, and I am quite confident about this campaign, both from the equity level, but also from the transaction driving mechanisms. Anastasis?

Anastasis Stamoulis: Yes. Ed, good morning. You are right. The revenue per case expansion of 8.7% for the first quarter was predominantly driven by pricing. We need to note here that we have a carryover pricing effect of about two-thirds, which is coming from the pricing actions we took last year, as you recall, to address certain challenges, especially in Emerging markets with inflation and currency devaluation in Nigeria and Egypt.

But also there is a certain element of pricing on addressing legislation like the DRS in Austria or sugar tax in Slovakia and, of course, at a lesser extent, cost inflationary pressure of input cost. But I also want to underline a little bit on the mix effect here where we had positive category mix, mainly driven by the good growth of Energy and Premium Spirits and we are also benefiting from the Finlandia rollout in the Hellenic territories, and a strong pack mix where we had positive contribution from single-serve mix of 50 basis points, as you have seen.

Now going forward, we do expect price mix to remain the key driver of the revenue growth algorithm, but with pricing being at a lower rate compared to quarter one. Of course, we are going into a period where we are cycling, and we have less carryover effect than the same period last year. Overall, as I said before, volume is expected to grow in the low-single-digit area.

Aron Adamski (Goldman Sachs): I have two. First is a follow-up on the relaunch of the Share a Coke campaign. You mentioned that back in 2014, it was very successful. You mentioned the impact it has on transactions. Given that, I was wondering if you have seen any increase in the number of promotional slots or shelf space being allocated for trademark Coca-Cola by retailers this summer. Connected to this, I was also wondering if you would expect this campaign to drive an improvement in package mix during the summer months?

My second question is on the potential sugar tax in Italy. Do you expect to see a greater demand elasticity in response to Italy's sugar tax this year than you saw in Poland historically, given that the consumer has already been quite sensitive to pricing in that market. If you could remind us what tools other than price, you can leverage to manage the impact of sugar taxes.

Zoran Bogdanovic: Good morning, Aron. With the Share a Coke, like with any other campaign, having a marketing calendar, discussing this well on time with customers, planning for it, is part of the way we plan and execute the year. With Share a Coke, it is no exception. Everything that you said is exactly part of the game plan that we will secure promotional slots and adequate product displays in a variety of channels. That is just part of the plan, and that is part of our execution excellence focus that we have.

Maybe I use the opportunity to say that we will also have like last year, when we started for the first time, where we get all in the market across all countries, not only people who are every day facing customers, but also people from all functions come together out into the market to help exactly boost our presence and execution, but this also connects very strongly with the culture that we are nurturing here because execution excellence is not only limited to our sales teams in the markets, but execution excellence is part of our DNA across all functions.

This is the way to nurture it and to leave it together, and it is going to be very exciting with the Share a Coke. As a consequence of that, it is going to ignite and support our package mix focus. For a number of years, we are continuously focusing on driving single-serve mix further, and I am very pleased that every single year, we have been successful in that, like also in Q1, and as Anastasis said, we had 50 basis points single-serve mix improvement. And Share a Coke will play a good role because somehow I would say that the whole campaign is skewed and more biased on a variety of single-serve packages that we have.

And lastly, on the sugar tax, which at the moment stands to be introduced from 1st of July this year. However, I would say that it is not done until it is really done, given the fact that we and other industry members managed to work with the regulator to postpone it. However, even if everything goes as it stands today, we are fully ready for already quite some time.

To remind you that whenever sugar tax happens in any country, in this case, in Italy, we always pass that on. In every such situation that we have in any other country, we have always seen that there is a temporary impact possibly, but it is of a short-term nature, and then we really resume and continue with the growth.

Now the thing with Italy as the sugar tax stands today, it is not as aggressive as it has been in a few other markets. For example, in Poland. So the anticipated price increase potentially is in the range of anywhere around 8% and 11%. To remind you, this affects all players in the market. So when something like this happens in the market, it is different versus a regular price increase that companies take individually because here, the whole market goes up and that really represents a situation from which in a number of cases, actually relatively, we can be even better off, as the price increase can be for us in relative terms, smaller than for those who might be of a lower absolute price.

In short, I am not worried about that. We are fully ready, and I do not see that this is any obstacle for the growth trajectory that we have for Italy for the next years.

Sanjeet Aujla (UBS): Two for me, please. Firstly, can you just give us a feel for where you are on the journey on pricing to recover the FX headwinds in Nigeria and Egypt specifically. Is it just a case of carryover pricing benefits? Or is there still incremental pricing to come this year from those markets?

My follow-up question is just really around the boycotts you have seen in Egypt. Where are we on that? And are there any signs of boycotts on Trademark Coke in any other parts of your business through April?

Anastasis Stamoulis: Good morning, Sanjeet. Let me start on your first question and then Zoran will take over. In general, on Emerging, what we can say is that the revenue per case expansion in the quarter of 16.2% is clearly benefiting from the pricing actions we took in 2024. There is a strong carryover effect, both from Nigeria and Egypt in this case. And I can also add the sugar tax in Romania. The carryover effect from Nigeria pricing actions to address the FX and inflation is the key driver of revenue per case this year.

Now there is also a positive impact coming from favourable category mix where we saw energy growing on high levels, just short of 30%, actually, which is also positively contributing on the case.

Now going forward, we have always said that our strategy in countries like Nigeria and Egypt, where there is FX volatility or inflationary pressure is always to address it with the appropriate pricing. Such pricing has not been in the levels of once or twice a year, but more of a phased out approach to have a minimum impact in the market, and that is why it is supported very well by good volume growth. Of course, with our overall 24/7 portfolio and as Zoran was saying earlier, the segmented execution, DIA, and our execution capabilities. Zoran?

Zoran Bogdanovic: Sanjeet, on the boycott in Egypt. We have seen in Q1 a very solid performance. We did expect that. We have seen also that we are cycling through harder level of boycott of last year in Q1. We see less of an impact this year. Therefore, we do see that we have a good recovery with Sparkling, starting with the Coke brand and also with the rest of the Sparkling portfolio. That is very good to see.

Just to say that, that is fuelled by really very good locally relevant marketing campaigns and execution that the team is continuously evidently stepping up and that gives us really good confidence for how the team will perform throughout the year and beyond.

Just also to say, that very good to see that we are gaining share in Egypt, which is also a good sign of how we play in the market in these circumstances. Hope that helps, Sanjeet.

I would like to thank everyone for taking part in today's call and I look forward to catching up with you again soon. We wish you all a good day. Goodbye.

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