



## Coca-Cola HBC AG | dbAccess Global Consumer Conference | June 4, 2025

Mitch Collett:

Good morning everyone. I'm Mitch Collett from Deutsche Bank's Consumer Staples research team in London, and I am delighted to be joined by Zoran Bogdanovic from Coca-Cola HBC. I think Zoran is going to give us a brief introduction and then we'll go to Q&A.

Zoran, the floor is yours.

Zoran Bogdanovic:

Thank you, Mitch.

Good morning, everyone. Thank you for joining this session. Before the conversation, I'll just say a few intro remarks for those who maybe don't know about Coca-Cola HBC. We are one of the largest global strategic bottling partners of the Coca-Cola company with presence in a diverse set of markets across 29 markets in Europe and Africa. And we see that as one of the interesting characteristics, having a wide span of countries all the way from well-established of Italy, Ireland, Switzerland, and Austria, all the way to emerging markets of Nigeria, Egypt, and some of those in Europe.

We are a growth-focused company with a proven track record of delivering results. And the key strategies to help us achieve our vision of the leading 24/7 beverage partner are simple ones. First of all, it is our, what we believe, unique 24/7 portfolio, which we call 24/7 portfolio of brands, because it has all the offerings that consumers need in a drinking moment and occasions, all the way from the morning, where possibly it's with coffee, all the way till the morning again, where maybe it's the mixability between some combination of our non-alcohol portfolio with premium spirits. So that's why we call it 24/7 as it caters through all the moments throughout the day.

The potential of this excellent portfolio, it gets converted into profitable revenue growth only with the strong bespoke capabilities that we have been building consistently over the years, and that, we believe, truly helped us in some of the tough times in the last years as well as in some of the easier times. By that I mean revenue growth management, route to market. In the last five, six years, it's data, insights and artificial intelligence, d-commerce, customer management, and talent development.

This is all underpinned with our continuous investments and improvements in competitiveness and investments behind digital and technology, also our strong investments behind people. I'm very proud that consistently our strategy of building within primarily is seen in continuous talent appointments across our countries, where 80% of our people are grown from within.

And lastly, sustainability is deeply embedded as the last pillar of our five-pillar strategy. Sustainability, deeply embedded where we are very proud that in the last 13 years, we've been consistently ranked in the top three places globally by Dow Jones Best-in-Class Index as well as other ones. And eight times out of that, we've been the global beverage leader, including last year.

I'll just remind that when we had the Capital Markets Day in 2023, we updated our guidance to step up the corridor of the top line growth to be 6% to 7% of organic revenue growth in average per year, as well as 20 to 40 basis points EBIT margin improvement on average per year.

With that in mind, and just to close the loop to say that Q1 started well in line with our expectations where we reported growth of 10.6% and with volume of 1.8%, which is very important for our algorithm, and we have provided guidance specifically for this year to be 6% to 8% corridor, and 7% to 11% EBIT organic growth. With that, I'll shut up for a moment and hand over to Mitch.

Mitch Collett:

Thank you, Zoran. I'm glad you finished on Q1 and the guidance, because that's a good place for us to start. So as you said, you did 10.6% organic sales growth with 1.8% volume growth, but there were some headwinds in Q1. Calendar effects, Easter, and I guess, therefore, the guidance for the full year of 6% to 8% feels reasonably conservative. How should we think about the phasing of revenue growth for the balance of the year, therefore?

Zoran Bogdanovic:

Look, we know that Q1, this is a well-known story, is the smallest quarter. There is still long nine months or eight months to go. We are pleased that it started in line with expectations. We know that we are living in a little bit of a awkward world where lots of things can happen, and therefore we simply respect the fact that key trading season is only ahead of us. We do see, in some parts, some more consumer sensitivity to pricing and sentiment, which proves to be still below 2021.

So that's why we provide range, given that we really have to see how things pan out. But we feel confident with what we guided for, and we think that's the best and most fair assessment that we have at the moment.

Mitch Collett:

Okay, understood. And how should we think about the contributions of price versus mix versus volume this year?

Zoran Bogdanovic:

Yeah, you're right. Look, we know that we are coming out of the higher inflationary period, where inevitably price mix played a pivotal role, and our revenue growth management was a phenomenal tool to navigate us through all of that and to achieve very high levels of price mix and yet not to lose grip on volume. It is clear that price mix is going to soften, and you will see that this year gradually it is coming down, as we are also cycling out all the effects of the price increases, which were stronger last year than price increases or rather price adjustments that we have done so far this year, which are much smaller.

So ideally, when we think about overall mid-term guidance, ideally we would say that price mix and volume would be somewhere in the more balanced ratio between each other, of course depending on country to country. But this year, it's going to be lower than it has been over the last few years. However this year still, price mix is going to be bigger part of the revenue generation. With that in mind, I reiterate what we said on the call which is that we do expect we will be volume positive, and it'll be somewhere in the low single digits.

Mitch Collett:

Okay, understood. Maybe moving on to EBIT, so you've guided to 7% to 11% organic growth this year. You just mentioned that the key season is to come. What are the puts and takes that would get you to the top or the bottom end of that range?

Zoran Bogdanovic:

Well, I think what I alluded to is that, if we see that the whole consumer situation deteriorates or that we see some comeback of inflation driven by whatever factors, if sentiment would not stabilize or improve, and if we would see any FX unexpected things, that would drag us to the lower end.

However, if we see that things start improving, and that we see that key trading season of summer is going to work well, we don't expect or wish that it has to be a crazy good summer, but we've seen in several last years that sometimes certain months can be extremely impacted by also weather conditions, which is worrying on a whole climate front. However, if that works well, we see ourselves in the upper end. So that's why we assessed that. That's the corridor where we see playing and doing our best and push hard.

Mitch Collett:

Okay, understood. And are you seeing any changes in the consumer environment across your key geographies? Has anything really changed since the end of Q1?

Zoran Bogdanovic:

Nothing dramatically. Everything seemed to be fairly stable and quite consistent versus last year. We can't say that something really significantly changed.

But having said that, already last year we've seen that consumer sentiment is still below 2021. We do see price sensitivity in a number of markets, that's why already last year and as well creation of the plan for this year, includes lots of initiatives that are supporting affordability needs of the consumers. And we do that across all the markets in a very unique, bespoke way for every single market, leveraging revenue growth management and concrete circumstances in every single market.

Mitch Collett:

Okay. Understood. Maybe thinking a bit longer-term, so you mentioned the medium-term guidance of 6% to 7% organic sales growth. You've also said in the past that the three divisions you operate in have very different roles to play within that 6% to 7%, so different levels of economic development, different levels of per capita consumption. Can you just remind us what you expect each of your three divisions to deliver and contribute to that group performance?

Zoran Bogdanovic:

Look, we said that all three segments will contribute and we expect all three segments to grow. We didn't provide guidance by segment, as we don't do that. But as we've seen over the last few years, the strongest growth came from Emerging, followed by Developing and then Established. So I think that kind of a pattern is to be expected, how we think about it. But all three segments clearly have their own opportunities, and none of them are excused from delivering growth.

Mitch Collett:

Okay. And it looks like there's a reasonable chance 2025 is the third consecutive year of you being above that range. I know you haven't said that yet. But is that still the right range? It was a couple of years since the Capital Markets Day, but if you keep over delivering, is that the right number to put out there?

Zoran Bogdanovic:

We believe it is, as we've done a thorough exercise of evaluating the underlying industry growth and everything that we have, and that's why we stepped up that corridor. Now we need to recognize that the results of the last three years have been impacted by this high inflationary environment, where it was a necessity to price, not only for us, but for everyone else. Simply, we have to protect the health of the business for the short term, but also for the long term. So, our mid-term guidance has assumed more normalized conditions.

And as we have been in the last three years among the top performers in our industry, we also believe that with 6% to 7%, that will put us also among the top performers in the industry, as also continuously gaining share is one of the drivers why we believe that 6% to 7% is the right corridor. Now, if we would see that ever, that market itself is developing better and stronger, of course we would visit, because at the back of everything is that we have winning ambition in the market. And I think with capabilities and portfolio and people we have, we need to aspire to be at the winning front.

Mitch Collett:

Okay, understood. Maybe we'll dive into a couple markets. So in Italy you're trying to grow, I think with the food occasion. So can you talk about what you're doing to grow with food in Italy? And then maybe on top of that, can you talk about what you're planning to do to grow zeros, adult and energy?

Zoran Bogdanovic:

How not to grow in Italy, if not with lunch or food occasion? Joking aside, our data, insights, analytics together with the revenue growth management now really give us visibility of various occasions and segmentation of consumption, where we see what are the biggest occasions. So everywhere but particularly in Italy, Coke with food is a super important revenue pool. We are traditionally stronger in the dinner occasion and that's why specifically we are putting now more emphasis on the lunch occasion. And lunch occasion primarily means combination with pizza, is the legendary food item in Italy, but it really works extremely well.

We see that last couple of years of consistent focus behind this in a creative, smart way of communication, activation, partnership with customers, it does deliver results. We see that also in the movement of the per capita, which is very important in Italy. So that's one part which is really one of the key drivers of the sparkling performance in Italy. As you said, Mitch, then it's the zero sugar portfolio that's doing very well in Italy, now with addition of also the zero sugar, zero caffeine, which is performing very well in Italy. We had also excellent performance of adults, namely it's Kinley and Lurisia.

So all that is important for sparkling. But one additional element I would highlight in Italy is that, let's say, 10 years ago we were pretty much a dual category business with sparkling and with water. In the meantime, we took over leadership with Monster in the energy segment. We took over and strengthened leadership with Powerade in the sports category. We developed quite solid position with Fuse in the ready-to-drink, and all that was also enabled by very strong investments that we are doing

behind out of home in Italy, which we see as a strategically important channel. And that's why we've been putting additional resources and focus behind that.

Mitch Collett:

Thank you. Let's go to Nigeria. So it's always been a market with some volatility, but clearly huge growth potential longer term. I know you've managed some of that volatility with dynamic pricing. I guess, how are you navigating back to a more volume driven strategy within Nigeria? And I guess, what were the learnings as you implemented that dynamic pricing strategy?

Zoran Bogdanovic:

Yeah. If anywhere revenue growth management is important, then it's Nigeria and such emerging markets, Egypt as well. That's why it's not a surprise. And we clearly say that whenever we are launching new capabilities, when it was revenue growth management, well not launching new, but stepping it up with the wave that we started 2017, Nigeria was number one. Data, insights, analytics, Nigeria was again, number one because in such a diverse, complex and challenging market, the capabilities are what really helps you to sail through in all kinds of variety of situations. So segmented execution and knowing types of consumers, their segments, what are the outlets where they shop? All that is informing the way we are approaching dynamic pricing, because it's not the same what we do in north of Nigeria, what we do in Lagos or in Delta, very different by category, because price sensitivity, consumers, by category is very different. Water versus sparkling versus energy, it's not one size fits all. We now know and have the visibility of what that means.

Also, various packages in Nigeria where affordability is super important. Returnable glass bottle is the pivotal pack, how we are catering to Nigerians who really need affordable Coca Cola, Fanta, Sprite or whatever. So we've been leveraging that package, for example for that. On the other side, there is also premiumization, because when you see the top of the population pyramid, you have 15 million people that are considered really as affluent. That's almost the size of Romania. But now with the ability that we have together with Coca Cola Company of segmenting consumers and customers, that really is helping us to navigate and plan our activities in a very personalized way for neighborhoods or even in the same street for different types of outlets.

Now lastly, what you said, last few years where it's a high inflation Nigeria, we had devaluation, all that has to drive price mix. And of course, to some extent that does have impact on the volumes. If the objective would be to grow volume, we could easily do that at the expense of protecting real healthiness of the business. That's why we believe strongly that it's in the balance. It has to be both. And I'm very pleased that with very high price mix that we've done in Nigeria, we have consistently achieved also volume growth. And I'm very, very pleased for that. And I see that the start of the year trading so far in Nigeria has been in line with expectations and good.

Mitch Collett:

Okay. I feel you might have just answered my next question. But just are you confident that you didn't take too much price? I know you needed to take a lot of price because of those inflationary pressures, but I guess what do your revenue growth management tools tell you about where you are on pricing in Nigeria?

Zoran Bogdanovic:

Look, we have to think about business responsibly. And the impact we had from FX, it's a real inflation, which is really double-digit inflation. We see that in the cost increases, so simply we cannot absorb that.

But then when we have to pass it on, now I'm confident that we have the capability that allows us to do that in a way that better suits customers and consumers, so that business can continue growing. So in hindsight, I think we would've done exactly the same what we have done.

Mitch Collett:

Okay, understood. Thank you. Another market that has had some volatility is Egypt.

Zoran Bogdanovic:

Some.

Mitch Collett:

Some, sorry.

Zoran Bogdanovic:

Yeah.

Mitch Collett:

I'm understating it. But yeah, what are you seeing in Egypt right now and has the boycott of the Western brands started to ease? How are the consumers faring, given inflationary pressures?

Zoran Bogdanovic:

Yeah. Look, maybe just a word on the fact that Egypt as a franchise is the recent addition and when we did acquisition case, we thought and we knew that at some point, the devaluation has to come. Inflation, it's an emerging market. However, the fact that many things came together condensed during high inflation, there was twice a big devaluation, food pricing was even higher than regular inflation. Then boycott. So many things came together, which on one side was challenge. On the other side, honestly, it was also opportunity and we have to take it like this. It's a real case for change. So it enabled us to do a number of things that honestly, originally we planned over a longer period, we condensed those actions and a number of changes and step-ups that we had to do.

So even last year when we were impacted by boycott primarily on the Coca Cola brand as well as other leading international brands that were impacted, but we've seen under the hood, lots of good things happening as we see development of the capabilities, upskilling the people, introducing more coolers. So I'm very pleased with the speed and development that we see in Egypt. And I believe as situation will stabilize, I think that we will come out of this situation stronger and more ready than maybe originally we would be at this point of time. I just think that sense of crisis and urgency brought more attention, focus, and speed, and I'm extremely pleased to see our share gains that we are achieving in the country. Weekly plus consumers continuous growth, and that this well phased portfolio expansion as we also added the Monster and Fury in the country in the energy category has been proven very well.

Because these other parts of the portfolio, rewiring of water play in the country, great performance, strong performance of adults, meaning Schweppes, which is by the way largest business of Schweppes globally in Egypt. All that helped us to navigate through all this, I think in a good way and we are patient and confident that this country which we entered for the long run is going to be a very good growth and value driver for Hellenic.

Mitch Collett:

Okay. Maybe a broader question. You seem to navigate this type of volatility much better than many other consumer staples companies. So I'm just really interested in what is the secret sauce? Is it because you're used to operating in those markets, is it your digital tools, is it your people? Is it the brands you sell? Is it incentivization? How do you manage to have these challenges and always seem to come out delivering a very good performance?

Zoran Bogdanovic:

Mitch, from bottom of my heart, I truly believe it starts with people. Having the right people in the right roles who have a growth mindset, even in the most difficult moments plays a tremendous role. And then it was also people and team who years back, decided that these are the capabilities that we will be very disciplined in how we develop them and that we are not going to drift every year or every two years. Well, let's do this, let's do that. We've been very consistent, how much we invest in the resources in, of course digital and technology tools to support all of that. So you can have all these platforms and build them, buy them, you can buy all the lines, but the people element makes it all happen.

I'm very pleased that we took lots of learnings from COVID. That period, as much as it was unfortunate for all of us as human beings to go through, but it offered and revealed that we can operate suddenly and fast in very different circumstances. We can prioritize very differently. So if we do one thing, we only remind ourselves in these kinds of normal times when we want to do too many or how it also was when we were in those days.

So constant self-push on prioritization and sequencing of the initiatives that we want to do is not easy because our culture is that we want to do lots of things and we want to do them right away. But very honestly, that's something that we are learning how to prioritize and pace so that everything we do in a given moment is with the right impact and it's an ongoing process. But so far, it proved that in some of the very difficult moments and we didn't lack them unfortunately, I think the team has proven that we can really navigate through that.

Mitch Collett:

Got it. Maybe let's talk about a couple of categories, and I like the way you described it as sort of 24/7 portfolio. One of the standout performers has been energy. I think you've had nine consecutive years of very strong growth with your energy business. Can you talk a bit more about that category, what innovations you're doing and ultimately, why does energy remain so strong?

Zoran Bogdanovic:

We are very, very happy with a very constructive partnership that we have with Monster team and belief that we have in the category that has its functionality match with what consumers need. It is clear the consumers need an uplift in energy and to go through the day. And it's visible that cohorts are expanding. The average age of energy consumer is around 34 years of age, which is contrary to sometimes belief that these are usually younger consumers. They were, but the consumer brackets are expanding.

There are many elements that underpin this excellent innovation that comes from Monster. Every year, there is something new and it's done so well and so relevant where big number of innovations really work and they are key contributor to incremental growth. Now we had Rio Punch and Ultra Strawberry. Last year, finally zero sugar of the Green Monster, which is like Coca-Cola in sparkling. That's a very important key flavor. Reformulations, zero sugar, not to miss that.

Then a number of assets and properties that really impact consumers, whether it's now partnership with Chelsea that we activate so well in Nigeria and Egypt. There are more fans in Nigeria for Chelsea than in

UK. So now having that property does play a role. People are passionate and if a brand is touching their passion and gives them a chance to be part of some kind of a dream, maybe win a jersey, maybe go see the game, it matters, but it doesn't start with that. It has to start with product quality, product innovation, and product proposition. Our own execution with constantly expanding distribution, adding more and more coolers. So I think that a number of elements in the whole wheel are working very well and I can say with confidence, that this year is going to be another year of double-digit growth with energy.

And now it reached already 8% of our revenue in Q1 and I think that it's a matter of couple of years that it's going to become a double-digit part of our revenue, which is amazing. Just I don't know, 16, 17 years whenever we started from zero to now, close to 10%.

Mitch Collett:

Yeah, it's impressive. Maybe we should move to coffee, another part of your 24/7 portfolio. I think you said at the Q1 stage, that you were refocusing a bit on the out-of-home consumption for coffee. Why was there that need to refocus and what is the opportunity you see for your coffee portfolio?

Zoran Bogdanovic:

I think it's important Mitch to emphasize why coffee. Coffee in the whole beverage space and specifically in the non-alcohol space is a huge category. It's a big, profitable revenue pool. And for that reason, you see a number of many players in coffee. Now for a company like ours that aspires to be the leading 24/7 beverage partner, coffee is an important part in the lives of consumers, not only in the morning but throughout the day. And there are people in the room who like to drink their espresso even in the evening. So for us to be a credible partner to customers and cater everything that they really need for their shoppers and their customers, you have to have this important category. Plus coffee is one of the very important profit generators for the bars, restaurants, outlets. When you take the analysis and understand how much money they make from each of the categories, you understand the importance of coffee. So we said that we will focus on coffee and it's going to be a marathon, it's not about sprint. We have to build our own right to win.

We started from scratch of employing people, creating teams. We clearly front-loaded the resources and investments, and we continue learning. Now, all this has happened also in the times when last several years, green coffee pricing has been in a unusually long period, it stayed on a high level. It's quite cyclical, but now it stayed on a high level, which is impacting all players. I think you could hear that from a number of calls that they have. However, that does not diminish our belief in the category, but to do it in a way that also makes more sense for the economic value creation.

That's why together with Costa, because it was with Costa that we were present also, in the at-home channel, we saw that the value chains there for the time being, are really not where we would really like them to be. So that's why we said until circumstances possibly change, that we are going to rewire our focus behind, out-of-home, at work. So in the space of the market where we see that there is more value and that that level of price intensity and competitiveness that you see in the at-home channel, is different.

And also our competitive advantage I believe, with our approach to out-of-home is something that we can really leverage. So it came through our own analysis, quite logical that we rewire, and we have been fully aligned with Costa team on that. Now, I don't mention Caffè Vergnano, which is an important other brand. Because we, from the beginning, focused with Caffè Vergnano already on out-of-home, and on more premium segment of customers. As that coffee clearly plays in a more premium segment than Costa. So with the multi-brand strategy now, with an already quite developed capability, I'm very



pleased with the progress, knowing that this is something that I like to remind people, like I said, with Monster, when we started some 15, 16 years ago, we started from zero and you see where we are today.

That's why the question with coffee, it's important to have in mind where we want to be in again, 10, 15 years. It takes time, patience, but it's a great category, and very important for the DNA of the company like we are, and our ambitions that we have in the market. We had in Q1, 19% growth in the out-of-home channel, which is within same outlets, but also because we are every quarter expanding number of outlets that we are serving with coffee.

Mitch Collett:

Thank you. I'm conscious, we're getting short on time, but you've mentioned a few times DIA, digital, insights and analytics. And I know you did a bitesize webinar on that last year, and you also appeared in our artificial intelligence panel yesterday. But maybe if there are people in this audience who didn't watch the webinar, who weren't at the AI conversation yesterday, how do you think about your DIA tools? Do you have any specific examples of where you've used them, and to what extent do you view it as a competitive advantage?

Zoran Bogdanovic:

Look, I remember, we had some start before COVID clearly. However, I would say that the real start of this was, I remember so well, June of 2020. And ever since we created now around 60 people in the company, that have been taking this forward in partnership with other functions. Because this team is nothing in isolation. They have to work through the arms of the functions, starting with commercial, where their impact has to be seen. So, invested in the team and resources, that comes also with a lot of technology, digital and platform investments.

We've just finished one pit stop of how we go into the next phase, where we are recognizing and embedding even more artificial intelligence. That's why now we call it data, insights and AI. And we've been focused behind a number of prioritized use cases. Like I mentioned yesterday, segmented execution has been the foundational case. We are already now with version three, across all markets. Because this really helps us to enable personalized execution and approach to every single outlet, which we treat as a unique segment. When you have that done well, from that base we can then do other parts, which is promo effectiveness, both in the organized and modern, and fragmented trade. Forecasting use case, needless to say how much that's important for the whole planning, inventory, management and out of stock. And last one is the retention of our business developers, salespeople. Because we identify that as one important case, where data, insights, analytics really help us to connect the dots from such a pool of data. Which is also helping us in giving us insights for the retention of people.

Those were the starting ones, but we are continuing with deployment, and it's like a positive virus I would say, that it's more and more scaled in the business. And now we are using so many tools in the warehouse, on the customer front, artificial intelligence enabled marketing in our digital platforms. The way we do insights on pricing, analysis, scanning of the market of all the outlet potential and pool. Not only those that we are visiting, chatbots. So I could name you a number of tools that really fit in each of our priorities and capabilities.

Mitch Collett:

Okay. We are out of time, so I make this the last question, and I haven't asked about cash? So you've done buy-backs, but your balance sheet is still strong, net debt/EBITDA below one times. How do you

think about your opportunity to deploy cash going forward? Do you think there's scope to become bigger within the Coke system? I know you've done acquisitions of your own brands. How should we think about how you're going to use cash going forward?

Zoran Bogdanovic:

So as you said, we finished with a ratio of 1x, and we do have a strong balance sheet, and we would love to put it to use. Meaning that we see the opportunity that we can scale more our capabilities, talent potential. So if opportunities arise within Coke system, it would be our natural and most desired way of doing more. I think it's fair to say, you see other bottlers as well, in our business, that would be the best click of doing more, or what we, I think, know to do well. But you know as well that that starts with conversation with Coca-Cola company. And if and when things arise, we just say that we are raising hand to be considered.

Beyond that, yes. We are always on the lookout to see what bolt-on potentially could fit. And while we are looking, we are not rushing that it would be anything, it has to be good fit. It has to fit into some white spaces we have. It has to be of a clear strategic proposition, it has to have good economics. So I hope that in such spaces that there will be some opportunities ahead of us. In the absence of that, you know that, what we've done few times already in the last number of years, is that yeah, there could be special dividend. But I think for all these things it's a bit too early to make conclusions, but options are there.

Mitch Collett:

Okay. Understood. That's a good place to leave it. So Zoran, thank you very much. Appreciate your time and your perspectives.

Zoran Bogdanovic:

Thank you. Thank you very much.