

Research Update:

Coca-Cola HBC AG 'BBB+/A-2' Ratings Affirmed On Announced Acquisition Of Coca-Cola Beverages Africa; Outlook Stable

October 21, 2025

Rating Action Overview

- On Oct. 21 2025, Coca-Cola HBC AG (CCH) announced it agreed to acquire a majority stake (75%) in the largest African continent Coca-Cola bottler, Coca-Cola Beverages Africa (CCBA), for approximately €2.22 billion. We expect the transaction's completion, subject to customary regulatory approvals and other closing requirements, by the end of 2026.
- We forecast pro forma S&P Global Ratings-adjusted debt to EBITDA increasing toward 2.1x-2.2x in 2026 from an estimated 1.4x-1.5x in 2025, then falling toward 2x in the subsequent 12 months, with broadly stable adjusted EBITDA margins in the 14%-15% range and free operating cash flow (FOCF) of about €500 million annually.
- We affirmed our 'BBB+/A-2' long- and short-term issuer credit ratings on CCH. We also affirmed our 'BBB+' long-term issue ratings on the company's notes outstanding and 'A-2' short-term issue rating on its commercial paper program.
- The stable outlook reflects our view that CCH should be able to integrate smoothly CCBA's assets and maintain S&P Global Ratings-adjusted EBITDA margins near 14%-15%, with positive FOCF translating into adjusted debt to EBITDA comfortably below 3.0x.

Rating Action Rationale

The affirmation reflects our forecasts that CCH will maintain S&P Global Ratings-adjusted net debt to EBITDA comfortably below 3x, supported by solid organic revenue growth prospects in the next two-to-three years. We forecast pro forma S&P Global Ratings-adjusted net debt to EBITDA increasing toward 2.1x-2.2x in 2026 from a projected 1.4x-1.5x in 2025. In line with our methodology, we adjust CCH's debt to include the possible cash-out related to the existing call option (undisclosed amount for the remaining 25% equity of CCBA) held by Coca-Cola HBC AG as part of the transaction. CCH has the discretion to settle the option in cash or with equity. The acquisition is largely debt-funded through a bridge loan facility of about €1.4 billion, which we anticipate will be refinanced closer to the transaction's completion. Further complementing the

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funding mix is an equity issuance, including CCH's issuance and the transfer of treasury shares equivalent to a 5.47% stake in the group to the Gutsche family, a significant minority owner in CCBA. CCH also intends to pursue a secondary listing on the Johannesburg Stock Exchange near the transaction's closing by the end of 2026. In our forecasts, we foresee gradual deleveraging toward 2.0x from 2027 onward. We anticipate CCH's FOCF to weaken from our projected €700 million levels in 2025-2026 toward about €500 million in 2027 mainly due to increased interest expense and planned capital expenditure (capex) toward 8% of total revenue in 2027, from slightly below 6% in 2025. The capex increase reflects the planned investments and potential capacity improvement projects in select countries within CCBA's business perimeter, in line with CCH's integration playbook. We assume seamless integration of the assets and following initial pro forma slight dilution effect of 20-30 basis points to CCH's margins in 2026, we forecast margins to improve toward 15% by 2027. This is supported by our forecasts of organic revenue growth prospects of 6.0%-6.5% in 2026-2027 annually, slightly slower than our forecast level of 8.5%-9.0% in 2025, as CCH's volumes could take a hit in Italy (11% of the company's 2024 revenue) from a planned sugar tax in 2026.

In our forecasts, we assume CCH will adhere to consistent and prudent financial policy, with limited spending on bolt-on acquisitions supporting gradual deleveraging following the acquisition. CCH affirmed its medium-term target net leverage of 1.5x-2.0x net debt to company-reported comparable EBITDA, which underpins the 'BBB+' rating. Excluding Russia and other more minor adjustments we make to reported numbers, we equate this to 1.7x-2.2x. In terms of shareholder distribution, in our forecasts, we incorporate the company's policy of distributing 40%-50% of the previous year's net income. We forecast total outflows for cash dividends of €410 million-€430 million in 2026 (up from about €385 million in 2025), rising toward €500 million-€520 million in 2027. In our 2027 projection, we include modest outflows linked to remaining noncontrolling shareholders in some CCBA countries. Importantly, with the acquisition announcement, CCH cancelled the existing €400 million share buyback program launched in late 2023. In our view, this clearly signals that the company will be focusing on integration of the assets and deleveraging. In our base-case forecasts, we factor in potential small bolt-on acquisitions of about €100 million annually from 2027, likely outside the Coca-Cola bottling system business, and no new major Coca-Cola bottling territories transactions. CCH could cover this amount of discretionary spending with internal cash flow and without hampering its deleveraging, in our view.

We view CCBA's acquisition as overall positive and solidifying our assessment of CCH's business risk profile at the strong end of the satisfactory category. Underpinning this is the enhanced scale with estimated combined 2024 revenue and EBITDA of about €14.1 billion and €2.1 billion, respectively, and about 4 billion unit cases of beverages manufactured. In terms of geographical footprint, CCH will become the biggest Coca-Cola bottler worldwide, with 43 countries of coverage (up from 29 currently), ahead of Coca-Cola Europacific Partners, the largest bottler globally in revenue terms (€20.4 billion in 2024), which operates in 31 countries. With the enhanced revenue base, CCH will close the gap or even surpass, depending on currency movements, the current second-largest Coca-Cola bottler globally--Latin America-based Coca-Cola Femsa. Finally, through the acquisition, CCH will further diversify away from Russia, its top-selling market in 2024 (13% of revenue), where we see risks to growth from ongoing sanctions on the country in response to the war in Ukraine. In terms of the overall geographical mix, we estimate that South Africa will overtake Russia following the acquisition in terms of largest market, with about 15% of total revenues, followed by Nigeria and Russia at about 10% each, and Italy and Poland with slightly less. The share of the faster-growing emerging markets (including

Russia) will account for a rising share of total revenue for CCH (up to about 58% from 45% at present), with slower volume growing established markets (select Western and Southern European countries) reducing to 25% from 33%.

The CCBA acquisition should enable CCH to achieve its medium-term organic net revenue growth aspiration of 6%-7% per year on average, supported by solid volume growth. CCBA reported 4.3% organic volume growth on average over 2022-2024, which compares with the overall CCH's reported volumes decline of about 2%. Even excluding the negative effect for CCH from the fallout from the Russia-Ukraine war and suspension of sales of trademark Coca-Cola beverages in Russia, we think CCH would likely have increased volumes slightly less than CCBA. This is because of CCH's exposure to low-volume-growth countries in established markets, as well as its exposure to more developed Central and Eastern European countries, where the underlying population dynamics mirror those of established markets. With the CCBA addition, CCH is expanding further in Africa, where the population is set to grow by 2.0%-2.5% annually. We think this will support CCH's aspirations to increase annual revenue by 6%-7% on average in organic terms, likely with a broadly even split between volume growth and price/product mix. Increased African exposure will be an immediate boost for CCH from a volume perspective, while improving product mix will take longer, assuming penetration of higher revenue per case and margin categories like sports drinks, energy, and spirits.

Although the acquisition will dilute CCH's margins slightly due to the presence of some loss-making countries, we assume limited integration risks. We estimate that, pro forma, CCBA will slightly dilute CCH's margins by 20-30 basis points. Specifically, we forecast CCH's pro forma adjusted EBITDA margins in 2026 will decrease slightly toward 14.5% from our projections of 14.8%-14.9% in 2025 on a stand-alone basis. This reflects the presence of some smaller territories within CCBA's perimeter that have been loss-making, although we acknowledge recent improvement. Still, CCBA has been overall a well-integrated business platform and consolidated under the broader Coca-Cola Co. group since 2016, with close oversight and an experienced senior executive team. We think these factors largely mitigate integration risks. We further think CCH will improve profitability by seeking to achieve efficiencies in streamlining shared service centers, potential production footprint optimization, and procurement and other operating expense management. The company will also be looking to optimize the route to market, in line with its standard market practices, sales channels, and outlets, as it aims to further expand. Finally, in our view, CCH will seek to optimize its unit sales and search for opportunities to improve its share of revenue per case and higher-margin single-serve packs. The company could also seek to expand its offerings in individual beverage categories.

Outlook

The stable outlook reflects our view that after the transaction closes, CCH should be able to smoothly integrate CCBA's asset base and maintain solid organic top-line growth, with adjusted EBITDA margins comfortably in the 14%-15% range and significant positive free cash flow. The outlook also reflects our view that CCH has sufficient operational and financial flexibility to maintain S&P Global Ratings-adjusted net debt to EBITDA at comfortably less than 3.0x despite economic challenges in most markets.

Downside scenario

We could lower our ratings on CCH if, contrary to our expectations, the group's credit metrics weakened considerably, notably with S&P Global Ratings-adjusted net debt to EBITDA reaching

or exceeding 3.0x with no short-term prospects of improvement. This would likely stem from unexpected integration issues linked to the CCBA transaction, combined with weaker volumes across key markets in Europe due to economic challenges. Alternatively, a downgrade could happen if the company were to engage in more aggressive discretionary spending, notably on shareholder remuneration and further debt-funded acquisitions soon after completing the acquisition of CCBA.

Upside scenario

We could raise the ratings on CCH if we saw stronger sustained growth in revenue and free cash flow conversion, such that FOCF to debt exceeds 25% and adjusted net debt to EBITDA was more comfortably in the 1.5x-2.0x range. This could stem from the smooth integration of CCBA's assets and stronger and more profitable growth from CCH's enlarged territory base across Africa, combined with resilient European operations. An upgrade would also be contingent on the group committing to maintain these ratios sustainably.

Company Description

Headquartered in Switzerland, CCH is one of the anchor Coca-Cola bottlers globally. The company operates under exclusive long-term bottling agreements (in certain regions) with The Coca-Cola Co. (TCCC; A+/Stable/A-1), the world's large soft drinks manufacturer. Under the agreements, which covers 29 countries globally (mainly in Europe), CCH manufactures, distributes, and markets Coca-Cola-owned and operated branded beverages, which cover a range of nonalcoholic beverages--sparkling (including adult) drinks, waters, juices, ready-to-drink tea, energy, coffee, and others. With the announced acquisition of CCBA, CCH will become the largest Coca-Cola bottler in terms of countries of coverage (43) and close the gap or potentially exceed the second-largest bottler in terms of revenue, Latin-America based Coca-Cola Femsa.

In the most recent fiscal year (Dec. 31, 2024), CCH reported overall revenue and comparable adjusted EBITDA, including Russia, of about €10.8 billion (about €10.2 billion in 2023) and €1.6 billion (from €1.5 billion), respectively.

CCH traces back to 2000, when Greece-based Hellenic Bottling Company S.A. merged with Coca-Cola Beverages Ltd. As of Dec. 31, 2024, TCCC owned 21.3% of CCH's share capital; Luxembourg-based private investment holding company Kar-Tess Holding holds a further 23.3%; and the remainder (55.4%) is freely floating with a primary listing on the London Stock Exchange, and secondary listing on the Athens Stock Exchange.

Coca-Cola HBC AG (With CCBA)--Pro forma net sales revenue by region

Fiscal 2024 (year ended Dec. 31)



Source: Company report

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Our Base-Case Scenario

Assumptions

- Real GDP growth in South Africa of 1.3% in 2026 and 1.5% in 2027, with consumer price inflation of 3.9% and 4.0%, respectively. Overall, in emerging markets in Europe, the Middle East, and Africa, we forecast real GDP growth of 3.4% and 3.3%. In the eurozone, we forecast real GDP growth of 1.1% and 1.4% in 2026-2027 and consumer price inflation of 1.8%-1.9%.
- Pro forma revenue growth of up to 38%-39% in 2026, up from 8.5%-9.0% forecast in 2025. We forecast organic revenue growth of 6.0%-6.5% in 2026-2027. We assume positive volume growth of 2%-3% annually in 2026-2027 (similar to 2025) and the rest through price and product mix.
- Pro forma S&P Global Ratings' adjusted EBITDA margins to drop slightly to about 14.6% in 2026, from the 14.8%-14.9% forecast for 2025, reflecting the CCBA transaction' dilutive effect. We anticipate subsequent improvement in margins toward 15% assuming smooth integration, and positive volumes and product mix effects from ongoing growth in higher-margin categories, notably sports drinks, energy, and spirits.
- Total capex of about 6.5% of revenue in 2026, an acceleration from the stable year-on-year about 5.7% in 2025 and further increasing toward 8% in 2027-2028. The increase primarily in 2027 onward reflects the planned investments at the CCBA level. Maintenance capex to remain at 3.0%-3.5% of revenue.
- Broadly neutral working capital movements with CCBA's working capital cycle slightly beneficial to CCH.
- Broadly stable FOCF of about €700 million in 2025-2026, falling toward €500 million in 2027, reflecting an increase in capex and interest burden following the acquisition.
- An ordinary dividend distribution ratio trending toward 50% of the previous year's net income, at the top end of company target range of 40%-50%.
- Potential €100 million of bolt-on acquisitions annually from 2027 onward.

- S&P Global Ratings-adjusted net debt of about €2.0 billion in 2025, increasing toward about €4.42 billion in 2026 and €4.5 billion in 2027. In our calculations, we mainly include senior unsecured notes, leases, commercial paper drawdowns and local bank loans. We exclude cash trapped in Russia (estimated at about €500 million in 2024), and include about €160 million of factored trade receivables. In our calculations we also factored in a possible outflow related to a call option held by CCH to purchase the remaining 25% stake in CCBA.

Key metrics

Coca-Cola HBC AG--Forecast summary

(Mil. EUR)	--Fiscal year ended Dec. 31--						
	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	7,168	8,095	8,988	9,397	10,148-10,243	14,015-14,250	14,980-15,052
EBITDA	1,141	945	1,283	1,373	1,509-1,520	2,050-2,064	2,245-2,260
Funds from operations (FFO)	953	737	1,022	1,031	1,145-1,175	1,450-1,550	1,560-1,660
Capital expenditure (capex)	507	441	515	554	600-630	900-1,000	1,200-1,250
Free operating cash flow (FOCF)	541	525	648	603	650-700	650-700	-500
Dividends	234	260	287	340	380-390	410-430	500-520
Share repurchases (reported)	--	--	43	183	--	--	--
Debt	1,514	2,008	2,113	2,217	~2,000	~4,400	4,400-4,500
Adjusted ratios							
Debt/EBITDA (x)	1.3	2.1	1.6	1.6	~1.3	2.1-2.2	2.0-2.1
FFO/debt (%)	62.9	36.7	48.4	46.5	57.5-58.5	34.0-35.0	36.5-37.5
EBITDA interest coverage (x)	16.2	11.8	14.6	11.2	13.5-13.7	9.5-9.6	8.7-8.8
FOCF/debt (%)	35.7	26.1	30.7	27.2	34.5-35.5	15.0-16.0	11.0-12.0
Annual revenue growth (%)	16.9	12.9	11.0	4.6	8.0-9.0	38.0-39.0	6.0-6.5
EBITDA margin (%)	15.9	11.7	14.3	14.6	14.8-14.9	14.5-14.6	~15.0

Note: All figures are adjusted by S&P Global Ratings, unless stated as reported. Figures for 2026 are pro forma the CCBA acquisition. EUR--euro. a--Actual. e--Estimate. f--Forecast.

Liquidity

We continue to assess CCH's liquidity profile as strong, reflecting our estimates that sources of cash will continue to exceed uses by more than 1.5x over the next 12 months and 1.0x over the subsequent 12 months. This is supported by solid cash balances and our projections for positive free cash flow, and a lack of material refinancing needs. CCH has a strong track record of maintaining solid liquidity, and we think management has the intentions and commitment to maintain these levels. In our analysis, we have excluded the contemplated acquisition of CCBA, as we assess liquidity on an ongoing basis. CCH is not subject to any financial maintenance covenants.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> Unrestricted cash and cash equivalents of about €1.94 billion; A committed and fully available upsized revolving credit facility of €1.2 billion due well beyond the next 24 months; Modest forecast annual working capital inflows of up to €20 million; and S&P Global Ratings-adjusted cash funds from operations of €1.45 billion-€1.50 billion. 	<ul style="list-style-type: none"> About €1.24 billion of short-term debt as of June 30, 2025, which will decrease about €756 million in the subsequent 12 months S&P Global Ratings' forecast of maintenance and growth capex of €800 million-€850 million in the next 12 months and €1.1 billion-€1.2 billion in the subsequent 12 months; S&P Global Ratings' forecast of cash dividends of about €400 million in the next 12 months and €450 million-€470 million in the following 12 months; No share buybacks; and No committed acquisitions.

Environmental, Social, And Governance

Similar to other beverage bottling companies, CCH has moderate exposure to environmental risks related to plastic packaging waste, water scarcity, and health. Governments are increasingly enforcing more stringent recycling rules, which could mean higher operating costs for CCH if it has to pay to collect and recycle plastic waste. For instance, in 2018, the EU introduced the first nationwide plastics strategy to achieve 100% recyclable plastic packaging by 2030 and reduce consumption of single-use plastics. Excluding the Egyptian operations, CCH is committed to collecting and recycling 75% of its packaging for recycling or reuse by 2025 (from 58% in 2024 and 56% in 2023). While the company appears to be on a path to miss out on its targets, it is proactively involved in rolling out deposit return schemes with nine of its markets operating one as of end-2024--four new launches from December 2023 to January 2025, in Romania, Hungary, Ireland, and Austria. Where these schemes exist (for example, in Romania), the company reported a much higher return rate of containers than its 75% target.

CCH also aims to increase the share of recycled PET [Polyethylene Terephthalate] (or that from renewable sources) to 35% by 2025 (from 24% in 2024 and 16% in 2023) and 50% by 2025 across the EU and Switzerland (from 46% in 2024), the latter expected to be met in 2025. The company is also gradually improving the energy efficiency of its coolers (from 60% in 2024 and 55% in 2023).

Changing consumer tastes and stricter health regulations on sugar content in drinks are risks for its sparkling beverages business. Most recently, Romania introduced a sugar tax and increased the value-added tax on beverages and foods with a high sugar content, following the example of Poland in 2021. Italy is also progressing with a sugar tax in 2025. To counter these measures, CCH, like other beverage players continues to invest in the expansion of its no- and low-sugar content drinks, and recently expanded its offerings in the energy category.

Our assessment of CCH's management and governance as satisfactory is supported by the consistency of the business strategy, a strong track record of improving profitably in volatile emerging markets, and its balanced board composition.

Issue Ratings--Subordination Risk Analysis

Capital structure

The debt (excluding leases) in CCH's current capital structure primarily includes senior unsecured bonds issued out of its Netherlands-based wholly owned financing subsidiary, Coca-Cola HBC Finance B.V., and commercial paper program drawdowns.

Analytical conclusions

We rate the senior unsecured notes outstanding 'BBB+', in line with the issuer credit rating on CCH and reflecting the limited subordination risk in the capital structure. We rate the group's commercial paper program 'A-2'.

Rating Component Scores

Rating Component Scores

Rating Component Scores	
Component	
Foreign currency issuer credit rating	BBB+/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2
Business risk	Satisfactory
Country risk	Moderately high risk
Industry risk	Low risk
Competitive position	Satisfactory
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019

- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Industry Credit Outlook Update: Europe](#), July 17, 2025
- [Industry Credit Outlook 2025: Consumer Products](#), Jan. 14, 2025
- [Coca-Cola HBC AG](#), Aug. 20, 2024

Ratings List

Ratings List

Ratings Affirmed

Coca-Cola HBC AG

Issuer Credit Rating	BBB+/Stable/A-2
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Coca-Cola HBC Finance B.V.

Senior Unsecured	BBB+
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Commercial Paper	A-2
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