

# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

### **CORPORATE PARTICIPANTS**

**Zoran Bogdanovic – Coca-Cola HBC AG - CEO**

**Michalis Imellos - Coca-Cola HBC AG – CFO**

**Joanna Kennedy - Coca-Cola HBC AG - IR Director**

### **Operator**

Thank you for standing by ladies and gentlemen, and welcome to the Coca-Cola HBC's conference call for the 2019 full-year results. We have with us Mr. Zoran Bogdanovic, Chief Executive Officer, Mr. Michalis Imellos, Chief Financial Officer, and Ms Joanna Kennedy, Investor Relations Director. At this time all participants are in listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, please press star one on your telephone keypad at any time and wait until your name is announced. I must also advise that this conference is being recorded today Thursday, February 13, 2020. I now pass the floor to one of your speakers, Ms Joanna Kennedy. Please go ahead.

**Joanna Kennedy - Coca-Cola HBC AG - IR Director**

### **Forward looking statements**

Good morning. Thank you for joining our call today to discuss Coca-Cola Hellenic Bottling Company's results for the full year 2019.

Today, I am joined by our Chief Executive Officer, Zoran Bogdanovic and our Chief Financial Officer, Michalis Imellos.

Following the presentation by Zoran and Michalis, we will open the floor to questions. As usual can we ask you to ask your questions one at a time, waiting for us to answer one question before you ask another. The operator will keep your line open, until we have answered all of your questions.

Before we get started, I would like to remind everyone that this conference call contains various forward-looking statements. These should be considered in conjunction with the cautionary statements on the screen. This information can also be viewed in our press release issued today.

Now let me turn the call over to Zoran.

# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

**Zoran Bogdanovic - Coca-Cola HBC AG – CEO**

### **Full-year highlights**

Thank you, Joanna. Good morning everyone.

Let me start by giving an overview of the year. Michalis will then take you through the financial performance, before I discuss our operational performance in 2019 and outlook for 2020.

We are very pleased to report another year of strong progress.

Overall, the results we released this morning put us well on track to meet our targets for 2020, and also position us well as we progress on our 2025 plan.

In 2019 we delivered currency-neutral revenue growth of 4.4%, or 3.7% excluding the impact of the Bambi acquisition. We were pleased to see the expected acceleration in the fourth quarter after unusually poor weather impacted industry volumes in our markets during the summer months. Overall, for the full year we believe weather had roughly a 1 percentage point negative impact on our top line growth

This view is supported by the very strong rebound in our own performance in the fourth quarter of 2019, where weather has a much lower impact. In the fourth quarter, we delivered currency-neutral revenue growth of 7.4%, or 6% excluding Bambi. This was despite cycling a very strong result from Q418 and without the benefit of Lavazza coffee sales in Q419. As you may recall, Lavazza coffee was discontinued in October which negatively impacted revenue growth by 70 basis points in Q4 and 20 basis points in the full year. Of course, we are only a few weeks away from our launch of Costa Coffee in at least 10 of our markets. I think it is important to also highlight the significant improvement in volume growth in Nigeria and Russia towards the end of the year which I will explain in more detail later.

Our market share performance continues to progress very well. During the course of 2019 we gained or maintained share in the majority of our markets in both non-alcoholic-ready-to-drink and Sparkling.

And good progress on top line growth, along with our continual efforts to control costs and drive efficiency in the business, generated strong operating leverage. Comparable EBIT grew by 11.5% to €759 million and comparable EBIT margin expanded by 60 basis points to 10.8%. Excluding the impact of Bambi, comparable EBIT grew by 9.5% and EBIT margin expanded by 50 basis points.

Comparable earnings per share grew by 10.0% to €1.44. We are particularly pleased with this strong result given that it incorporates higher financing costs this year due to the raising of €1.8 billion of gross debt.

Importantly, we also generated strong free cash flow, closing the year at €443 million Euros, the highest level of free cash flow generated since 2010.

This financial growth was accompanied by continued progress in our commitment to build a more sustainable business and I will say more about this later.

# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

In line with our progressive dividend policy, the Board of Directors proposes a full-year dividend of 0.62 Euros per share, an 8.8% increase on the 2018 dividend. This dividend is in addition to the special dividend of 2 Euros per share which we paid in July.

With that, I will turn the call over to Michalis to go through some of these numbers in more detail.

### **Michalis Imellos - Coca-Cola HBC AG – CFO**

#### **Financial review**

Thank you Zoran, and good morning everyone.

In line with our practice, as I take you through our financial results for the year, I will refer to comparable figures which exclude the impact of restructuring costs, the mark-to-market valuation impact of commodity hedges and specific non-recurring items.

#### **Financial performance overview**

As Zoran just mentioned, in 2019 currency-neutral net sales revenue grew by 4.4%, or 3.7% excluding Bambi. Reported net sales revenue grew by 5.5% as we benefited from 1.1 percentage point of positive impact from currency movements in the Russian Rouble and the Swiss Franc against the Euro.

This growth was primarily driven by volume growth of 3.3%, or 2.6% excluding Bambi. All three segments grew volumes in 2019 while accelerating in the fourth quarter.

Currency-neutral revenue per case grew by 1.0%, or 1.1% excluding Bambi. Excluding Nigeria, where we have made targeted price investments over the course of 2019, currency neutral revenue per case increased by 2.1%. We are seeing strong results from our strategy in Nigeria with volume growth in the fourth quarter accelerating to 24%.

Gross profit margin declined by 20 basis points, while OpEx as a percentage of sales improved by 80 basis points.

I will return to the components of our OpEx leverage in more detail later.

#### **Continued margin expansion**

Comparable EBIT increased by 11.5% year-on-year, and comparable EBIT margin expanded by 60 basis points to 10.8%. 10 basis points of this margin improvement is attributable to the Bambi consolidation in the second half of the year.

Depreciation of currencies, mainly the weakening of the Russian Rouble and the Nigerian Naira against the US Dollar resulted in a 7 million Euro currency headwind, better than what we had initially anticipated.

# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

Financing costs increased by 62% to €67.1 million due to the raising of €1.8 billion of gross debt in May and November.

Our comparable effective tax rate reduced from 26.2% in 2018 to 25.8% in 2019.

Comparable EPS reached 1 Euro and 44 cents, 10% higher than the prior-year period. The growth was slightly slower than the comparable EBIT growth of 11.5%, due to the higher financing costs mentioned earlier.

Our working capital balance continues to be in triple-digit negative territory at the end of the year and generated strong free cash flow of 442.6 million Euros, a 19.6% improvement compared to 2018.

### **Input costs in line**

Turning to input costs.

Currency neutral input cost per case grew marginally by 60 basis points, in line with our low-single digit guidance for the year.

The main driver for this benign input cost growth was resin, while sugar and aluminium improved. Good management of contracts, favourable hedges, mix shifts to low and no-sugar variants and our ongoing efforts in light-weighting, helped us to deliver in line with expectations.

### **Strong operating leverage**

Comparable operating expenses as a percentage of revenue improved by 80 basis points in the full year to 26.9%.

30 basis points of improvement is due to operational leverage on logistics and administration cost efficiencies in the year. The rest of the improvement is due to lower marketing expenses as we are cycling the investments behind the FIFA world cup, as well as other one-off items.

### **Growth and margin expansion across all segments**

Turning now to the key financial drivers on a segmental basis:

In our Established markets, currency neutral revenue growth of 1.3% was driven by 80 basis points of volume growth and 40 basis points expansion in price/mix. This price/mix improvement is due to selective price increases in several markets as well as strong package mix which improved by 1.1 percentage points in the segment. We also saw transactions growing by 2.4%, evidence of the ongoing progress we are making on our Revenue Growth Management initiatives in the segment. On the other hand, the

# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

discontinuation of Lavazza in the fourth quarter was a headwind to price/mix in the segment.

Established comparable EBIT grew by 6.4% and comparable EBIT margin expanded by 40 basis points to 10.2%. This strong margin improvement was mostly due to operational leverage of OpEx. To a lesser extent we also benefited this year from the strengthening of the Swiss Franc.

In Developing markets, currency neutral revenues grew by 4.2% with volume up 50 basis points and price/mix growth of 3.7%. The acceleration in price/mix in the year was due to selective price increases in several countries as well as positive category mix driven by strong Sparkling and Energy growth. We also saw excellent progress on single-serve mix, up 3.9 percentage points year on year.

In terms of operating profit in the Developing segment, comparable EBIT grew by 6.9% and comparable EBIT margins expanded by 30 basis points to 10.8%. The main drivers here were the positive pricing and mix mentioned earlier.

The Emerging markets saw currency-neutral revenue growth of 7.1%, or 5.6% excluding Bambi. This strong result was driven by volume growth of 5.7%, or 4.4% excluding Bambi. We achieved particularly strong performance in the fourth quarter, with volume growth of 13.5%, or 10.6% excluding Bambi. These strong trends were broad-based across the segment, but it is also important to note the significant improvement in volume growth in Nigeria and Russia. Currency-neutral revenue per case grew by 1.3%, or 1.2% excluding Bambi. This is a slow-down in price/mix expansion compared to the 2.4% we delivered in 2018, due to the targeted investments in pricing that we have undertaken in Nigeria. Given the timing of these investments, you should expect the impact to continue into 2020 with a similar effect on the country and segment price/mix. Excluding Nigeria, Emerging price/mix would have increased by 3.6%. The point here is that outside of Nigeria we have seen improving trends on price/mix. Zoran will give you more insight on our progress in Nigeria later on.

In terms of operating profit, comparable EBIT grew by 17.5%, or 13.2% excluding Bambi. This drove an improvement in comparable EBIT margins of 80 basis points to 11.3%, of which 30 basis points were due to Bambi. The remaining 50 basis-point improvement was driven by operating leverage on our revenue growth, which more than offset the negative transactional FX impact due to the movement of the Russian Rouble and the Nigerian Naira against the US Dollar.

### **Continued focus on efficiency**

Turning to restructuring, we incurred charges of 37.8 million Euros in the year with the majority of this being spent in the Established and Emerging segments.

Restructuring benefits within 2019 from 2018 and 2019 initiatives amounted to 30 million Euros.

# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

Looking ahead to 2020, we expect restructuring costs of approximately 15 million Euros with estimated annualised benefits of 7 million Euros from 2020 onwards.

The benefits in 2020, from initiatives taken in 2019 and those expected to be taken in 2020, are estimated to reach 32 million Euros.

### **Strong growth in cash flow**

We generated strong free cash flow of 442.6 million Euros, up €72.5m from prior year. Strong operational profitability and working capital management allowed us to accelerate capex investments ahead of the strong revenue growth and at the same time generate this strong cash flow in the year.

Net capital expenditure as a percentage of revenue increased by 50 basis points to 6.9%. Of this 50bps growth, 10bps is attributable to the acceleration in capex investments, while we benefited from an extra 20bps of increased idle asset sales proceeds year-on-year. The remaining 60bps of growth are attributable to the impact of the adoption of IFRS 16 as of 1<sup>st</sup> January 2019.

As you are aware, IFRS 16, which requires the recognition of all leases on the balance sheet, came into effect in 2019. This accounting change leads to one-off capex as % of revenue increase of half to 1 percent point of revenue. Therefore, taking into account the impact of the adoption of IFRS 16 in 2019, going forward, our restated annual capital expenditure target range has become 6.5% to 7.5% of net sales revenue. We see capex remaining within this range as we progress towards our 2025 plans.

The working capital balance remains on our target level of triple-digit negative.

### **New Debt raised at lower interest rates**

Turning to our balance sheet.

During the course of 2019 we raised 3 bonds and a total of 1.8 billion Euros of debt. We also redeemed 223 million Euros of our June 2020 800 million Euro bond, leaving 563 million Euros outstanding.

Financing costs in 2019 were 67.1 million Euros, an increase of 25.8 million Euros due to the higher level of gross debt on our balance sheet.

The average interest rate on our bonds reduced by 60 basis points to 2.1% during the year. We would anticipate this interest rate reducing by a further 40 basis points after June 2020 when we redeem the last 563 million euros of our 2020 bond.

Our net debt to comparable EBITDA stands at 1.54X at the end of 2019, compared to 0.61X at the end of 2018. We continue to expect this to move towards the upper end of our 1.5-2.0X target range by the end of 2020.

# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

With that, let me now pass the floor to Zoran, who will take you through the operational performance in the year.

**Zoran Bogdanovic - Coca-Cola HBC AG – CEO**

### **Operational review and strategy**

Thank you Michali,

### **Continued growth in sparkling**

Now let me review the performance by category before we get back into a more detailed discussion of country and geographical segment.

Sparkling beverages volume grew by 3.5%, higher than our total portfolio, a strong performance in a year where we experienced unusually poor weather in the critical summer months in several of our markets.

What is particularly encouraging is that Trademark Coke fuelled our growth and we saw even stronger growth in our areas of strategic focus: low- and no-sugar variants and Adult Sparkling. Low- and no-sugar Sparkling grew by 26.7%, cycling 25.9% growth in the prior-year. Adult Sparkling grew by 7.1% cycling 6.0%. And there are some very strong trends at the brand level, let me give you a flavour. Coke Zero grew by 26.2% while Fanta and Sprite low- and no-sugar variants grew by 90% and 157% respectively. Within Adult Sparkling, Schweppes grew by 8.3% and is gaining share. We also see good trends from our other Adult Sparkling brands such as Royal Bliss which grew volumes by 30%. What's particularly interesting is that Adult Sparkling grew the fastest in our Established segment, up 13.4%.

Energy growth continues to be extremely strong, up 28.3% in 2019, cycling growth of just over 30% in 2018. Innovations are helping drive interest and sales in the category and here I'd highlight Coke Energy in the premium end of the market, Predator at the more affordable end and the very successful flavour innovation of Monster Mango Loco.

Water volumes grew by 1.4%, a slowdown from the previous year, impacted by the weather, some pricing competition in Russia and Hungary and cycling the successful completion of a programme in Poland designed to increase Water volumes. Within Water it is encouraging to see good growth in smaller single-serve package types, up 4.7% and to see transactions growing faster than volumes, up 2.1%.

Juice volumes declined by 1.7%, impacted by a declining category, however price/mix in the category expanded 3.5% as we focused on premium packages and brands, and we continue to gain value share in the category with high share gains in Russia.



# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

Ready-to-drink tea volume declined by 8.4%, particularly impacted by the final de-listing of Nestea in its last three remaining markets. FUZETEA volumes were up marginally by 10 basis points. We have seen some heavy promotional activity by competitors in a few countries, nevertheless we remain focused on building the strength of the brand and its justifiable premium position with our customers. We are also encouraged by the very strong performance of FUZE in Italy where we grew volumes by 48% in 2019 and doubled our market share.

Premium Spirits volume grew by 4.9%. We now have Premium Spirits offerings in 19 of our markets and have more launches planned. Our Premium Spirits portfolio is a perfect complement to our Adult Sparkling portfolio, this combined portfolio really strengthens our offering to our customers in the crucial HoReCa channel and helps us to activate out of home evening occasions.

### **Costa – Exciting plans across multiple markets and channels**

And let me also share a few words on Coffee. As you may remember, we are only a few weeks away from our launch of Costa in at least 10 of our markets. Our preparation work has been progressing well and our teams are excited to get going with this great brand and high-quality coffee. Coffee is a huge opportunity, nearly equal in size to the total non alcoholic ready-to-drink market in our territories. We believe we are uniquely placed as a Coke bottler when it comes to coffee since we have benefited from the past experience of selling a full portfolio of coffee in several of our markets for the last three years. This experience, and the capabilities that we have developed gives us the opportunity of targeting all channels across our markets with Costa Coffee, with a range of product and packaging offerings to serve at work, at home and Out of Home, with HoReCa being a key opportunity, as well as on vending machines.

Coffee is just one of the examples of innovation in the portfolio. During the course of 2019, 4.2 percentage points of our volume growth came from packages, flavours or brands launched in the previous 12 months.

### **Disciplined, purposeful innovation**

These new products we have introduced allow for profitable revenue growth today, and into the foreseeable future, by providing the right product, package and price combinations across our channels and consumption occasions.

We will remain focused and disciplined when it comes to innovation, which means choosing the right products for our markets and activating them in the correct way to generate profitable growth. The key is quality rather than quantity. By picking the right opportunities we can back them with the relevant route-to-market approach and talent of our sales force to generate profitable revenue growth.



# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

### **Excellent progress in Established markets**

Turning now to our performance by segment and focusing on some of our bigger countries.

In our Established markets segment, volume was up by 80 basis points in the full year. Sparkling volume grew by 1.0%, fuelled by Trademark Coke and we are pleased to have made significant progress in areas of strategic focus like Adult Sparkling and low- and no-sugar variants. Low- and no-sugar grew high single digits, while Adult Sparkling growth was even better, up 13.4% versus last year, with growth across all of our portfolio brands, namely Schweppes, Kinley and Royal Bliss.

Italy returned to growth in the year, with volumes up by 2.2%. Sparkling volumes grew by 1.2% with good performance from Coke Regular as well as from low and no sugar variants. Coke Zero grew by 14.7%, Sprite Zero by 7.6% and Fanta Zero by 90.2%. We benefited from strong growth in Ready-to-drink tea volume; while Energy increased by 30.7%, with Monster driving the positive results and supported by the launch of Coke Energy. We continue to benefit from the targeted route-to-market investments we have made in the country, the pack/price architecture changes we implemented in 2018 and strong marketing promotions which are focused on driving transactions.

In Greece, volume grew by 0.8% with growth mainly from Sparkling, Energy and Water. The key contributors to growth and share gains in Sparkling were Coca-Cola Zero, Fanta Zero and Schweppes. Adult Sparkling saw excellent performance, growing double digits in the year fuelled by the launch of new flavours. Energy continued to perform well supported by new variants in Monster and the launch of Predator.

In Switzerland, volume declined by 5.2% as the country was adversely impacted by bad weather during the summer months, having a negative impact on the whole NARTD industry. The pack/price architecture changes we implemented in Q4 of 2018 are yielding good improvements in price/mix.

FX-neutral revenue per case grew by 0.4% in the period with volume growth, price increases and favourable package mix more than offsetting the unfavourable channel and category mix.

### **Strong price/mix drives Developing markets**

In our Developing markets, volume grew 0.5%. Sparkling volumes grew by 2.0% led by our low- and no-sugar variants increasing by 9.1% in the year. Energy continues to see strong double-digit performance.

In Poland, volume grew by 1.4% despite cycling a very tough comparable of almost 10% last year. Sparkling was up by 2.2%, driven by Coca-Cola Regular and Coca-Cola Zero. Our Adult Sparkling portfolio saw excellent performance throughout the year with double-digit growth in Kinley, our adult brand in the country. Energy continued to deliver excellent results with volumes in Monster increasing by 49% and the category being

# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

supported by the launch of Coke Energy. Water was impacted by poor weather in the country during the summer period and the cycling of the water acceleration plan in 2018.

Volumes decreased by 1.8% in Hungary. However, we recorded good growth of 2.4% and gained value share in Sparkling during the period, on the back of good performance in Trademark Coke with growth in Coca-Cola Regular and Coca-Cola Zero. Energy continued to deliver very strong results in the country. Volumes declined in both Water and RTD tea, the latter impacted by the de-listing of Nestea.

In the Czech Republic, volumes declined by 3.4% with all categories declining except for Energy. The acceleration we experienced during Q4 helped offset some of the volume lost due to the bad weather throughout the summer months. Sparkling declined low single digits as the good performance in Coca-Cola Zero and Fanta was offset by declines in the rest of the Sparkling portfolio. In the energy category Monster continued its good performance growing double digits in the year.

Currency neutral net sales revenue per unit case increased by 3.7% due to our successful revenue growth management initiatives.

### **Strong growth in sparkling drives Emerging markets**

Volume in our Emerging markets was up by 5.7%, or 4.4% excluding the Bambi acquisition, with nearly all of our countries in the segment posting growth.

Sparkling, Energy and Water were the main growth drivers for the segment. Schweppes, our main Adult Sparkling brand in the segment, grew high-single digits in the period. And our low and no sugar propositions grew by 80.9% in the year.

Volume in Russia was marginally up in the year by 0.1%. We cycled a tough comparable in the country as in 2018 we had the FIFA World Cup combined with very good weather. The adverse impact of cold and wet weather during summer this year impacted the entire NARTD industry. Despite this, we saw good growth, and market share gains, in Sparkling and Energy. And in Juices, strong share gains driven by relevant innovation and improved promotions helped to offset the overall decline in the category. The other two categories where we experienced declines were Water and Tea, which happen to be particularly sensitive to weather. We are pleased with the mid-single digit acceleration in volumes we witnessed in Q4 especially given the tough comparables in the period.

Nigeria returned to growth in 2019, with volumes up by 9.1%. There is continued intense competition in the market and consumer affordability is still a concern but the price investments that we have made in 2019 have been very successful at driving growth. As a reminder, we made price investments in PET in the Sparkling category in October of 2019 which complemented those we made in glass during the last quarter of 2018. Following these adjustments, we have seen a strong acceleration in our volume growth during Q4, with volumes growing double digits. Other categories outside of Sparkling have had excellent performance in the year with Water and Energy growing double digits.

# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

Volume in Romania increased by 5.6%, with an acceleration in the second half. The country had strong results across all categories except for RTD tea. Romania is another country that has been impacted by the delisting of Nestea. Sparkling saw excellent results growing by 5.9% in the period with contributions from all brands except for Sprite. Innovation supported this growth with the launch of new flavours including Coca-Cola Peach and Baobab Lime Raspberry. Within Adult Sparkling, new variants in Schweppes helped fuel its double-digit growth in the period.

Currency neutral revenue per case grew by 1.3% in the year, or 1.2% if we exclude the Bambi acquisition. Removing the negative impact from Nigeria, FX-neutral revenue per case was up 3.6%.

### **Europe's most sustainable beverage company**

Building a more positive social and environmental impact is integral to our long-term growth and to creating value for all our stakeholders. In 2019 our actions across 17 commitment areas again demonstrated our commitment to doing exactly that. Our progress was reflected by our Dow Jones Sustainability Index ranking as Europe's most sustainable beverage company for the 6th time in 7 years. We were also ranked second globally. Alongside this, we have the highest level of rating in MSCI, CDP Water, CDP CO2 and FTSE4 GOOD. But rankings and ratings are secondary to action and impact.

So let me give you just a few examples of what we've actually done:

First in the area of packaging:

- We collected 48% of our primary packaging, up from 45% in 2018;
- We launched four of our water brands across five markets in bottles made from 100 percent recycled PET.
- In three markets we have 50% recycled PET packaging in half litre packs of Trademark Coke.
- We have also announced that we will replace plastic shrink film on can multipacks with recyclable paperboard by the end of 2021.

On Water let me highlight two projects.

In Poland we have been able to save 60 thousand metric tonnes of water annually through installing a reverse osmosis treatment step at our plant in Radzymin.

In Nigeria we set out to improve water availability for the communities around our production plant in Challawa. We invested in water infrastructure: drilling several new shallow wells, replacing aging pipe, and supporting the refurbishment of the local State Water Board's water analysis laboratory. Through this we have helped to ensure that one million people have greater access to clean water.

And finally on reducing our CO2 emissions, in Austria we are powering our largest plant with a photovoltaic system installed on the roof that allows us to save 725 tons of CO2 per year, the annual emission equivalent of 400 mid-size cars.

# CCH – 2019 Full-year results

## Conference call script – 13 February 2020

Overall, use of renewable electricity at our production sites in the EU and Switzerland increased from 87% in 2018 to 89% in 2019, and our penetration in energy -efficient coolers with our customers rose from 19% in 2018 to 28% in 2019.

These are just a few examples of the significant work we are doing. We intend to be as accountable on our sustainability targets as we are on our financial ones. So, as we did last year, we will provide comprehensive reporting against our Mission 2025 sustainability commitments in our Integrated Annual Report which we publish in March.

### **Looking ahead**

According to external forecasts for 2020 the economic outlook in our territories continues to progress well, albeit not without global risks.

And as we noted in the release this morning, we are aware of the potential for discriminatory taxation in our Italian and Polish businesses during the course of 2020, and we are preparing for any potential outcome.

Overall, we expect volume to continue to grow in all three segments and at a faster pace relative to what we have seen in 2019. This is particularly the case for the Established and Developing segments which were most impacted by weather.

We expect to deliver FX-neutral net sales revenue per case improvement at a similar level to that achieved in 2019. We would expect slightly better expansion in the Established segment to be offset by slightly slower expansion in the Developing segment, while the Emerging segment should be broadly similar. We expect the impact on EBIT from foreign currency to be flat year-on-year, considering current spot rates.

We have good visibility for our commodities and overall, we expect our input costs per case to increase by low single digits on an FX-neutral basis.

With the continued positive impact of operating leverage as we grow our revenue, we expect to deliver further reduction in operating expenses as a percentage of net sales revenue in the year.

In summary, we expect another good year of FX-neutral revenue growth and profit margin expansion, and full delivery of our 2020 strategic targets.

### **Q&A**

With that, I will now hand over to the operator, and Michalis and I will take your questions.

Thank you

*[Q&A transcript will be available on the Company's website on Friday 14<sup>th</sup> February]*