CCH – 2023 Third quarter trading update
Conference call script – 31 October 2023

CORPORATE PARTICIPANTS

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Good morning everyone. I'm here with our CEO, Zoran Bogdanovic and our CFO, Ben Almanzar.

We'll start with some opening remarks from Zoran and then open the floor to your questions. Please keep to one question and a follow up, waiting for us to answer the first question before asking the other. We have about an hour for the call today, which should leave plenty of time for a good discussion.

I will also remind you this conference call contains various forward-looking statements. These should be considered in conjunction with the cautionary statements in our trading update press release, which we published this morning.

Thank you for your attention. And with that I will turn the call over to Zoran.

Zoran Bogdanovic – Coca-Cola HBC AG – CEO

Thank you, John. And good morning everyone. Thanks for joining the call.

I am pleased to report that we have had another good quarter of sales growth, with both volume growth and strong revenue per case expansion.

Let me share a few highlights with you.

Firstly, we continue to benefit from our focus on our strategic priority categories. Sparkling, Energy and Coffee **all grew** revenue strongly in the quarter, supported by a robust volume performance in all three categories.

Secondly, I am very encouraged that we have further increased our value share in NARTD and Sparkling, even while embedding price increases over the last twelve months. This clearly demonstrates the success of our in-market execution, the strength of our customer relationships and the strength of our brands.

Our relationships with key partners are stronger than ever, with successful product launches, joined-up marketing initiatives and good commercial planning. This has extended into sustainability where we have worked closely with key suppliers to introduce new packaging solutions. And more on that later.

Finally, with three strong quarters behind us, we are reiterating our guidance for 2023 of mid-teens revenue growth and organic EBIT growth of 9 to 12 percent. Looking further ahead, despite continued macro uncertainties, we are building an excellent foundation on which to grow, as we deliver against the medium-term targets which we shared in May.

With that, let me get into the details before we take questions.

Third quarter organic revenue grew by 15.3%, underpinned by volume growth of 2.2% and organic net sales revenue per case expansion of 12.9%.

I am really pleased with this performance, despite tougher trading conditions in some of our markets. Our careful planning for the summer-season, in partnership with The Coca-Cola Company and Monster, paid off. This, coupled with effective in-market execution by our teams, meant we continued to win in the marketplace, as shown by further share gains. Indeed, we improved our share performance year-to-date, gaining 110 basis points of value share in NARTD and 60 basis points in Sparkling.

Our revenue per case growth was largely driven by pricing actions taken over the previous 12 months to recover the high levels of cost inflation.

At the same time, our revenue growth management initiatives, powered by our ongoing investment in data, insights and analytics, allowed us to enhance revenue per case across our markets, while addressing both affordability and premiumisation.

In all our markets we are offering affordable solutions, for example smaller entry packs addressing lower discretionary spend. This is particularly true in Romania, Hungary and Czech, where there's a more notable pressure on consumer disposable income.

And we continue to balance affordability with successful premiumisation, such as offering multi-packs of single serves and driving growth in premium brands.

Our targeted actions also drove positive category and package mix. Category mix benefitted from the increased contribution of Adult Sparkling and Energy. Package mix improved due to good activation of single-serve offerings, which drove single-serve mix up 90 basis points, with improvement across all three segments.

Overall, our revenue per case expansion in the quarter represented a slowdown from the 19% growth in the first half of the year. This was in line with expectations and looking ahead, we expect revenue per case growth to continue to moderate as inflation eases.

Turning to look at performance by category. As we've said before, our strategic priority categories are less elastic and face less pressure from private label than other areas of NARTD. This is evident from the strong revenue growth and positive volume growth we achieved in all three of our **strategic priority categories.**

Sparkling volumes grew by 1.5%. Highlights included an improved performance in Adult Sparkling, with mid-single digit growth, driven by Established and Emerging. Coke Zero was the best performing Trademark Coke variant, supported by a good performance of Coke Zero Sugar Zero Caffeine.

Growth in **Energy** continues to be very strong, with volumes up nearly 25%. We saw good momentum across all segments, led by Monster in Established and Developing markets, and Burn and Predator in Emerging markets. I would call out Egypt, where we continue to make rapid progress with our launches into the category.

Coffee volumes grew 34%. The out-of-home channel remains our priority for both Costa Coffee and Caffè Vergnano, and in the last quarter we continued to recruit more outlets.

Finally in **Stills,** volumes grew by about 1%. Sports Drinks performed well, with volumes up high-single digits. Established and Developing markets saw high-single digit and double-digit declines in Stills respectively, weighed down by Water, as we focused on the opportunities for the most profitable revenue growth in the category.

On **sustainability**, I'm delighted to share that the pilot in Austria I mentioned at our investor day in May, is successfully up and running. We have launched an industry-leading, cardboard-based alternative to plastic shrink film, for 1.5 litre PET multipacks, initially saving about 200 tonnes of plastic per year. We also invested €11m in new equipment to become the first beverage company in Romania producing recycled PET in-house. I was very pleased to be there for the opening of the rPET unit last month, with the Prime Minister of Romania, government officials, partners and many other stakeholders that have supported our sustainability journey.

With the investment in Romania and transitions to recycled bottle portfolios in Austria, Ireland, Italy and Switzerland, we are on track to deliver almost 50% recycled PET use by the end of 2023 across our EU and Swiss markets – achieving our target for these markets a year ahead of schedule.

Turning briefly to **performance by segment**.

Established markets delivered organic revenue growth of 7.7%, led by strong price/mix expansion. We benefited from pricing actions taken in all markets over the last twelve months, as well as positive mix. Targeted activations of single-serve offerings drove another quarter of good package mix.

Volume in the segment declined, mainly due to Italy, which more than offset good volume growth in Greece. In Italy, performance was driven by ongoing declines in Water, strong comparatives and poor weather conditions.

As a company deeply connected to Greece, we shared the shock and sadness felt by so many as the wildfires and floods devastated the country this summer. Our priority is always the safety of our people, and the support we can provide to our customers and communities. We have therefore been staying close to all our colleagues and partners, and we remain committed to playing our part in the short- and longer-term recovery efforts.

We responded, too, in the market, carefully executing our plan for the tourist season. We continued our momentum behind Energy, with double digit growth. When I look at the category performance for the segment, I am very encouraged with growth in Adult Sparkling and Energy, on top of a strong performance in 2022.

For our **Developing markets**, organic revenue grew by 15.9%. There was a strong contribution from price/mix. Volumes declined modestly, similar to second quarter, largely reflecting the challenging economic conditions in Hungary and Czech I previously highlighted. On a category basis, Energy delivered another strong performance, as did Coffee. Stills volumes were down by double-digits, led by Water category.

Finally, for our **Emerging markets**, organic revenue grew by 21.8%. We saw a good improvement in volume growth to nearly 8%, reflecting a strong performance from Egypt and another quarter of growth in Nigeria. Key to success in both countries has been a solid performance from Trademark Coke brand and continued growth in Energy, particularly in Egypt. Romania, on the other hand, continues to face a more challenging consumer environment, further impacted by higher value-added taxes from the start of the year. Overall, a strong performance from our Emerging markets.

I am both proud and grateful to see that the engagement of our employees has increased in recent employee surveys. I'd like to take the opportunity to thank all our teams for their tremendous efforts. Not only have they delivered these strong results, but they have done so while supporting many of our communities during periods of terrible weather events and natural disasters.

It's their drive and determination, and the strong collaboration we have with our brand partners, particularly The Coca-Cola Company, that underpins the day-to-day execution of our strategic priorities and the value we create across our markets.

Our commitment to delivering strong growth in 2023 and beyond is unchanged. We continue to invest behind our capabilities, and we remain well positioned for future profitable and sustainable growth.

Thank you for your attention, and I will now hand back to the operator, and Ben and I will be happy to take your questions.

Q&A