CCH – 2020 Half-year results
Conference call Q&A transcript – 5 August 2020

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Questions and Answer

Telephone Operator

Thank you. As a reminder if you would like to ask a question or make a contribution on today's call, please press *1 on your telephone keypad. To withdraw your question, please press *2. Please ensure your line remains unmuted locally, you'll be advised when to ask your question.

So again, that's *1 on your keypad. And the first question comes from the line of Richard Felton, from Goldman Sachs. Please go ahead.

Richard Felton, Goldman Sachs

Thanks, good morning. My first question is on the €61m of cost savings delivered in H1. Now I understand a lot of those costs have come from discretionary items like marketing, travel, etc, but has the experience over the last few months helped you identify any areas where you can be more efficient going forwards? And are any of those cost savings likely to be recurring in nature, or will just benefit FY'20? That's my first question.

Michalis Imellos, Chief Financial Officer

Hi Richard, maybe if I start and Zoran can jump in also. Out of this €61m in the first half, around 70% was coming from marketing expenses, which we curtailed pretty much in line with the top line weakness that we saw. And the rest was coming from a variety of items, travel, meetings, events, consulting, training and so on and so forth.

Certainly what the crisis has proven to us is that on one hand when it comes to the marketing working together with The Coca-Cola Company, we can prioritise how we spend and invest in the market behind the top line activities. So prioritisation of promo - promotional spend over DME is one of our objectives also going forwards.

And of course continually monitoring the situation to ensure that we are very quick to react as the market progresses with the recovery phases.

Now when it comes to the discretionary costs some of it is obviously the direct result of the curtailed activity, thinking of travel, meetings, events and so on and the fact that there has been quite a bit of an impact from the periods of lockdowns.

Having said that, there are a number of areas that we are looking into, especially as the COVID outbreak has changed the way that consumer habits are progressing, or the way that we do business. And we will be looking at all these different areas, be it, route to market, be it digital acceleration on our back office processes, or in the way that our frontline operates.

In also revenue growth management in order to adapt our offerings to the changing consumer habits.

So there are a number of areas which we are looking at in order to see how permanent changes in the way that we operate in a more efficient way can be embedded for the second half, but more importantly for 2021 onwards.

Zoran Bogdanovic, Chief Executive Officer

And Richard if I can just add to build on Michalis' answer, yes, these couple of months instead of doing this as a simulation, but as a real life situation, this really showed that not everything matters the same. Some things are more critical than less and these are extremely valuable learnings that going forwards we prioritise better investment on every euro we spend.

Also, another learning is that leveraging technology across the business, even during these times we've been installing new fresh lines where suppliers and the crew could not come and we've seen very well how remotely even this can be done, where our people with guidance - remote guidance from the suppliers, the technical crew have been able to finish installations and start - again commission the lines. So definitely this will help us going forwards to be wiser and smarter in how we are investing both our capex as well as opex. Thank you.

Richard Felton, Goldman Sachs

Great thank you. My next question is a slightly broader one. So through the second half and into FY'21 as the world emerges from the current situation and lockdowns are eased and things are returned to a more normal situation, I suppose there is still a great deal of uncertainty from a macroeconomic perspective. Soft drinks is a fairly defensive category, but your business is exposed to the on trade markets which rely our tourism and oil exporting economies, which adds a bit more cyclicality to your operations.

I was hoping you could comment on where you see the most cyclicality in your business and compare how well your business is prepared today to deal with those challenges compared to the last financial crisis in Europe which was a challenging period for CCH? Thank you.

Zoran Bogdanovic, Chief Executive Officer

Indeed Richard it's a broader question. One advantage here is that the territories and the breadth of different types of markets usually helps us that we kind of naturally hedge different cyclical trends that happen sometimes between the countries.

Of course COVID was something that impacted everyone, however even in this situation we've seen that different types and clusters of markets have been reacting differently depending on the nature and strictness of the measures, the lockdowns and the way - how fast measures have been eased and also the correlation of the out of stock - sorry out of home customers which contribute to our revenue.

Even in situations where this year we've seen also this kind of rollercoaster with oil prices on top of the COVID, we see that our key Emerging markets of Russia and Nigeria are actually the best performing markets, with you know different structural levels - what those countries are and how trade is.

However, I think this comes as a result of that fact that many factors are coming together of what we've been doing over the last quarters and years and that that is giving the results, as I think highlighted - that we already saw very strong performance in June from Nigeria, even stronger one in July and the start of August has been along these lines.

Similar in Russia, we have seen a very strong performance in July and similarly it continues in August.

On the other side it's reasonable and we see that it is kind of expected that those clusters of markets which are correlated strongly to tourism, like Croatia, Greece, as strong sea destinations are heavily impacted by a very limited touristic season that we will be seeing this year.

Equally other strong touristic markets like Switzerland and Austria, which are not sea destinations but are strong touristic summer destinations, they also feel the lack of international tourists. It goes without saying that the same goes for Italy, where it is expected that this year only 15 to 20% of international tourists, versus last year, will be visiting. And that is going to have a visible impact on Italy.

So this is, in a nutshell, I would say - different drivers for different types of markets. And I'll pause here Richard just to see if I'm getting on the right track in answering your question?

Richard Felton, Goldman Sachs

That's very helpful, thank you.

Telephone Operator

Thank you, the next question comes from the line of Edward Mundy from Jefferies. Please go ahead.

Edward Mundy, Jefferies

Hi Zoran and Michalis. Going back to slide 5 there was a pretty big sequential improvement between June and July, are you able to share what the volumes and revenues per case were for July relative to June? And based on what you're seeing to do you expect further improvements versus the minus 5 in July, or do you think it's a reasonable proxy for the second half?

Zoran Bogdanovic, Chief Executive Officer

Hi Ed, I'll start and then Michalis please jump in if there's anything from your end. So as I said in my introductory remarks we do see that this improvement should continue because there is a clear correlation between the number of outlets which are slowly more and more opening and that opens up our single serve and small packs being ordered and consumed more.

So as you see in Q1 I think that's kind of a good reminder of Q1, we've been on FX neutral revenue minus 1, 1.2 - Q2 minus 25, July minus 5 and then what we see now is that this kind of gradual recovery trend is continuing in the start of August.

We do expect that FX neutral price mix will continue improving. You've seen the Q2 was around minus 7.7, July has been very low negative single digits and our expectation is that it will continue slightly improvement, probably still staying possibly in a negative territory, but better than what we've seen - definitely in June and July.

Edward Mundy, Jefferies

Thank you. My next question, I think you mentioned in the opening remarks in the presentation about the opportunity to push single serves at home where it's relatively undeveloped in Eastern Europe relative to Western Europe and also the US. Can you provide a bit more context to frame that opportunity, I mean what proportion for instance is single serve at home in your markets relative to let's say a benchmark you're aiming for?

Zoran Bogdanovic, Chief Executive Officer

Look, I can say Ed from our end let's say in the first half of 2020 the proportion of single serves in the at home channel is 29%; let's say 29 - 30%. I don't know from the top of my head what would be those numbers for the US, but I know from experience that this type of percentage, even in Western Europe markets, in our case for example in Switzerland this would be definitely higher even being - it could be between 40, 50%. Even in Greece I think that our percentage over there must be around 50%.

So this just indicates that there is a huge opportunity. We do see that gradually year by year, as we are improving our single serve mix, making the habit of using multi packs of single serves for in home consumption is definitely one of the key drivers of how we are driving this strategic goal forward.

So this just indicates that there is still lots of room ahead. And that is why we highlighted this as also the premiumisation opportunity. And if COVID brought anything it brought more occasions which are happening at home. And we do believe that single serve packages in nature are better suited to fit those various occasions which are happening at home.

And this is further amplified also by further hygienic connotations that consumers have these days as single serve packs are probably - for sure providing better this, you know, one contact versus multi serves in the way they are consumed.

Edward Mundy, Jefferies

Thank you. And then my final question, you put a slide in there around ESG, I'm aware that the European Council is proposing a tax in countries based on the weight of non-recycled plastic packaging waste from the beginning of next year. I was wondering if you could provide a bit of an update on what that means for your business?

Zoran Bogdanovic, Chief Executive Officer

Yes, we are fully following that individually, but also as a part of the European Soft Drinks Association that we are a very active part of. Also, myself and our Group Public Affairs and Communications Director, we have been in March in Brussels where we had very constructive and useful meetings with the EU Commission Representatives. And plastics has been also a key topic.

This is the combination of the things where we are getting our business ready for anything that may come. We do know already some of the things that are coming in a couple of years - in terms of single use plastic, we are getting ready. So that's why already this year and starting at the end of last year and this year, we have accelerated the elimination of plastics from our packaging, so that we go into carton.

Also increasing the percentage of the RPET, we also started with certain - and several brands have started in Water where we are have packages which are 100% from RPET. We are, in all the countries, actively working and really have a leading or co-leading role in steering our Associations to work with government on the collection system, because that's the ultimate and real solution that in every country the collection and circular economy needs to work.

Now when it comes to any possible additional levy that can come our way, and we know that probably it may come in some cases, we are fully ready with our revenue growth management capability. Whether that's - we have seen examples before because of the sugar tax, we know that in that way we are adjusting in the best possible way our pack price architecture, as well as the whole promo, marketing. And on top of that that any such levy as always, we, and I believe, the majority if not all industry players will be passing on through their price. And that is, I think, a very acceptable and reasonable way to do it.

Edward Mundy, Jefferies

Thank you.

Telephone Operator

Thank you. The next question comes from the line of Sanjeet Aujla from Credit Suisse. Please go ahead.

Sanjeet Aujla, Credit Suisse

Hi Zoran, hi Michalis, a couple of questions from me please. Firstly, I appreciate you're not reinstating guidance, but you know I think last year you came out with a vision to grow the business 5 or 6% in the long term. Are there any changes in consumer behaviour which might be more permanent in the new normal that would contradict that sort of long term growth ambition? That's my first question.

And secondly, can you just elaborate on the sort of market share trends - you talked about gaining or sustaining share in most of your markets, but have you seen any particular acceleration in share improvement, and if so, where? And on the flip side have you seen any markets where your share trends have deteriorated and the reasons for that please? Thanks.

Zoran Bogdanovic, Chief Executive Officer

Thank you Sanjeet. On the consumer behaviour in the context of our long term strategy let me first say that even during this very challenging couple of last months our strategic framework that we have laid out last year we find it more relevant than ever. What kind of gets adjusted and adapted is the nature and type of initiatives that fit into each pillar of our strategy.

And that's what - as soon as we have sorted our business for managing the outbreak for now, you know, for every single day, we have already invested a number of our team members behind prioritised key initiatives that all relate to what's coming tomorrow. And that came as a result of our reading what consumer behaviour trends are coming our way, as well as what retail landscape changes we see also ahead of us.

I would just say that first of all subject to finding a proper solution to manage and contain this crisis, a pharmaceutical solution or whatever that is, that really puts all of us out of the woods from this Coronavirus. You know we firmly believe that what we have been presenting as our ambition and aspiration is a valid algorithm. But as I said that's subject to us getting out of this pandemic.

Consumer behaviour trends - I'll just briefly highlight that there is an evidenced shift to online shopping, for which we are accelerating and we have pressed the pedal for our B2B and D2C platforms.

It is also clear that consumers are searching for more affordability, that's why in our revenue growth management it is not only about premiumisation, but equally and in a balanced way it is that, but also providing more affordability solutions, being through package types or through different types of promotions. And that is already embedded in our rest of the year plans, as well as our thinking for going forwards.

What came out clearly is that a huge new occasion is out of home consumption which is happening at home. Because it's not only now meals at home, which we always had, but this is socialising at home, it's screen time at home, it's more partying and socialising at home and it's grilling at home. So we also have a stream which deals with that and to get us ready within our RGM for the future.

Also how do we adjust our packages and ways of working also with customers because of more hygiene and sanitation? And also we want to leverage on the fact, and together with the Coca-Cola Company we have been - started I think really quality work on the portfolio optimisation, because it's evident that there is a shift towards tried and tested brands. And this gives us also the input to prioritise better which brands and packs we keep and actually leverage more going forwards. And also make quicker and bolder decisions on what needs to be stopped.

Sanjeet, it's also clear that some of the HoReCa outlets will not survive, but we believe that kind of a composition is going to get a little bit adjusted, but I have no doubts that HoReCa in the end will prevail, maybe with a smaller number in the first phase, or in the first couple of years. But we are sticking to customers and providing multi angled support and getting through this crisis with them.

So in summary I really see that the framework with the proper relevant initiatives on which we've already started to work are giving me huge confidence that we are tapping exactly into the things that are critical for the future and the new normal, whatever that will be. But that is why by mentioning these few key trends I think they are clearly highlighting the direction in which we are going behind which we are redeploying our resources and investments.

Related to share indeed as I said, in the majority of our markets we are gaining or maintaining share, that means that I can say - in the introductory remarks I said for Russia where we gaining share, in Italy, in Poland, in Romania, in Greece.

So really I am glad to say that it's a minority of markets where we are not gaining share and where we have redefined plans as a response to mitigate whatever the corresponding situation in the country is.

But we do see that in some cases we are really talking even more than a full share point gain, which I would say are coming as a result of a very conscious decision, while we invested less but I truly believe together with the Coca-Cola Company team we quickly adjusted the type of messaging and nature of what we are doing in the first month focusing more on the shop floor and then also starting to do types of communication that really matters in these times.

And I am quite optimistic and confident with the rest of the year, with a couple of marketing campaigns that are starting as we speak from The Coca-Cola Company I think that they will really hit the right tone, addressing the need of the community of HoReCa, of customers who really need traffic and who need the encouragement from consumers to do more of that.

So I'm concluding there, if you have any more questions on the share please let me know.

Sanjeet Aujla, Credit Suisse

Very good, thank you Zoran.

Telephone Operator

Thank you. The next question comes from the line of Simon Hales from Citi. Please go ahead.

Simon Hales, Citi

Thank you. Hi, Zoran. Hi, Michalis. I've got three questions, please.

The first one is around just the exit trading run rate. I mean, you talked about FX neutral revenue in July clearly being only down 5%. Are you able just to break that down by the different divisions, between Established, Developing and Emerging Markets? That's the first question, please.

Michalis Imellos, Chief Financial Officer

Yes, let me say this. Simon, first of all, just to say that the minus 5 is as per the new, let's say, reporting rules with the accounting change of Multon. In fact, if you take it on a like-for-like basis, we would be low single digit down. So better than that.

Now, looking at the performance in the three segments, I would say that the Established has come out on a high single digit decline. Mind you, we are cycling a strong July last year in terms of revenue, 5% for Established. So that performance, I think, it's pretty good, and it confirms the strong sequential improvement from Quarter 2.

Developing and Emerging have fared even better. In fact, we have low single digit decline, and that is despite the fact that Emerging was cycling a 7% growth last year. So, very good improvement across the three segments.

So, splitting it also between volume and revenue per case, just as a total, low single digit declines in both volume and revenue per case, both in terms of volume and revenue per case, strong improvement from the Quarter 2 trends.

Simon Hales, Citi

Got it. That's very clear.

The second is, I just want to ask a little bit about Costa. I appreciate it's very early days, but I wonder if you could say anything about the, you know, initial consumer reaction you'd seen as you've started the rollout there, and how will you, and how should we look to try to sort of, you know, judge the performance of that rollout over the next six to twelve months? What internal targets or benchmarks are you looking to hit? Is there anything you can share with us there?

Zoran Bogdanovic, Chief Executive Officer

Yes, Simon. Look, in short, I'm really happy to say that initial reaction is excellent and very encouraging. Now, anyone would probably want to say that when they launched something new, but, truly, I'm so happy that we are hearing excellent feedback from customers because our own internal belief in this category is tremendous, and this coffee is a high quality coffee.

So, if you blend a high quality product in excellent packaging, you merge that with an experience and capable team, and, as I said over the last three years, we were able to ramp up that capability, I think really that puts us in a very good position to do a high quality job ahead of us. And that's why our markets, sequentially, are starting. I said, in the introductory remarks, six, even to date, we are already I think seven or eight, and there is going to be another five by the end of the year. And we will continue, eventually, with the ambition that we have Costa in all of our markets.

And I just want to highlight, maybe, sometimes people maybe don't pick that up, that this is not about ready to drink coffee. This is us being in all possible channels because we actually started with Costa home packages, that you can buy in the retail shops, and we have capsules and vending machines, unique ones from Costa, and going also to HoReCa with beans packages. So, that's another important element.

So, in this first phase, we are focused not on necessarily chasing more volume, but it's very important that there is a high quality approach opening the customers with the right packs and with the right prices. So that, right from the beginning, this is positioned as it should be in terms of the price points and that this high quality coffee deserves.

That's why opening strategic accounts, making conversions of customers who are willing - so, penetration of the product, getting it to as many customers as possible, but in the right way, is the most important. And, if we do that right, I have no doubts that we will be able to come, let's say, by the end of the second year at the latest, to the level where we have been with coffee after three years, for the last three years, as you know, that we had a previous coffee solution from which we exited because of the on-boarding and doing this with The Coca-Cola Company for Costa.

Simon Hales, Citi

That's very clear.

And, then, just finally, I mean, you talked earlier about maybe pressing the pedal a little bit harder around e-commerce, what have seen through Q2 both in, you know, the B2B business as well as, obviously, there's a B2C business you've go in markets all over Switzerland, and how do we think about, I suppose, the development of that for those two areas going forward, and I suppose perhaps more on the B2C area where there's probably even greater potential, and new areas to draw out into?

Zoran Bogdanovic, Chief Executive Officer

Yeah. Look, I think that's the hot topic from this crisis, and I'm really happy that we already had a number of tools that have helped us to quickly react during the crisis. So, first of all, you know, most basic, and most importantly, is that our own customer ordering platform, B2B, Hybris that we immediately leveraged, so, big countries that already were quite solid in terms of percentage of orders, like Czech, like Switzerland, now all countries have been using this to direct more customer orders through that platform.

Overall, this is still on fairly low levels, but it is evident that this trend got boosted through this crisis.

Also, we worked very closely with our wholesalers who, during these months, had spare capacity and really needed business, so we helped them to start their own sites so they can offer direct to consumer ordering and deliveries.

We also have our own D2C platform called Qwell, in Switzerland, which is really for home and office delivery that works perfectly well. And we actually saw, through this crisis, the relevance of that. And that's why we are fuelling more investments to make it even stronger and better in Switzerland, and possibly, in the future, also for some other markets.

We also, together The Coca-Cola Company, are looking into certain platforms that, as we speak, you know, we are finalising and doing preparations for the rollout in several markets that will be visible in the coming months.

I can also mention our readiness to invest, even during these times. In Austria, in Vienna, we have invested in the start-up called Alfies which is an online store that delivers within 60 minutes. And we've done that in the last couple of months. And that also demonstrates our recognition and commitment behind these types of solutions behind which we are very keen and committed to invest more.

So, these are just a couple of examples when it comes to B2B and D2C that I can mention.

Simon Hales, Citi

That's really useful. Thanks for the questions.

Telephone Operator

Thank you. The next question comes from the line of Fintan Ryan from JP Morgan. Please go ahead.

Fintan Ryan, JP Morgan

Good morning, Zoran. Good morning, Michalis. Two questions from me, please.

Firstly, just following on from my earlier question on the view of the mid-term outlook, clearly, I know you don't have a crystal ball, but, as you look into 2021, given that the prior 2020 guidance had been for 11% EBIT margin in 2020, when you look into 2021, is there anything that would prevent us from using that initial 11% margin as a guide for a starting point as we think about 2021?

And, related to that, is there anything we should be thinking about as well in terms of raw materials or input cost inflation for the second half into '21?

Zoran Bogdanovic, Chief Executive Officer

Michalis, do you want to go ahead, please? Then I'll see if I have anything to add.

Michalis Imellos, Chief Financial Officer

Yeah. So, I think that it's very, very early days. A lot of uncertainty ahead and one can only talk about scenarios right now rather than a more clear path.

If I start with the easy part of your question, when it comes to forex and input costs, even though it is early days, we feel that next year we are looking at another year of forex adverse impact, nothing though that is going to cause concern, I would say, so more on normal levels of forex depreciation overall.

When it comes to input costs, we expect that the base commodities, so talking about sugar, PET and aluminium, that will give us potentially something between a low to mid single digit increase next year on the back of an extremely good year this year.

And then, depending on how Coffee and Spirits play next year in terms of growth, that might go even higher because, obviously, Coffee and Spirits have got a higher contribution when it comes to input cost per case because we buy them as finished goods.

So, that's the dynamic on the forex and the input costs. As I said, very early days now to look at the algorithm for next year. So, we have to wait and see how, first of all, things will pan out this year and, you know, how, overall, the outcome and the scenarios for the pandemic will be. But I wouldn't really think that it's out of reach to head back towards the 11% margins at some point as of next year or early 2022. So, I think that can be within reach depending on the type of scenario that will come along.

Fintan Ryan, JP Morgan

Thank you. That's very clear.

And the second question, sort of a brief on, The Coca-Cola Company - there has been news reports that The Coca-Cola Company, was looking to launch one of their own hard seltzers behind the Sprite and Water brands, I think starting in Latin America, is something that you might consider? I know you have the Spirits route to market currently, but would you consider launching your own alcoholic RHD product only under a Coca-Cola brand or your own brand within your markets?

Zoran Bogdanovic, Chief Executive Officer

Hi, Fintan. Yes, we've seen that. And, personally, I think that's very good news as I think that really goes hand-in-hand with consumer habits and preferences, and I think that just demonstrates the sensitivity of The Coca-Cola Company team who listen to see the consumer trends.

And, in short, to answer your question, yes, when the time comes we are fully open and ready and keen, and we could see the relevance in a number of our markets. And, whenever the time, we'll be ready, and that will depend on The Coca-Cola Company team and us discussing that and agreeing. I'm sure we will be doing so. But, from our own side, yes, we are keen and ready.

Fintan Ryan, JP Morgan

Thank you very much.

Telephone Operator

Thank you. The next question comes from the line of Alicia Forry from Investec. Please go ahead.

Alicia Forry, Investec

Hi, Zoran and Michalis.

My first question is also on The Coca-Cola Company, which has said it's going to prune some of its tail brands. I just wonder what this might mean for CCH.

Zoran Bogdanovic, Chief Executive Officer

Hi, Alicia. So, yeah, I made a couple of remarks, and thank you for the question. To just make this point clear, I want to highlight, right at the beginning, that we are fully on-board and aligned with The Coca-Cola Company team for the need to be more choiceful and to be more selective and to prioritise what we want leave and where we want to invest more.

And I think the benefit of this crisis has been also that we are getting more disciplined and bolder in recognising what does not deserve to stay in the portfolio, whether because there is not enough scale, or we are not gaining that right to win that is required for certain product types and that they deliver on their purpose of getting scale and share or more consumers, or also that certain packs or brands are not sufficiently profitable.

So, I can say that we are fully on-board, and very eager that we actually continue working on that together. I say 'continue' because we have already started that work, and I think that only better results and better shareholder returns can come from that.

Alicia Forry, Investec

Great. And then my second question is on Nigeria, which is quite strong, and I hear what you say about previous years of investment is now paying off, but it really is quite unusually strong in the context of consumer companies, even, you know, those that sell very basic household essentials, are under significant pressure in that market. So, I'm just really curious if you can just elaborate on whether this strength that you're seeing in Nigeria is truly sustainable in light of the, you know, significant pressure on the consumer there?

Zoran Bogdanovic, Chief Executive Officer

Yeah, look, first of all, our belief in Nigeria is as high as it can be because this is a market of tremendous potential, and that's why we are, in a very tangible way, investing in the country every single year.

Also, this year, even in spite of the pandemic, we are proceeding with several new lines. As we speak, literally a few weeks ago, we just finished and commissioned and started with commercial production of our brand new can line.

So, we are increasing capacity because this country, irrespective of it's kind of a rollercoaster of macro, political etc, however, there is evident trend, or direction, that this country, you know, is getting unfortunately slower than we wanted, but in the right direction. So, that's why, when you see that growing population, how young that population is - per capita [consumption] in the country, their receptiveness to innovation, how digitally they are connected. So, that's why, as a blend of many things, a focus on Sparkling is our top priority.

We have there, also, a situation that all other categories are actually, with the exception, at the moment, of Water, but Juices are flying. Energy is flying. This comes in combination with the fact that Nigeria has been our market where we actually piloted and started our top strategic initiatives for the whole Hellenic.

Example is that it was the first market where we started with our renewed revenue growth management framework – as we call it, RGM 2.0. Then, when we started with big data advanced analytics, that was also the market where we started first because, based on that, we immediately have done first use case, which is segmented execution. When you do that, that further informs our RGM.

Then on top of that we have done significant work on route to market in Nigeria, which especially during these last tough months has proven to be invaluable, because it gives us the reach and connectivity to customers and end outlets like no one else, and that only gave us the encouragement that this blend of the integrated execution which is big data advanced analytics, revenue growth management, segmented execution that all that is coming nicely as a mosaic together.

And when you combine that with a constantly improving more capable supply chain that we have done in Nigeria, I mean the work that has been done over the last few years, ramping-up capacity, modernising the lines, when you see how our facilities look like there and type of lines you know, if you go there you could imagine you are in any European country. And that only reflects our reading and belief that Nigeria is going to do that.

So that's why I'm very encouraged to see that after the lockdown that happened in April and kind of a little bit in May, that Nigeria returned back to growth in June and even stronger in July. And my reading is that also August and for that matter the rest of the year is going to be strong.

Of course there is always kind of a risk there of something happening in Nigeria, but I rather see that as kind of a short temporary sometimes kind of in disturbances, but that cannot and will not eliminate the path on which Nigeria as a country and market is.

Telephone Operator

Thank you. The next question comes from the line of Stéphane Destraz from Millennium Capital Partners. Please go ahead.

Stéphane Destraz, Millennium Capital Partners

Hi. Good morning guys and congrats on the good quarter. Just a few questions for me.

The July minus mid single digit rate as you've been mentioning and then the ex the accounting change low single digits. Could we expect given the run-rate and the further improvement in August that you will be back to growth during the quarter, given the trajectory and you were and where you are right now?

And second, you are not going to reinstate guidance at this stage, well understood but in light of your run-rate can you tell us maybe how you feel about the consensus numbers at the moment?

I think Q3 consensus looking for looking revenue down almost 10% and you're talking about mid-single digit decline only in July. So how do you feel that the full year number?

And do you see any - and then the last question in terms of like a trial, do you see any part of your portfolio that is somehow being regenerated or where you seeing some trial and repeat from the consumers where you could imagine that this changes the run-rate of growth you're seeing in some parts of the portfolio that were maybe previously underperforming? Thank you.

Zoran Bogdanovic, Chief Executive Officer

I'll start with the remark on August and Michalis will do part on the consensus, and then I can cover the last one.

So for the August in short, I did mention that August started quite well. We are in the positive trajectory, better than July. Even now, one week doesn't make the full month, however, from the reading that we have I personally believe that August should be a solid month, a positive month versus last year which will be a further continuation of these gradual improvements that we have been seeing over the last few months.

Of course this is subject to you know, nothing dramatic happening in terms of a number of countries suddenly getting into sizeable measures, which we don't see at the moment. While we do see that there will be you know, gradually probably some more, but nothing that would probably prevent August from being a better month than July.

I can actually build here to say, and then Michalis on the consensus, just to say that what we've said, the two best performing categories are Sparkling and Energy. And we do see that Sparkling which proved its resilience in the toughest month having the smallest decline.

Equally, when you see in June Sparkling has been minus 4, 4.5, in July already it's been plus 4.6 and August even started stronger than that. So that's very encouraging and I think that speaks to the potential of this category, not only for this month, these quarters but for many years ahead.

Also Energy, a very important category that proves its resilience. We love the category because consumers want it. It fits a number of occasions and we have a number of propositions there with several brands.

And while, maybe to give you an interesting fact, while in volume contribution the first six months Energy is just less than 2% in our total volume, in revenue terms it's more than double contribution because it's 5% of our revenues. And that tells you that revenue per case for this category is excellent. And I'm very pleased with our team's capability to be able to execute this category because it's not just a walk in the park, and I'm very pleased and I'm very pleased that - and I think that that's a result that our capability and execution behind this category is what is driving the results on top of very relevant marketing propositions that each brand has.

So with that I'll hand over to Michalis and then Stefan, if there is anything that I've not answered, I'll be happy to do that.

Michalis, you're up.

Stéphane Destraz, Millennium Capital Partners

That's great, thanks.

Michalis Imellos, Chief Financial Officer

Stephan, just to build on Zoran's point there, indeed August can be a good month particularly considering that we are cycling a particularly weak August last year because of weather, so that is a strong tailwind for this year.

Having said that, September last year was fairly strong. So on balance, you know, it's - we need to see how quarter three can fair and wouldn't capitalise that is a given that we will see potentially such sequential improvement that quarter three will be in a positive territory.

When it comes to the full year consensus, right now if I look at the total revenue on a currency neutral basis consensuses for the full year is a 9.2% decline.

We feel that if under a sort of a base scenario for things progressing the way that most people see right now, it can be a fair - first memo for potentially where we can be, so we feel comfortable with that.

Obviously looking at the bottom line and looking at the performance of the first half already from now one can see that there may be some room to improve further the consensus.

And maybe if I turn over to Zoran about your last question on the trial and bit on the portfolio.

Zoran Bogdanovic, Chief Executive Officer

Yeah. I don't know, Stefan, did you mean more some of the innovations but I can say that we see even in some things that were not new this year, I would highlight let's say, Adult as something where we are strategically pushing and developing where we see that trial and repeat is increasing as well as our penetration to households and consumers and that's driving strong results. Just to illustrate in Russia for example, Adult, even in Q2 performed with plus eight. In July we were plus 50% in Adult, and that's trading at the premium price versus Coke.

So that's an example of the existing portfolio within Sparkling that we feel very passionate about and for which see lots of potential for the future.

Also we see that - I did mention Energy, which continuously is having more and more trail repurchase. But even it is encouraging to see that in countries where this year we launched new performance Water, Aquarius, we've seen very encouraging results with trial and repeat purchase. So that's been very, very encouraging. So this is just to name let's say three examples.

Stéphane Destraz, Millennium Capital Partners

Great, thank you. Can I just have one follow-up considering what you said on the, if we assume some sort of a recover on the top line for H2 and you realise 60% of the cost savings already for the - or basically how you're attacking the fixed cost basis, 100 million, so 60% realised in H1 and most of the marketing even is probably still being cancelled or not happening for H2 like sporting events and other things. Would it be fair to think that you might see some really good top line recovery in H2 without being able to actually spend behind marketing that would somehow make your margin optically look really good for H2? Just how to think about those moving parts and your capacity to spend in H2 and how that curtails with COVID-19 in front of top line recovery. Thank you.

Zoran Bogdanovic, Chief Executive Officer

Michalis, do you want to start?

Michalis Imellos, Chief Financial Officer

Yeah, just to say that, Stefan, there are a lot of moving parts in the second half and to really describe right now the balance between the marketing spend and the top line. We are starting cautious with our marketing spend. We are more let's say focused on where exactly to best spend the money, whether it is shop floor activities, promotions or more classic above the line kind of activities.

So what is important is to remain very flexible as things are progressing with the pandemic and we see how also the market and the demand is reacting, to be quick to observe our plans in order to capture the potential opportunities that are coming.

So too early to really call the balance right now between the marketing spend and the top line.

Stéphane Destraz, Millennium Capital Partners
Thank you, guys.

Telephone Operator

The next question comes from the line of Osman Memisoglu from Ambrosia Capital. Please go ahead.

Osman Memisoglu, Ambrosia Capital

Hello. Many thanks for your time. Just a quick question on your capex plans. You have announced earlier that you're lowering capex, particularly on the cooler side.

How has that thinking changed if at all with obviously relatively improving trends in your top line? And if you could also please share your observations regarding the behaviour of competition in terms of what you're doing on the capex front? Thank you.

Michalis Imellos, Chief Financial Officer

Yes hi, Osman. Let me take the coolers question and then maybe Zoran can take the competition one.

With regard to the coolers, I would say that our decision to curtail capex this year and of course to a large extent this applies to coolers as well, is more of a decision to defer rather than to cut permenantly the spend. Simply going in line with also what happens in the market obviously with the lockdowns, with out of home channel being affected the way it was by the closures due to the pandemic it would not be wise for us to continue on an accelerate the pace in terms of cooler placements.

So as we see our markets recovering as and when this happens, we are going to obviously be there and make sure that you know, we make the appropriate cooler placements to ensure that we capture all the opportunity within single serve in the business.

Osman Memisoglu, Ambrosia Capital

Okay. The competition is, I guess, doing something similar I'm guessing ...

Michalis Imellos, Chief Financial Officer

I would say, yes. Zoran?

Zoran Bogdanovic, Chief Executive Officer

Yeah. Well, yeah, to some degree there are various things I think we've been anyway the strongest investor even before COVID and in spite of the fact that we have cut back a certain portion still what has remained is not small.

And I would just like to highlight also, because we knew when we made the decision that we would not be able to read you know, precisely how every one of the markets will perform. That's why our central commercial team has also secured that there is like a buffer quantity that then gets redeployed to countries based on the reading and the need and competitive situation. And I'm very pleased because of that, and that's kind of you know, a wise and agile way of planning based on the reading that we are doing so that we have fast reactions.

And on top of that we do have our strategic - there is also our strategic supplier with whom we have a very tight collaboration. So if need be, I think our reaction time is quite good in that area.

But that's a good question because investments in cooling equipment are a critical part of the whole game plan that we have now.

Osman Memisoglu, Ambrosia Capital

Yeah, so no long-term impact, right? Sorry to barge in ...

Osman Memisoglu, Ambrosia Capital

Okay. Nothing from COVID or anything. Okay, thank you. That's very helpful.

Zoran Bogdanovic, Chief Executive Officer

No.

Thank you, Osman.

Telephone Operator

Thank you. That was our last question for today, so I'll hand the call back to our speakers to conclude today's conference. Thank you.

Zoran Bogdanovic, Chief Executive Officer

Thank you all for your time and attention today. Let me just highlight that we are managing through this crisis with determination, focus and flexibility, and we have our sights fixed firmly on the opportunities that are appearing. We are adapting to the new reality, and we have the capabilities, people and culture to do that. We intend to win in our high potential industry and to grow with our customers as the leading 24/7 beverage partner. I strongly believe that Coca-Cola Hellenic will emerge even stronger and smarter from this crisis, able to leverage our scale to capture the growth opportunities ahead.

Let me extend my good wishes to you and your families, and all of us at Coca-Cola HBC sincerely hope you stay safe and well. We look forward to speaking to you all again soon. Thank you.

Telephone Operator

Thank you for joining today's call. You may now disconnect. Host, please stay on the line and wait for the instruction.

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