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CORPORATE PARTICIPANTS

Zoran Bogdanovic, Chief Executive Officer

Ben Almanzar, Chief Financial Officer

Questions From

Edward Mundy, Jefferies

Sanjeet Aujla, Credit Suisse

Simon Hales, Citi

Mitch Collett, Deutsche Bank

Andrea Pistacchi, Bank of America Merrill Lynch

Natalia Svyriadi, Eurobank Equities

Fintan Ryan, J.P. Morgan

Alicia Forry, Investec

Mandeep Sangha, Barclays

Questions and Answers

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

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

Operator

Thank you. As a reminder, if you wish to ask a question please press star and one on your telephone keypad and wait for your name to be announced. To cancel your request, please press the hash key. Once again, to ask a question please press star and one on your telephone keypad. Our first question comes from the line of Edward Mundy from Jefferies. Please ask your question.

Edward Mundy, Jefferies

Morning Zoran, morning Ben, morning Jo. I have got a couple, please, but one by one. The first is really around price mix, which I think was 1.8% in the quarter before the benefit of the Polish sugar tax. If you back out negative country mix, i.e. strong Nigeria and Russia and weak Poland and Switzerland, what do you think is the simple average price? As part of this question, how do you think about the split between headline pricing, where you have taken price in 95% of markets, and other revenue growth management tools as well as channel recovery?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Hi Ed, good morning. So, yeah, I think you highlighted well that a negative country mix impacted the performance, so which on average sounds, and it is, 1.8%, but I just want to highlight that in a big majority of the markets we have, actually, in Q3 realised quite healthy improvements which are ranging all the way from low single digits, mid-single digits and even, in some cases, double-digits, like, for example, Nigeria. So that is what, actually, in any given country drives also the other lines in the P&L. So I just wanted to emphasise this piece and I hope I captured well what you asked by that.

Also, to emphasise that in 95% of the markets where we took the price, we have not seen any negative impact from that. Of course, the outlier is Poland because of the unique situation with this huge price increase we took from 1st January because of the taxation, but in any other market we have not seen any negative impact. Actually, contrary, we do see very good share performance which, step-by-step, also is increasing even more from Q2 to Q3. So that is a good proof point that pricing has landed quite well.

Ed, I think you said about the channel mix, which I would just highlight that the overall performance, as you heard from the remarks, was quite good in the recovery of the out-of-home, which in this quarter was also above the 2019 level. At-home continues to be on a very, very strong performance quarter-by-quarter.

Does that cover your questions, Ed?

Edward Mundy, Jefferies

It does, but I do not know whether, of the overall revenue per case growth, do you have a sense as to what proportion is headline price, rate increase and what is the other stuff; revenue growth management and channel recovery?

Ben Almanzar, Chief Financial Officer, Coca-Cola HBC

Sure. Perhaps I can build on that, Ed, Ben speaking. So, look, pricing, as Zoran mentioned, was the single largest contributor to growth in FX neutral revenue per case during Q3. So, again, if we take just a simple average of our price mix across our geographies, it was around 4.9% in the quarter and 3.9% excluding Poland, so that indicates that very healthy underlying pricing that Zoran referenced. The other thing that I would like to highlight briefly is the fact that, in addition, category mix was positive, however not as strong as it would be in other quarters because we had the water category and juices doing very well during Q3.

Edward Mundy, Jefferies

Very clear, thank you. My second question, again one for Zoran, is you mentioned routines created during the pandemic at home remained sticky. The study has shown the most lucrative occasions, presumably that is things like the mealtime occasion. Is that a question of increased health of penetration or is it increased frequency?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

I think, Ed, it is both. For sure penetration has increased, but also with adjusted types of promotion cross-category. Promotions that we are doing for various, you said meals, but also socialising at home, screen-time at home. So all that has led also to bigger frequency, so it is a result of both variables.

Edward Mundy, Jefferies

Great, thank you. Then the final one, perhaps for Ben, can you talk about some of the moving parts for margins into 2022? Clearly, you have highlighted there is cost inflation but you are getting good price mix, you have got the consolidation of Egypt, which is likely to be margin-dilutive, you have got the Italy plastics and sugar regulatory environment to navigate. How do you think about the moving parts for 2022?

Ben Almanzar, Chief Financial Officer, Coca-Cola HBC

Thank you, Ed. Look, it would be a bit premature to talk about 2022 margins. As we do every year, we will provide a guidance in February with the full-year results. Again, we are keenly aware about the cost pressures. That is why we are working, as Zoran said earlier, on those detailed plans incorporating the expected impacts in cost per case as well as the initiatives that we have to mitigate it. We talk about accelerating pricing, we talk about keeping on driving that mix management in the ongoing cost control. So we are expecting 2022 to be another year of progress for the Group and remain committed to the mid-term algorithm.

Edward Mundy, Jefferies

Great, thank you.

Operator

Your next question comes from the line of Sanjeet Aujla from Credit Suisse. Please ask your question.

Sanjeet Aujla, Credit Suisse

Hi there, morning Zoran, Ben, Joanna. A couple from me, please. Firstly, are you in a position at the moment to be able to quantify the input cost per case outlook for next year and, tied to that, where are your hedges now on 2022? That is my first question, please.

Ben Almanzar, Chief Financial Officer, Coca-Cola HBC

Thank you, Sanjeet. Look, again we understand very well that concern about inflation for next year and want to be as helpful as we can at this stage. When thinking about 2022 it is useful to consider cost per case, which includes input costs, the concentrate, production overheads, haulage and depreciation, and we are expecting a high single-digit increase in cost per case for 2022. That estimate incorporates, again, commodity inflation moderated by other cost lines which are less volatile. We are, as I said earlier, very focused on making sure that we drive the right action to offset the headwinds, and we will provide more guidance with the full-year results.

On your second question, Sanjeet, around the level of coverage that we have, we have increased significantly since the half-year results and we are now sitting at approximately 60% of the input costs of 2022 covered.

Sanjeet Aujla, Credit Suisse

Got it, thank you for that Ben. Just building on the pricing discussions a little bit more, you talk about more actions to come in Q4. With that input cost dynamic, is it reasonable to assume your pricing actions would be more significant in 2022 versus 2021, which has landed quite well?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Yeah, Sanjeet. So pricing happens in waves; it is not that we take price in all countries at the same time. That really depends on a market-to-market customer structure and how that happens; there are sometimes certain windows. So there is another wave that happens in Q4 as a continuation of the overall pricing strategy for this year, and then next year takes into account also the fact that what we have done this year is carried forward as the positive impact for the next year. We do plan to build further on that. All those pricing plans, let's regard them that there is a base plan and then, on top of that, there is another variable part once we also see to what extent the whole inflationary environment will continue developing and how it will progress. I just want to reiterate here, Sanjeet, the confidence that I really have with our RGM toolbox that really helps us to play the ball depending how the situation evolves, whether adjusting it and flexing it in every single market, depending on circumstances. So that is why I feel that all the pricing that we have taken in a very well thought through manner by category, by brand, by channels, this is the reason that we are doing it in a very considerate way, so that it does not have any negative impact. So, to conclude, 2022 will further build on, already, 2021 that we will also benefit from next year.

Sanjeet Aujla, Credit Suisse

Thank you, Zoran.

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

You are welcome.

Operator

Your next question comes from the line of Simon Hales from Citi. Please ask your question.

Simon Hales, Citibank

Thank you. Morning Zoran, morning Ben, morning Jo. A couple from me. The first one was just to come back to this outlook on 2022 margins. I know you do not want to be drawn, understandably at this stage, but I want to clarify my understanding of what you have said so far today. Zoran, you are clearly talking pretty confidently about your ability to mitigate that challenging cost environment, and I think Ben, from your comments to Ed's question, you are indicating that you hope to see a progressive development in margins in 2022 on an underlying basis in line with your mid-term growth algorithm. Have I understood that correctly? That is my first question.

Ben Almanzar, Chief Financial Officer, Coca-Cola HBC

Thank you, Simon. We remain committed to our mid-term algorithm of 20 to 40 bps of average margin expansion. To avoid any ambiguity I want to stress two points. We have been clear that this is an average until 2025 and, secondly, it is applicable to the existing CCH businesses. Therefore, it excludes the acquisition of Egypt, which is likely to be 20 to 30 bps dilutive to margin in 2022. Does that answer the question?

Simon Hales, Citibank

Yeah. No, that is very helpful. Secondly, can I just ask a little bit about OPEX and the actions you have continued to take there to minimise the expansion of that element of the cost line? Is there anything you would call out that you have been doing more in the second half of the year and how we should think about that heading into 2022? Maybe related to that, can you talk a little bit about some of the logistical cost headwinds you are facing generally, along with the wider industry at the moment?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Yeah, Simon, I will kick it off and then Ben will add anything that I might miss. So cost management is still very much influenced from last year, where we have applied very disciplined and rigorous cost management and mitigation. We have kept that agile way of approaching the costs, and this is embedded in this year as well as in the work-in-progress plan that we have for next year, which means that a number of things that we used to do in the past are not happening to that extent or are done alternatively. Needless to say, obvious things of how and to which extent meetings are happening, leveraging all the technology and intensity of the travel, leveraging more digital tools, both in the customer interaction as well as the internal way of working. Additionally, there is ongoing effort, which is every single year that we are finding ways to improve productivity and efficiencies in every corner of the business, and every year we do have a positive impact from that and this year and next year will not be an exception for that. What helps us a lot in this exercise is the increasing level of technological advancements and digital in our operations, which are evidently helping us to reduce the costs and increase the productivity.

Ben, anything?

Ben Almanzar, Chief Financial Officer, Coca-Cola HBC

Zoran said it really well. What I would just remind ourselves is that driving cost efficiencies is really embedded into the culture of our business. We are always looking for opportunities to generate savings and Zoran, again, alluded to some of those elements. When you think about OPEX for 2022, again Zoran mentioned the marketing spend, which is likely to continue to expand to 2019 levels. However, we are going to be very rigorous everywhere else, and we have changed those ways of working and we are seeing the benefit of that. This business has a good track record of being able to grow the top line much faster than the OPEX line, and we will continue to look for productivity initiatives that deliver those further cost reductions while improving efficiencies and service levels; for example, warehouse automation, logistics, automatic line changeovers and improving predictive maintenance in manufacturing, to name a few.

Simon Hales, Citibank

Got it. Just one quick clarification for you, Ben. I missed it, my line broke up when you were answering Sanjeet's question around the level of hedging you have in place on input costs for 2022. Can you just repeat that number for me again, please?

Ben Almanzar, Chief Financial Officer, Coca-Cola HBC

Yes, Simon. I mentioned that our 2022 hedge positions have improved and we have now covered 60% of the 2022 input costs, and this is where I think we should be at this time of the year, considering market conditions. We will continue to take advantage of dips in the market to make more progress over the coming months and into the new year.

Simon Hales, Citibank

Brilliant, that is all very clear. Thanks for your help.

Operator

Your next question comes from the line of Mitch Collett from DB. Please ask your question.

Mitch Collett, Deutsche Bank

Morning Zoran, Ben and Jo. You mentioned that you are cautiously optimistic for Q4, but you also highlighted some localised lockdowns. Can you give us a bit of colour on where you are seeing that? Linked to that, obviously the volume comparator for Q3 is very similar for Q4 but you have got a weaker price mix, so can you comment on your expectations for 4Q on price mix and volume as well? Thank you.

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Yeah, Mitch. Yes, that is exactly what we said because we have seen that in the last couple of weeks. Unfortunately, we do see, again, increasing number of cases in a number of countries, mostly in the Eastern Europe territory, and we have also seen in the last week or two some of the re-emerging restrictions, a certain level of curfews as well as varying degrees of lockdown in HORECA. Concrete examples is Russia, where HORECA for a market is closed for a week, Romania imposed a curfew, Slovakia is closing HORECA. So there are several markets where – that is why we say that we are cautious about it, we are closely monitoring it. A, let's say, positive thing in this is that by this time customers have adjusted that in case this happens a number of them can do home delivery and service the market in such way, but needless to say this is not the same level of trading if they were open.

I want to reiterate that, based on the year-to-date performance, Q2/Q3 specifically, there is underlying strong trend, which we do see continuing also in Q4 based also on quite positive October trading, but we just need to emphasise this cautiousness for the reasons that I just said, as we will be then estimating and seeing and reading if this has any impact bigger than what we see now. That is it.

Mitch Collett, Deutsche Bank

That is great, thank you. Sorry to keep bringing you back to 2022 margins, but you said that the 20 to 40 basis points is intended to be an average. Just coming back to that comment about 2022 being another year of progress, am I right to interpret that as up ex the impact of Egypt?

Ben Almanzar, Chief Financial Officer, Coca-Cola HBC

Again, Mitch, it would be a bit premature to offer guidance on 2022. As we have said before, we will come back to that with the full-year results and give you a much better picture.

Mitch Collett, Deutsche Bank

Understood, thank you.

Operator

The next question comes from the line of Andrea Pistacchi from Bank of America.

Andrea Pistacchi, Bank of America Merrill Lynch

Yes. Morning Zoran, Ben and Jo. Two questions, please. The first one on pack mix and growing single-serve in the off-trade, which has been and continues to be, obviously, a strong driver for you, and you said it will help you mitigate the cost pressures next year. How confident are you and what can you do, really, to it to ensure that you retain consumers in single-serves as inflationary pressures build in the coming quarters? Connected to this, in single-serve I think you have told us in the past that on average, at a revenue-per-case level, I think you said it is about 1.7x above Group average. Are you able to share at a profit level how single-serve compared to the average of the Group? That is the first question, please.

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Thank you, Andrea. So, in short, we are quite confident that we will continue building trajectory of the single-serve penetration and consumption in at-home channel, which is continuously happening over years and has accelerated last year and this year. It comes as a result of the deliberate conscious insights and then initiatives that we are embedding in the plans. This is also where we leverage, together with Coca-Cola Company, the way we use all the consumer and household data on the behaviours that are happening at home, on the occasions that are happening there. It is a matter of tailoring all the offerings, our promotions, marketing communications that are happening both above the line or in media, but also on the floor level, all that does matter.

Now, this does not happen tectonically in one quarter, but this is a persistent, continuous build-up of the habits of consumers and we are constantly channelling more and more marketing resources and everything to support it. I strongly believe that with that, our continuous innovation that happens behind the packaging, cross-category promotions, be it behind meals, be it behind premium spirits for the socialising at home.

So there are many platforms and levers that are helping us to realise that, so I hope that provides a good level of confidence. I would just reiterate that also the single-serve versus the multi-serve, there is no dramatic difference because single-serve also carries a different level of cost to serve related to single-serves, but it is fair to say that, yes, single-serves on net-net are somewhat more profitable than multi-serves.

Andrea Pistacchi, Bank of America Merrill Lynch

Thanks. My second question is on Costa, an update there. If you could share any metrics on the progress that you are making in the at-home channel, maybe share some early market share reads and in what countries your market share in the at-home is highest. Also, you have started the rollout of the out-of-home. Any feedback on that, please?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Yes. So the metric is that in the countries where we are, at the moment, measuring the share, the very encouraging thing is that we see that in those markets Costa is month-by-month, step-by-step gaining, albeit from the low base, but is improving and increasing share. We are also looking into a repeat purchase that Costa has. Also, following the sampling that we are doing across the market as a critical step to promote the product, as we strongly believe once the consumers have the opportunity to taste it that then they will also end up buying it. That is also the measure that we see from the number of samples, what is the incidence of those that actually are progressing to do the purchase. So that is for the at-home.

Then in the out-of-home, in line with the reopening of that whole channel we are consciously progressing there and every month are increasing penetration of customers. So we are doing planned recruitment, we are doing that in a quality way. This is not about quantity, just for the sake of recruiting as many as possible. I want to emphasise that that approach is safeguarded, that we do that in a quality revenue way without price discounting, but doing it, really, in the sustainable way and building it for the next years.

I am quite pleased with the progress. This is not a sprint, this is a marathon which we are approaching in a holistic way with building distribution, driving share, building capabilities, fully-staffed teams, consumer and customer engagement and marketing adjusted plans that we are doing together with the Costa team. So I am pretty confident that we are on a quite good track.

Andrea Pistacchi, Bank of America Merrill Lynch

Thank you.

Operator

Your next question comes from the line of Natalia Svyriadi from Eurobank Equities. Please ask your question.

Natalia Svyriadi, Eurobank Equities

Yes. Good morning to all and thank you for taking my question. I have one question, and maybe you said something in the beginning but I did not really get it, on the sugar tax in Italy. Is it expected to kick in in January and, in general, what are the expectations on that? With the Polish sugar tax in 2021 affecting volumes so much, are you expecting to price and have the same volume negative impact there?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Yeah, good question. That is a piece of good news that actually during October, as part of the budget planning document for 2022, it was confirmed that the plastic and sugar tax will actually be postponed until January of 2023. So I just want to say that we were ready for it, even if it was starting from 1st January next year. However, we think that this is quite a sensible decision that was taken and, of course, we take it as a positive piece of news.

Natalia Svyriadi, Eurobank Equities

Yes, I think it is positive. Okay, thank you very much for that.

Operator

Your next question comes from the line of Fintan Ryan from J.P. Morgan. Please ask your question.

Fintan Ryan, J.P. Morgan

Good morning Zoran, Ben and Joanna. Three questions from me, please. Firstly, I am wondering could you comment in terms of the acceleration in your market share gains performance over Q3, what do you think were the key drivers of that? Could you call out particular markets where you have seen the most share gains – I am thinking Russia, Nigeria given the strength of performance – and how you would expect to see competitive response into next year, particularly given the pricing that you are putting through; are you seeing competitors take pricing more broadly? That is the first question, please.

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Thank you, Fintan. So the share gains are a result of the well-planned activities by quarter, and if you remember also from the last call we did say that our marketing investment is going to accelerate from quarter-to-quarter and, actually, there is more that was allocated to second half versus the first half. So on top of the base plans that we had for Q3 and now Q4 we are actually going to see more investments that are happening, and that also is one of the drivers.

Another thing also that helps in the overall share is the category mix, because of the strong performance of sparkling, namely more valuable adult part of the sparkling, also Energy. So I am just saying that, overall, share gains are fuelled by good category performance of those categories. Also, I have to give credit to the way the teams are working closely with customers and leveraging also the abundance of data that we have, from which we are drawing the insights that get converted into sharper actions and initiatives that we are doing in the market. So that is where we are and I am really pleased that this is bearing a good result.

Expectation, also, for next year is that we continue gaining share; by that, I always mean value share. The fact that we are increasing pricing, it is good that also the market is doing the same and that a big majority of competitors, as well, are doing the pricing. For sure, the key competitor is doing that as well, as we observe, so I think that doing the pricing is not an obstacle to share progression. Actually, doing pricing in a well-considered manner is a good way to create more value also for customers, for our business, as well as consumers because, let me just remind, that there is a lot of work that happens around conditions that allow us to take the price. I think, James, on the Coca-Cola Company call talked very well about earning the right for brands to take the price, and that is exactly what is happening in close collaboration between us and the Coca-Cola Company team. So I am pretty confident with, also, the marketing element that is like a tailwind behind brands within categories to allow us to take that pricing. Just a reminder that this is the integral part of the whole revenue growth management framework, against which we are working very closely with the Coca-Cola Company team.

Fintan Ryan, J.P. Morgan

Great, thank you. For my second question, now that the Polish sugar tax has been in the market for ten months, I was wondering could you give us some colour in terms of how your portfolio mix in the Polish market has evolved? I appreciate overall volumes are down, but how much share, how much share of your Group portfolio has come from low and no sugar variants on the market, and are there other learnings from that you will apply proactively to some of your other Eastern European markets?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

So in Poland, first of all, this whole situation with their taxation created there, the whole market went significantly up with the price. As a reminder for everyone, we are talking about 25% to 35% price increases, depending on the pack. Yes, that created, fully in line with expectation, the implosion of the volumes in the market. Okay, we knew that will happen. On the other side, that is why doing the two-tier pricing and focusing on other parts of the portfolio, like Zero and Light, and really seeing the performance of Zero and Light in Q3, as well as the whole first nine months, is actually very encouraging. Also seeing that Energy continues to perform really well, and I am quite positive that from January, when we enter the year, when we have fully cycled out this price increase, I am pretty confident that we are getting into territory where we will be able to, again, bring Coke back to a growth trajectory.

Also, we have been progressively gaining share in Q2 and Q3. One element that is not related to price increases and sugar tax is also that there was also a customer negotiation situation in Poland that marked Q1 and beginning of Q2. However, that has been successfully resolved. And that was also on one side was the driver of the share drop in Q1, but we were conscious about it. However, then in Q2 and Q3, following the successful solution with the customer, we have resumed our good share performance.

Fintan Ryan, J.P. Morgan

Thank you. Just for a final question, I appreciate very recently the Coca-Cola Company acquiring full ownership of BodyArmor sports drink in the US. Could you give us some sense of your thoughts around the sports drink category? I appreciate it has not been one of your strategic priorities over the last few years. How do you think about that evolving and would you intend to bring BodyArmor into your portfolio at some point in the foreseeable future?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Yeah. I think that is a great move, first of all. We do not know the product here, but everything that we read and heard from a number of our colleagues from The Coca-Cola Company, this sounds like a great product and great addition to the portfolio, with impressive performance over the last three years that we see in the US market. So there has to be something about this product composition, type of product that is working, and we look forward to discussing with the Coca-Cola team when and where in the future – which I cannot say now because, honestly, we did not have conversations yet – but we would see complementarity of it in the whole, wider sports category. So let's call it stay tuned and we will see when this will happen in the future.

A reminder that we do play in the sports category with Powerade, which is an excellent product and I am very pleased to see how, also last couple of quarters, there is a good tailwind in performance with Powerade, there are exciting plans coming up going forward. So I am very positive, actually, about this whole category. With, already, the solution that we have and then tomorrow, when the complementary part of the portfolio comes, I think it is going to really strengthen our play there.

Fintan Ryan, J.P. Morgan

Very clear, thank you very much.

Operator

The next question comes from the line of Alicia Forry from Investec.

Alicia Forry, Investec

Oh, yes, good morning, hi everyone. Thank you. Just two questions I think that I have left. One is your volumes were very strong and you have discussed some of the reasons for that, but I am wondering, can you confirm whether there was any pull forward of Q4 demand ahead of impending price increases? And then the second question, it sounds like you have not suffered any major supply chain issues. Can you just elaborate on the state of your supply chains and in particular, looking ahead to 2022, what you expect in that area? Thank you.

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Thank you, Alicia. Related to price increases and any possible stock up, if I understood your question, I would not call out anything there that is material to the results, especially because sometimes this can happen in a country. However, this is done always in a very well-planned manner. In the Q3 results or year-to-date results, there is nothing that I would call out that really made any material impact to the results.

Then, on the second one on the supply chain, again nothing that materially impacted our Q3 performance. We did have, here and there, situations. You know very well that a number of markets had a temporary or partial shortage of cans, however really nothing that I would emphasise as material. Anything that happened in various corners was of a lower magnitude and quite quickly fixed and resolved, so nothing concerning at all.

Alicia Forry, Investec

And nothing for 2022?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Sorry? I did not understand.

Alicia Forry, Investec

No supply chain challenges anticipated for 2022 that you can currently see?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC No, I do not see anything. I think that first of all following what Ben said, which was related to hedging. However, in terms of securing the supply of all required materials, commodities for quantities we need for next year and the year after, we are very well covered and we are in a quite confident place by this time already.

Alicia Forry, Investec

Great, thank you.

Operator

Your next question comes from the line of Mandeep Sangha from Barclays.

Mandeep Sangha, Barclays

Good morning and thank you for taking my question. My first one relates to the elevated at-home consumption. Clearly, it is well above 2019 levels. How sustainable do you think this is in the near term, and particularly in those markets where you are seeing COVID restrictions lifted and travel allowed, are you seeing at-home consumption normalise faster than maybe at the broader Group level?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

I am afraid – if you can just clarify the second part of the question. I got the first one, but I did not get the second one. If you can do that, please.

Mandeep Sangha, Barclays

Sorry. What I was trying to say is in the markets where you do see countries where there has been a lifting of COVID restrictions and consumers are allowed to travel, are you seeing at-home consumption normalise to normalised levels quicker than the average Group level?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Yeah, I got it now. So, first of all, on the overall at-home performance it is hard to say how the whole consumer behavioural patterns evolve over a multiyear basis. However, it is still fresh and we do see that more life is happening at home, even with re-opening of the markets, because the extent and some cautiousness of people not really getting into big crowds. So, definitely, there is some positive, let's say, stickiness in the at-home that we are experiencing, even in the markets where the COVID restrictions have been lifted. I am fairly positive that at-home good performance will continue, for sure, next year and I would say in the next couple of years. This is on top of the fact that in every single market we have a different base, but irrespective of it I do expect that it is going to continue with a good performance, irrespective of lifted or not lifted COVID measures.

Mandeep Sangha, Barclays

Thank you very much. My second question is just to clarify a previous comment that you made about input cost inflation for next year. I think you commented that you expect high single digit cost-per-case inflation for FY22. Could you just clarify, does this include the impact of finished goods brought in or does this just cover the commodity impact?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

That is correct. So that estimate includes all lines of COGS, including the products that we procure as finished goods.

Mandeep Sangha, Barclays

Okay, perfect. Just my final question, a bit longer term on ESG. You recently announced a €200 million investment to help you reach net zero. Could you clarify whether that €250 million investment, does that just get you to your 2030 goal of reducing carbon by 25% or does that cover your target to get to carbon neutral by 2040? What I am just trying to work out is should we expect incremental investment to hit that 2040 net carbon target?

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Yeah. To clarify, what we said in our announcement about this commitment of net zero by 2040 is that that amount covers us by 2025 and all the things that need to happen year-by-year until then. Just to pre-empt, maybe, your question, that investment, which is a combination of the capital expenditure as well as the operating costs, is fully embedded in our 2025 growth algorithm, against which we are sharing with you what we are shooting for as our growth algorithm.

Mandeep Sangha, Barclays

That is very helpful, thank you.

Operator

I will now hand the call back to Zoran Bogdanovic for some closing remarks. Thank you.

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Thank you all for your time. We believe that the results we announced today underline the fundamental attractiveness of our markets and industry, as well as the strength of our business and people. While clearly there are uncertainties and challenges to come, we are all well-prepared to continue to adapt and to capture the considerable growth opportunities we believe are ahead. We look forward to speaking to you all again soon. Thank you.

Operator

That does conclude our conference for today. Thank you for participating, you may all disconnect.

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