CCH – 2022 First quarter trading update
Conference call script – 12 May 2022

CORPORATE PARTICIPANTS

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Ben Almanzar - Coca-Cola HBC AG – CFO

Joanna Kennedy - Coca-Cola HBC AG - Head of IR

Operator

Thank you for standing by ladies and gentlemen, and welcome to Coca-Cola HBC's conference call for the 2022 first quarter trading update. We have with us Mr. Zoran Bogdanovic, Chief Executive Officer, Mr. Ben Almanzar, Chief Financial Officer, and Ms Joanna Kennedy, Head of Investor Relations. At this time all participants are in listen only mode. There will be a presentation followed by a question and answer session and if you wish to ask a question, please press star one on your telephone keypad at any time and wait until your name is announced. I must also advise that this conference is being recorded today Thursday, May 12th 2022. I now pass the floor to one of your speakers, Ms Joanna Kennedy. Please go ahead.

Joanna Kennedy - Coca-Cola HBC AG – Head of IR

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

Although we have added a webcast facility to our call for ease of access, there will be no slide presentation today as per our usual practice for trading updates. We will 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 one question before moving on to another. We have about an hour for the call today which should leave sufficient time to facilitate a good discussion.

Finally, I must also remind everyone that 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.

And with that I will turn the call over to Zoran.

Zoran Bogdanovic – Coca-Cola HBC AG – CEO

Thank you, Joanna. Good morning everyone. We appreciate you joining the call.

Before anything else I want to address the unspeakable tragedy that we are seeing in Ukraine. We are deeply distressed by the ongoing human suffering that this conflict is bringing to millions, including many of our people and their families. As always, their safety is most important to us all and remains our number one priority.

We are doing all we can to support our people on the ground with immediate financial and practical assistance. And alongside The Coca-Cola Company, The Coca-Cola Foundation and other bottling partners, we are contributing to the humanitarian effort with in-kind and financial donations.

This includes cash grants and salary advance payments to our people and financial support of refugee assistance centres across Ukraine. Globally, the Coca-Cola System has committed $15 million to a range of humanitarian relief organisations, while providing more than 1.8 million litres of beverages in Ukraine and in bordering countries.

As you can imagine, our business has been significantly impacted.

Following the decision and announcement of The Coca-Cola Company on 8th of March that it is suspending business in Russia, we immediately stopped placing orders for concentrate in the country and we are stopping production and sales of the brands of The Coca-Cola Company in Russia.

We are working in close alignment with The Coca-Cola Company to do this and have also stopped investments in the country.

Following this decision, we will have a much smaller presence focused on local brands. We are evaluating all options here. As you might expect, it is highly complex and fluid situation which needs to be worked through appropriately and we will share more in due course. At that point we will also be able to let you know the financial implications for the year and the level of non-cash charges we expect.

In Q1, despite this very difficult backdrop, we have continued to make strong progress on our strategic priorities.

- We are prioritising and investing behind the highest potential opportunities in our portfolio such as Sparkling, Energy and Coffee. The businesses that are delivering today and those that are creating growth potential for the future.
- We are making continued focused investments behind our prioritised capabilities. Particularly around digitising our route to market and strengthening our Revenue-Growth-Management tools with data and insights. These capabilities are enabling us to adapt and be agile in seizing opportunities.
- We are allocating capital towards our most attractive market opportunities. That includes prioritised, as well as new markets like Egypt,

which we are reporting as part of our business for the first time this quarter.

- And we are making progress on our sustainability agenda, with tangible investment behind recycled packaging and emissions reduction. That is also why we were pleased to again be recognised in 2022, as one of Europe's Climate Leaders by the Financial Times and Statista.

All of this is strengthening our business so that it is better positioned than ever to continue to win in our industry and our markets.

The benefit of our consistent execution of our strategy is clear in the numbers we are reporting this morning.

We achieved organic sales growth of 24.2% in Q1, or 25.9% excluding Russia and Ukraine's performance. Revenue growth was well-balanced between volume expansion and, very importantly, revenue per case acceleration.

Organic volumes grew by 11.3%, with broad-based growth across segments.

And as I mentioned, our consistent investment in Revenue-Growth-Management capabilities ensures that we activate the right levers to protect profitability in an increasingly challenging input cost environment. Q1 organic revenue per case grew by 11.6%, a strong acceleration on the growth in 2021.

What is really important here is that while driving this improvement in revenue per case, we are also accelerating our market share gains in both value and volume terms. And that is the case across Sparkling as well as in the broader Non-alcoholic ready to drink industry.

The strength of our 24/7 portfolio, our focus on portfolio priorities, customer partnerships and our execution expertise are visible in our growth trajectory.

Sparkling volumes increased by 10%, with broad-based growth across brands and segments. Coca-Cola Trademark volumes increased just over 10% with continued traction from the new Coke Zero across our markets. We are also seeing ongoing good performance from Fanta and Sprite.

I am really pleased to see that the fastest growth continues to come from our areas of particular strategic priority. Low- and no-sugar sparkling grew by 45%, reaching 27% of our total Sparkling portfolio.

Adult sparkling performance has been consistently excellent. Q1 was no exception with volumes up 23%.

Energy continues to have very strong momentum. Volumes grew by 32% in Q1, cycling growth of 56% in 2021. All three of our Energy brands, Monster, Burn and Predator grew double digit, with affordable brand Predator nearly doubling.

Finally, a few words on Coffee. We are making good progress with volumes up 75%. We continued to roll out Costa with a focus on the out-of-home and brought Caffe Vergnano to 11 new markets in the quarter. What is particularly encouraging to me about Coffee is that this growth is coming as a result of careful investment in building capability in the category, creating a high-quality coffee business which can continue to expand for many years, supporting our 24/7 vision.

Moving on to our segmental performance.

Established segment organic sales grew by 18%, with well-balanced volume and revenue per case contribution.

We saw our Western European markets progressively easing any remaining COVID restrictions, so that by the start of Q2 our Established segment markets were operating in near normal environment.

All countries in the segment grew volumes. One of the highlights is Italy, with strong performance across the board in Sparkling, benefiting from successful activation of Coke with Meals and our focus on the out-of-home channel opportunities.

Developing segment organic sales grew by 41%, led by a rapid recovery in Poland where we are lapping the introduction of the sugar tax in 2021. The other markets in the Developing segment also saw strong growth in Q1 with very good results in revenue per case.

In the Emerging segment organic revenues were up 23%. January and February were hardly impacted by conflict and we entered 2022 with considerable momentum in Russia and Ukraine, as well as in many of the other markets in the segment.

In Nigeria we have continued to see very strong performance, with volume growth led by our highest value categories such as Energy, Juice and Adult Sparkling. We've complimented that strong mix with robust action on pricing to drive healthy revenue per case expansion while accelerated market share gains.

Moving to Egypt. The integration of our business is progressing ahead of our initial plans and we continue to see significant opportunities to grow revenues and expand margins in the market. We also have strong plans for 2022 and beyond, centred on per capita expansion through affordability and portfolio development.

It will come as no surprise that inflationary pressures are significant and increasing.

Offsetting that challenge is the power of our 24/7 brand portfolio, the strength of the marketing behind those brands and how we, together with The Coca-Cola Company, are consistently investing behind and driving our Revenue Growth

Management capabilities to improve revenue per case sustainably through both mix and price.

Revenue per case expanded 11.6% in Q1. We achieved strong performance across markets as we executed our pricing plans and complemented that by focusing execution behind our highest revenue per case categories and packs. The result of this is the strong improvement in category, channel and package mix visible in the quarter.

Pricing decisions are taken carefully, considering the range of insights and analytics we have available. They are always made with a view of also creating value for our customers and consumers. The proof of the success of this is that while all our pricing plans have progressed as expected in Q1, we have had no negative impact on our volume performance from doing so. And as I noted at the start, we have also managed to accelerate our market share gains year to date.

Let me now say a few words about the rest of the year.

There is no doubt that the conflict has significantly impacted our business in Ukraine and Russia. As I noted at the start of the call, excluding these two markets organic sales growth was 26% rather than 24%. We expect that impact to expand in the full year, particularly in the second half.

But as you've seen today, our other 27 markets are delivering very well against our plans for the year, in many cases ahead of expectations. And we are investing even more behind that potential.

The inflationary environment has only intensified and we expect to continue to see pressure on our COGS for the rest of 2022. This is why I am so pleased to see the effective use of our Revenue Growth Management capabilities, including pricing, visible in our performance.

Given the number of uncertainties that remain about the rest of 2022 we continue to believe that it would not be prudent to provide financial guidance for the year at this time. That said, we have high confidence in our portfolio, evolving route to market, customer-focused commercial strategy, the potential of our diverse markets, and above all, the capability of our people. We remain agile as we prioritise our investments, with discipline, to continue to drive sustainable growth despite the uncertain environment.

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

----- Q&A------

[Q&A transcript will be available on company's website on 13 May 2022]