

**COCA-COLA EUROPEAN PARTNERS**

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**MANAGEMENT DISCUSSION SECTION**

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We're going to get started. We're very glad to welcome Coca-Cola European Partners back to CAGNY represented by CEO, Damian Gammell; and CFO, Nik Jhangiani. CCEP is proving that there is growth in Western Europe. Since its formation in 2016, revenues have accelerated versus the legacy companies, thanks to innovation on core brands, new product launches and price/mix realization enabled by package diversification. CCEP has also methodically invested ahead of the curve in capabilities that are allowing it to extend its reach as well as to manage through exogenous factors like sugar taxes and plastic waste. Of course, cash generation and returns have continued to be a hallmark of the company.

Damian and Nik, thanks so much for being here.

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**Damian Paul Gammell**

*Chief Executive Officer & Director, Coca-Cola European Partners Plc*

Thank you, Lauren. Good morning, everybody. It's great to be here with Nik to share with you the latest update on our CCEP journey. Before I get into the presentation, I just like to quickly draw your attention to our forward looking statements. So I'm sure a lot of you know about CCEP but I just wanted to take the chance just to remind you where we've come from. So, we've come through a merger in 2016, creating the largest Coca-Cola bottler by revenue. I'm sure all of you who have had a chance to review our results from last week, we're built across Western Europe, 24,000 employees, strong profitability, cash flow and in more recent times as you heard from Lauren, consistent top line revenue growth.

As we take a brief chance to look back on the achievements since the merger, I think, obviously, we've been able to deliver a 10% CAGR on the EPS line. But I think even more importantly, we've got to the phase now where we can close out our synergy capture. We made a bold commitment to set up CCEP around synergy delivery. We'll close that out in 2019 and Nik will talk a little bit about that later. We took some bold decisions around resetting the base for profitable growth. Those decisions really came into being in 2017 and 2018, revolves around some packaging changes, promotional funding changes and some pricing moves that we took in the market and are aligned with The Coca-Cola Company and other franchise partners. We started to really bring the Beverages for Life strategy to Western Europe and

critically and I think we're leading the world in this area, we've made some commitments that are critically important to the future of our industry around packaging, sugar and the environment.

So some big achievements since we set up our business. What excites us? CCEP was always about a bigger future and a bigger vision as we sat down and created our company. We operate in a market of around 300 million consumers. It's a growing market. I'll talk a little bit about that later.

We enjoy scale and a market-leading position across all of our countries. We have a fantastic portfolio of brands, products and packaging. We are creating a lot of value for our customers and indeed in 2018, incrementally we added over €580 million of revenue to our customers. The next biggest contributor to revenue was at around €140 million. So we're clearly across FMCG, the leading supplier in terms of revenue growth that equates to about a 7% increase in revenue for our customers in 2018, which as you can do the math is ahead of our revenue growth which means also we took the opportunity to expand profitability for our customers in our category. And that was one of the strategic decisions we took when we created CCEP was to bring back growth, but also to bring back profitability for our customers and we've been doing that.

We believe that will secure the long-term interest in our category from our customers and we believe it creates a healthier platform for growth going forward. So, a lot of growth, and as the CEO, I'm very privileged to lead a business of over 24,000 employees who are committed, talented and really, really excited about the future of our business.

Generally in these presentations, I think the people agenda usually comes at the end, but we quite deliberately today wanted to kick off and talk a little bit about our people strategy. It's fundamental to our business. The great thing about the bottling business is, it's one that's quite simple. You take great brands from The Coca-Cola Company and in partners like Monster and you combine them with great people, and you get a winning formula. It generates a lot of profitability, cash and excitement in our business.

As we came out of 2018, we took the opportunity to just sit down with our board of directors and our employees, and talk about what it means to work at CCEP. And we came up with a very simple framework where we just talked about being obviously safe and ethical, being connected, being valued, being rewarded, being developed, and being inspired. And around that framework, we've launched a number of digital initiatives to allow our employees to engage and develop themselves.

Juice, our learning platform is completely interactive. It's self-learning, online at any time. Genie is our form of Alexa where you can pretty much find out about anything and request anything digitally or voice-controlled as an employee at CCEP. We're also diversifying our talent pool with a strong emphasis on growing a more diverse leadership team. We're making progress but clearly there's an area that we want to give more attention to as we aspire to become a company that represents the diversity of our communities, both in terms of gender, age, background and interests. We made big steps particularly in gender diversity but we've got a way to go, but clearly when you put great people and great firms together you tend to get a magic formula.

We're also a very local business. So, the great thing about the bottling business is we really live and work in our communities. We've got a sales force of over 6,000 in Western Europe, by far and away the largest and that really brings a very local connection to our customers and as things move towards digital, it's important that we move faster in that area but we shouldn't lose what we believe is a real asset, which is that human contact, that curiosity in the store of our customers to work with them to identify opportunities.

I also wanted to share with you a video that I saw at our German sales kick-off a couple of weeks ago. So we had a meeting in Hamburg with about 1,500 of our German associates to talk about the business. They're coming off a great year, so a really positive meeting and one of our employees took the opportunity to share this video and I thought it'll be nice to share with you today just to give you a sense of the power of being a local bottler in Western Europe.

So if you could please play the video. Thank you.

[Video Presentation]

So we didn't stage the traffic jam. Well again, I think it just gives you a simple indication not just about the power of our brand, but also the power of being local.

So, why do we believe in the future and why do we think that this is a great company to invest in and to work for? We have a solid track record. I think since we set up our business, we've pretty much delivered or over delivered on the commitments we've made. We operate in a growing market. So with those or even without those, this market is going to grow 2% or 3% bigger going forward.

We have been investing and we took deliberate choices since we set up our company to get ahead of some of those investments. We have got the best brands as I mentioned earlier, great coverage. Nik will talk a little bit later. We've got a very solid, flexible balance sheet. We are leading the sustainability conversation and we have more to do in that arena and critically we're more aligned than ever with our largest franchise partner, The Coca-Cola Company.

So all those elements give us a lot of belief and confidence in the future. We spent a lot of time for those of you who attended or had a look at our Investor Day in Germany explaining our total strategy. To make the best use of our time today, Nik and I wanted to just focus a little bit more on that top line revenue growth story and how we are confident in delivering the guidance that we set out last week.

Clearly as we look at the new brands that we're getting from The Coca-Cola Company and as we look at the way consumers are changing their shopping behaviour and how they want to change their tastes, we're seeing our business transform into a much more segmented and diversified company. So, really we talk about growth with and through diversification and that's really important for a number of factors:

One, as we look at accelerating growth through diversification, it opens up more profit and revenue opportunities. So the more we segment the market, the more we can bring our brands and our packages to more occasions. So that's pretty straightforward.

Secondly, it mitigates risk. So as we diversify our profit and revenue across more occasions, our ability to manage risks becomes a lot easier.

And thirdly, it forces also the company to become better because we will be closer and accessing more customers. As we look at our growth through acceleration and diversification, we're looking at a more sophisticated channel segmentation, more brands and packs. We'll talk a little bit about that later; route to markets. We spend a lot of time sharing with your plans for that at our Investor Day in September 2018 and clearly it's got to be anchored in our sustainability.

Why we're excited about diversification is the market opportunity is getting bigger and big. So as we project forward and we spend a bit of time looking 10 years out, there will be an incremental €30 billion of potential revenue available for us in Western Europe over the next 10 years. That goes back to that 2% or 3% percent CAGR I spoke about earlier.

We also expect volume to grow, and that hasn't been part of our story so far. As we move forward certainly into 2020, we will expect volume to become a bigger part of our story and we're seeing that in the market as well. So, revenue is growing and also volume is growing between 0.5% and 1.5%. That creates a very exciting pool of revenue and profit for CCEP going forward.

There are also challenges within that growth. So, as the Western Europe landscape becomes more attractive, we are very realistic about some of the challenges that are going to come and are coming our way. Clearly on the customer side, we expect our customers to continue to be more demanding of all suppliers, including CCEP. We expect consolidation and buying groups to be a bigger part of the landscape in Western Europe as they look for more profit growth.

We continue to expect consumers to be more demanding in terms of choice, availability and quality. We expect competition to increase. With this level of profitability and with this level of growth, clearly Western Europe is becoming more attractive for both international players, but also for local competitors.

We believe that's a good thing. It keeps the market excited. It draws a lot of this growth, and frankly, it keeps us on our toes as a company. And finally, we expect to be challenged every day on our license to operate. And we've got to earn that every day, and we'll talk a little bit about that later.

So, big opportunity and certainly we're realistic about some of the challenges that come with that opportunity. As we break down the market and for us this is an important slide because it clearly shows how that segmentation will work, and it shows our market share by segment. So, we over perform in the home market or retail market. So traditionally, we've been very strong in what you might call the organized or key account business.

We under perform in away-from-home and that's why we feel confident that can drive our top line revenue growth going forward as we build the infrastructure and as we share our best practice. So the market today is predominantly split 54% away-from-home and 46% home, both of them are growing. Away-from-home is growing faster and we're growing faster in away-from-home. So clearly gaining share in the away-from-home segment and that's where we believe a lot of our future profit and growth will continue to come from but we've got to change our company to go after that opportunity. We can't remain in what was quite a simple org structure.

If you lifted the lid off CCEP and looked into it about two, three years ago, you saw a very simple sales structure: Home market and away-from-home. As we broke out the opportunity, we've realized that we need to breakout particularly awayfrom-home into 12 consumer channel clusters and that's work that we've undertaken starting in 2017, it's accelerated in 2018 and we'll continue to 2019. This gives us a much better opportunity to grow, manage profitability, but critically to take great brands into the right occasions at the right time.

So, our diversifying portfolio is also creating an opportunity because a lot of these brands play a lot stronger in certain segments in the market, so it's also giving us an opportunity. What's also interesting is all of the segments are growing, but clearly we're very excited that the sparkling category continues to be strong and healthy growing between 0.5% and 1% and we're seeing continued growth in categories such as energy, tea, water and new beverages where, with our partners, we have and will continue to have a stronger portfolio of brands. On top of that, we're prioritizing small packs. We talked a little bit about that last week in our call, for a number of reasons. One, consumers clearly have a preference for premium packaging, small packs and smaller portions.

Secondly, they generate incremental revenue and profit for our sales and our customers. And thirdly, I truly believe they provide the best brand experience for consumption. So you [indiscernible] (00:16:02) a cold Coke or a Coke Zero in a small glass bottle or in a small can. It just delivers the best taste proposition. So for all of those reasons, we continue to invest ahead of the game to drive small packaging and premium packaging across Western Europe and it works.

In Belgium today, one of our most profitable markets and one of our growing markets, small packs represent 40% of our value share. It's a big, big number across the rest of CCEP of 26%. Because we share our best practice and examples we clearly see small packs being a bigger part of our growth story going forward.

We're also conscious that we've got to do it the right way. I think Nik and I have got well used to the question on our calls. As you diversify into new beverages, are you going to be able to maintain margins? I think we've demonstrated over the last two years we can do that and I think this chart illustrates why. As we look at innovation, we're very conscious that we continue to grow profitability of our business. Most of our innovation is occurring in small packages, back to my previous point, and this slide clearly illustrates on a revenue per case level, the amount of revenue that we're generating on a per case across all of our innovation.

On the left hand side, no surprise, you'll see that large PET and sparkling is below average as is water, again very competitive so no surprise, but the rest of our innovation is generating incremental revenues and that gives us belief in the investments that we're making to grow that part of the business.

We're also having productivity. So, clearly as we close out our merger conversation, we don't want to stop driving productivity at CCEP. We believe over the next few years there's still a lot of opportunity for us to drive more productivity and competitiveness across our P&L and in our business. Digital is a big opportunity to help us do that and we're putting a lot more customers online, and we're generating a lot more revenue through our portal.

We're also using technology to drive the productivity of our sales force. So as we segment into those 12 clusters, we're very conscious that we want to do it in a way that is cost-competitive. The good news is as we bring technology largely on a Salesforce.com platform, we're seeing the productivity of our sales force improve. I'd now like to share with you a short video that looks at how we're driving our sales force productivity, but also how we're engaging with our customers in a better online experience. So, please play the video. Thank you.

[Video Presentation]

So we love cash at CCEP. So anything that helps our customers pay us quicker, we're really happy to invest in. So, in addition to digital, we are also continuing to grow our universe of coolers, up over 30% year-on-year, that's obviously to support our packing innovation and larger portfolio and we're also continuing to build out our sales force. So as we make it more productive using technology, it gives us the confidence to actually hire more sales people and we started to do that in 2018. As we build out our coverage, it increases the muscle of our business.

In addition, as we guided last week as we continue to invest over €500 million in the business, a big proportion of that investment is going into our supply chain, more investments in can and glass lines to support our packaging strategy and more investment in aseptic lines to support product innovation. So clearly our investment is getting ahead of the opportunity.

We're also mindful that we need to continue to do this in the most sustainable way possible. We've made great progress on water usage, energy usage, light weighting and we are now building out bigger commitments in the area of packaging.

Today, we're using about 28% recycled PET, our commitment is to get that to 50%. We are at 98% recyclability, so of all the packages that we put into the market, we want to make sure they can be recycled and across our territories today, we estimate about 74% of the packaging comes back. So our commitment is to make that 100% and we believe that's good for the business.

It's what consumers and stakeholders demand and we believe it's what going to continue to allow us to earn our license to operate. We're also innovating. So as we look at the packaging challenging, we're looking at reducing plastics, so putting more of our packaging in carts, which again from a consumer perspective is more attractive. We're partnering with some startups and innovators to look at how to clean and build a more sustainable beverage model in Europe.

We're clearly looking at new technology solutions like a more efficient freestyle and we're heavily engaged with political and stakeholders to make sure we're part of the conversation so we can be part of the solution. So, making progress but we're conscious we still have a way to go.

But when you look at it all together before I hand over to Nik, I just wanted to just summarize again why we believe this is a great business to work in and invest in. We will continue to deliver great shareholder returns. We will continue to grow our top line and bottom line. We'll generate a lot of free cash flow going forward. And critically, we'll continue to build out our business both in terms of brands, route to market and our sales force to ensure that our growth can continue over the medium- and long-term.

I'd now like to hand over to Nik who'll share with you a little bit more colour around the financials and our shareholder value proposition. Nik?

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## Nik H. Jhangiani

*Chief Financial Officer, Coca-Cola European Partners Plc*

Thank you and it's great to be here this morning. So Damian has talked a lot about the opportunity that we see in our category and very importantly across all our markets and we're laying out the right foundations to be able to really think about how we leverage that growth opportunity as Damian has just shown. And that's what really gives us the confidence that we can deliver against the mid-term objectives that we've laid out to the market.

So, when we look at the formation of CCEP, we started out with five main strategic priorities that were really going to guide us and we stayed true to that. I just wanted to take a moment to walk through those.

So, it very much starts with us being focused on the customer and very much focused around execution. That's our role as a bottler for the Coca-Cola system and we demonstrated that. If you look at 2018, the value that we've created for our customers was clearly outpacing what the rest of the industry was doing.

Obviously very focused on top line growth and are committed to being able to deliver sustainably that low-single-digit revenue growth. As Damian said, we're not going to stop where we were from a perspective of the synergy capture program. We're looking at competitiveness, we're looking at transformation, we're looking at productivity and that's what gives us the confidence that we can deliver the mid-single-digit operating profit growth.

Obviously, this is all underpinned by a very strong focus around sustainability and stakeholder equity, and then finally enabled by the culture and the capabilities that we'll continue to build in our business. So, if you look at all that from a financial perspective, we look at it as saying that's going to deliver that quality profit growth that we need to commit to. With that focus on disciplined investments, we're going to generate significant free cash flow and I think we've demonstrated that and I'll talk a little bit more about that.

And then obviously marry that up with our balance sheet and maintaining that optimal capital structure allows us to stay focused on sustainable returns to shareholders.

So, simple structure but we believe as long as everybody in the business is pulling in the same direction and understands that, that's what helps us survive the shift forward. So, just a quick summary in our 2018 results, we obviously announced last week, but revenues of €11.5 billion, up 4.5%, up 2.5% when you exclude the impact of the sugar tax. Operating profit up 7.5%; and then EPS up 8.5%, all delivering very strong free cash flow of €1.1 billion and return on invested capital of just under 10%.

And that's been our track record if you look at the last three years since the formation of CCEP – strong EPS growth obviously allowing us to deliver strong free cash flow, very solid focus on working capital.

Damian and I have had tremendous discipline that we brought across the business by actually hosting two calls a month with the business to look at the delivery of the free cash flow targets that we've set.

And actually with that discipline and a strong focus, we've been able to deliver over €600 million of improvements in working capital in two years. Obviously that's allowed us to de-lever and get to the bottom end of our range and I'll talk a little bit more about that as we go forward, whilst at the same time continuing to increase our dividend payout and you can see that CAGR of about 25%, so strong track record there.

So how do we look at this going forward? If we look at the volume revenue, overall revenue equation with the volume-price/mix piece, Damian referred to this but we really see ourselves being able to generate volume growth. So, about a third of that coming from volume. And then, the two-thirds coming from price/mix. That's no magic to that or no commitment from a year-to-year perspective, but that's the way we would see that starting in 2020.

Remember 2019, we will still see the tail of some of our strategic choices and decisions, particularly on the downsizing that we've done both in GB on trademark Coke ahead of the sugar tax as well as what we've done in France across trademark of Coke products where we moved again, downsize from a 1.5-liter primarily down to 1.25 liters. So you could see the tail end of that come through in 2019. Then we talked about the fact that we continue to be focused on away-from-home, away-from-home outpacing the home growth and strong, strong focus on small and premium priority packs and that's where we're investing the CapEx as well both in terms of aseptic as well as glass capabilities. And then obviously, a clear focus around segmentation and allowing us to be able to get that price/mix in primarily the away-from-home but also in the home channel, and then that's what the equation then looks like.

So if we look at 2017 and 2018, we've delivered about 120-basis point improvement in operating margins. Now, that's, in some ways, actually even a little misleading because that 30 basis points in 2018 has the accounting impact from the sugar tax. So when you exclude that element, we actually delivered about a 70-basis point improvement in operating margins.

So we're operating at about a 14% operating margin when you exclude the sugar tax impact, but that's now in our base and even with that, we've driven improvements of about 120 basis points.

So starting with that solid base, looking at that low-single-digit revenue growth, strong continued focus around the productivity and transformation as I talked about, gives us, on a consistent basis, that mid-single-digit operating profit growth and we see that being very balanced across our territories. So we do have a very solid balance sheet and a very enviable, in fact, I would say cost of debt of just under 2% on a pre-tax basis. And we've got a very good debt portfolio on an average maturity of about seven years and we've got a good mix in terms of our fixed and floating debt as well. We've committed to operate it within the 2.5 times to 3 times net debt-to-EBITDA range.

We are currently at the bottom end of that range that continues to give us that flexibility to continue investing in the business as well as potential M&A opportunities as they come available. We are committed to maintaining an investment-grade rating. And again, we would view this structure periodically with our board to make sure that it continues to be fit for purpose. All that with the business results continues to give us the confidence that we can deliver at least €1 billion of free cash flow annually.

From a disciplined investment perspective, I think our first and main focus is around investing in the business. And we're looking at all types of investment opportunities that are going to, over time, drive top line growth and support the productivity initiative. Clearly, we want to look at M&A. We want to grow, the opportunities have to be available for us to grow and a lot of those come about opportunistically. So that's why I think we remain flexible with our balance sheet to be able to allow us to take advantage of those when they come available.

And then that summarizes from a perspective of again that strong operating profit growth, disciplined investments, generating free cash flow and obviously married up with our capital structure that gives us that sustainable focus on sharing the returns. We've increased our dividend payout to 50% and are committed to maintaining that at the moment, and then we did announce a share buyback program. We completed €500 million of that in 2018, and have indicated that we will be heading towards up to €1 billion to be done in 2019; and that was just initiated post our results announcement.

So looking at our annual objective and our mid-term objectives, we've kind of gone through this. The couple of points that I would highlight is we still remain very strongly focused on low-single-digit revenue growth, cycling what was probably about a bit of a mixed year in 2018. So, remember when we look at that top line, we did have a net neutral year from a volume perspective based on most of the one-off factors. Whether with a net positive across our territories, so Germany, Northern Europe, GB enjoyed a very good summer offset by what we saw in Spain being quite negative.

So a net positive on weather and then offset by some factors in terms of the customer disruption as well as some of the choices that we made from a portfolio perspective. Again, the 6% to 7% operating profit growth supported by the tail of our synergy program and then the €1 billion of share buybacks would support the 10% to 11% EPS growth.

So with that, I'm going to hand back to Damian to wrap it up.

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## Damian Paul Gammell

*Chief Executive Officer & Director, Coca-Cola European Partners Plc*

Thanks, Nik. So, just before we move to some questions, I just wanted to share with you some of the enablers that we're putting in place to make sure we can deliver on our shareholder value return objectives.

I just want to call out the Ventures so today we just did an external press release to talk about a lot for our CCEP Ventures. As we went through the growth opportunities and as we looked at the capabilities that we believe we need as a business, we felt that we needed to externalize our agenda a lot more. So by creating CCEP Ventures, we've been able to open up our growth objectives and some of our challenges, particularly in the area of sustainability to a wider group of talented institutions, companies, startups and people. So, through our Venture platform, we hope to be able to accelerate some of the change we know we need as a business to a more external focus to help us go after some of the growth opportunities quicker or more importantly to address some of those sustainability challenges a bit quicker. So more to come on CCEP Ventures but it's something that we launched externally today.

The rest of the enablers I think are pretty consistent with what we talked about in Wiesbaden, Germany but clearly focused around top line revenue growth and a continued focus on our productivity. We are very much focused on 2019 as we like to enjoy a long-term view of our business and a long-term view of returns. We're also focused on delivering 2019. This is another slide that I just took from one of our sales kick-offs because I thought it tends to be quite – excuse me, quite nicely the alignment we have with The Coca-Cola Company around 10 simple priorities across our businesses in Western Europe. So what you'll see in 2019 is continued beverages for diversification. You can expect more package diversification and more premium offerings, a more fuller packs and expand into new categories such as more organic tea through Honest, continued focus on our energy portfolio with Monster, and continue to build capabilities and focus on the challenges that we face there around sustainability.

So it takes, I suppose, a multi-year strategy into a very nice synopsis of what we're doing today back in Western Europe and we will continue to do through 2019.

So, finally, we believe we operate in a great part of the world, a growing market. I think we've got a good business with a solid track record. We're quite realistic at the challenges and the opportunities that we face going forward. We've got a good relationship with The Coke Company; that's unlocking a lot of value and most importantly we've got a very talented, engaged and excited workforce. We believe all of that together will continue to deliver a sustainable returns for all our shareholders and generate a lot of cash that, as Nik said, will give us the opportunity to return cash to our shareholders and maybe, over time, hopefully take on some more M&A to grow our business as we look to the future.

So, thank you and very happy to throw it open for questions.

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## QUESTION AND ANSWER SECTION

Bryan D. Spillane

*Analyst, Bank of America Merrill Lynch*

Q

Thanks. Bryan Spillane from Bank of America Merrill Lynch. Thanks for the presentation this morning. Nik, you – I think it was slide 29 where you talked about volume-price/mix and then you followed with just talking about the build of operating profit growth. When you think about it over the medium-term, how much inflation or how should we think about how you cope with volatility and import cost inflation, is it absorbed more by the productivity or does the price/mix that's embedded in the model there to sort of hold absorb the inflation?

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**Nik H. Jhangiani**

*Chief Financial Officer, Coca-Cola European Partners Plc*

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Yeah. So I think if you look back over the last couple of years, we've been able to do a pretty good job in price and our mix. So if you look at our NSR per case growth, the bulk of that's come on the back of pricing. We so broadly covered some of the import cost inflations that we've incurred. Yeah, we see that going forward as well as being probably the best approach. We're also mindful that, over time, volume will start to come back in and be a bigger part of our mix and that's as we cycle out of some of the I think good decisions we made on volume. But also as we begin more NPD that's going to naturally bring in more volumes. So we would still, in an effort to try and cover the bulk of any inflation through pricing, we think that's the best way to protect our P&L.

And we look at the three levers by market to see what's most appropriate. Today, that's what we've been able to achieve. But also we're mindful that going forward we've got to probably just use mix and volume a little bit more just to balance out that revenue growth. And I think that gives us leverage in our P&L and our supply chain. So it's not about outcome.

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**Damian Paul Gammell**

*Chief Executive Officer & Director, Coca-Cola European Partners Plc*

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Yeah. And I would just add from a COGS perspective, clearly, we're looking to be able to offset that. But it's not necessarily going to be a one-for-one in a given year because we're going to have to do what's right for the market, and what's right from a consumer angle perspective, and that's why I think the productivity initiative has become critically important. And we have a strong focus on that. And I think if you go back to the whole synergy program, just to remind you, when we talked about that, we did talk about the fact that a big bulk of that was coming from initiatives that were already in progress in the countries, right? And that's the thing that gives us the confidence that there will continue to be those opportunities in our business as opposed to just what came together from the merger, so a strong focus on that.

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**Bryan D. Spillane**

*Analyst, Bank of America Merrill Lynch*

Q

Thank you.

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**Nik H. Jhangiani**

*Chief Financial Officer, Coca-Cola European Partners Plc*

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That's fine. Judy?

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Judy Hong

*Analyst, Goldman Sachs & Co. LLC*

Q

Thank you. So, Damian, clearly the channel opportunity and the away-from-home opportunities have been focused on over the last couple of years. If I kind of look at your 2018 outperformance in that channel, 70 basis points seems a little bit modest in the context of your under indexing in that channel and a lot of the initiatives like cooler replacements that you've rolled out in 2018, so are there market performance kind of area in a market-by market basis or all the elements now in play, say, you should really [audio gap] (00:41:33) the situation as we think about the next couple of years or so?

Damian Paul Gammell

*Chief Executive Officer & Director, Coca-Cola European Partners Plc*

A

Yeah. I think obviously as Nik pointed out probably our market with the biggest away-from-home share Spain had a difficult 2018. So when you look at that obviously that's a growth of all our markets. So if you factor that out, the underlying improvement across route to markets is obviously significantly higher. So it is a slow burn, I mean but it's a journey we kind of started out the gate. So we've seen our away-from-home business and our small packaging outperformed the rest of our business since 2016. You can always argue, could it be big or faster and that's certainly a conversation Nik and I like to have with our operations. But we also want to make sure it's sustainable. So I think the way we're doing it gives us confidence that it'll stay with us.

So I think we're particularly pleased in some markets like France where we had other challenges in the home market, our business grew by single-digits in away-from-home in France. So we started to see the benefit of some of the discussions we've taken there. Germany had a blowout year for us in 2018. A lot of that came from that away-from-home segment as well. So I suppose the absolute percentage increase was bagged back a little bit, but also it's coming off a big base. So I think we're encouraged by the progress. And, yeah, if we can go fast, we will. It's profitable. So we like it.

Nik H. Jhangiani

*Chief Financial Officer, Coca-Cola European Partners Plc*

A

Lauren?

Lauren R. Lieberman

*Analyst, Barclays Capital, Inc.*

Q

Thank you. I just wanted to ask a little bit more about plastic waste and sustainability. So, that the revenue per case you talked about mix was great but also thinking about cost per case of PET versus glass and can and then also just any kind of operating expenses to participate in – in continued deposit schemes or collection schemes, so to what degree are those sorts of things built into the medium-term outlook, costs on sustainability will be helpful.

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**Nik H. Jhangiani**

*Chief Financial Officer, Coca-Cola European Partners Plc*

A

Yeah. So I think as we setup CCEP, we took a lot of decisions around pricing, particular on the promo area in 2016 and 2017 and also in 2018 with sugar tax. So we're excited about the growth of cans and glass in our business from a margin perspective. So I think the way we structured that if it would moves faster to those segments where we're well-prepared and candidly the glass profitability is strong. So, for us, that's not a major challenge. We just want to make sure we have got the capacity. So as you'll see from the supply chain, we are investing ahead on cans and glass capacity.

From a deposit system perspective, we're already operating a system in Germany, which is the largest one in Europe and pretty much of that operates at a cost neutral level for the retailers and for the suppliers. So effectively, it generates a pool of reusable PET that today in a lot of markets we can't access because they don't collect it and it covers its own operating expenses. So that's the model that we are campaigning for and advocating particularly in GB, which we believe will be the next market to move to the deposit system. And so from a medium-term, we don't see that as being a challenge actually. We believe it will drive the right behavior.

We believe it's good for the environment. We believe it's good for the industry to lead that conversation and it will create a pool of reusable PET that today doesn't exist, so you could argue, over time, it may make the PET market more competitive because you've got today a pretty much a virgin PET market with a smaller recyclable content available. If, over time, the recyclable content grows to a good collection system, you'd expect the market becomes more competitive.

So for a variety of reasons, we're excited about it. It will be disruptive in year 1 and year 2, so what we've seen in the German experience as you just put the equipment in and as consumers and customers get used to it, it will generate some disruption. Currently, the best estimate for our new system in Europe is probably at least two to three years out, maybe probably three to four actually. So as we get closer to that, we'll be able to share more guidance on that near-term impact. But, on a strategic level, we're quite comfortable and we think actually that's a good thing for the industry.

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**Damian Paul Gammell**

*Chief Executive Officer & Director, Coca-Cola European Partners Plc*

A

And just to be clear, nothing is built in from a cost angle depending on the form that it might take in each market into our guidance at the moment, because there's just so many unknowns. Ali?

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**Ali Dibadj**

*Analyst, Bernstein Research*

Q

So, the first one is just power dynamics versus Coca-Cola. So, economics 101 would suggest that you have much more of a fragmented supply base or something, i.e. fragmented brands but a concentrated supply, i.e. bottler. Has the power that over time will happen from the supplier to the distributor. How do you react to that in theory? So that's one question.

The other is much as important question – Nik, are you all right, about just the CapEx requirement that you're going to have to deal with this diversification, whether it be technology and whether it be different pack size, or whether it be different inputs, that's all kind of embedded in your outlook at this point, but you expect a little bit more going forward?

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**Damian Paul Gammell**

*Chief Executive Officer & Director, Coca-Cola European Partners Plc*

A

So I'll answer both, just to give Nik a break. And so, on the second part that's embedded in our guidance, so we feel comfortable that from a supply chain, technology and cooler, which are the three elements that enable diversification, they're all embedded in our guidance. And actually, we started investing in those out the gate in 2016.

So we feel pretty, pretty comfortable with the level of CapEx that we'll need going forward. On the first part of your question, I don't really see it like that at all. All I have to say, I think the relationship we have with our largest franchise partner is one of mutual dependency and respect. At the end of the day, we're a bottler and I think we're continually challenged to justify our existence in terms of doing the right things for the brands of The Coca-Cola Company or for Monster. And as long as we're generating a lot of value for them, which we are since 2016, if you look at Western Europe, it's a big part of KO's P&L. It's a big part of the Monster business. And as they see, the revenue and profitability coming as well, we believe that we're both mutually in a good place, so I'd never think about that that being power, maybe I've been in the Coke system long enough to realize that that's not a good way to think.

What I do think as long as we're performing and successful, and with our bottling expertise, with the support of our shareholders, it also puts us in a place where we can maybe for more M&A opportunities and call that out off a solid relationship, and a solid performance track record. And that's probably what we're focused on, which is can they help us get bigger? And – but I'd never see it as a power shift at all.

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**Nik H. Jhangiani**

*Chief Financial Officer, Coca-Cola European Partners Plc*

A

And I would just say our economic models are very much aligned on that, too. So when you look at it from an incidence perspective on core brands and when you look at it on the NPDs on a 50/50 sharing model, you're really looking at a shared risk and opportunity. So I think our alignment is both at the strategic level and at an economic level very well defined.

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**Damian Paul Gammell**

*Chief Executive Officer & Director, Coca-Cola European Partners Plc*

A

It's probably the last question. Yeah.

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**Kevin Grundy**

*Analyst, Jefferies LLC*

Q

Thanks. Kevin Grundy, Jefferies. So you both mentioned M&As and you need to maintain flexibility but the need for scalability of assets and investors have been waiting for some time now to see the outcome of what's going to happen with Coke and what this had to do CCBA. Can you talk broadly about the M&A opportunity, maybe you touch a little bit on the timeline, remind us sort of the preference for contiguous versus non- contiguous territories, that'd be helpful. Thank you.

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**Damian Paul Gammell**

*Chief Executive Officer & Director, Coca-Cola European Partners Plc*

A

I think James is here on Friday, so that's probably a better question for James. I mean from our perspective, we kind of set out three criteria.

One, we wanted to get to a healthy balance sheet and deleverage, I think we've achieved that. Secondly, I think we said we wanted to demonstrate that we can grow the top line and bring Beverages for Life to Western Europe. I think we're demonstrating that. And then thirdly, we wanted to demonstrate that we've got the capability from a leadership and talent perspective to expand our business and I think we're definitely demonstrating that.

So, as a bottler, I think we've put those cases firmly on the table with KO and we always need a willing seller to be a willing buyer. And at the moment, we don't see anything coming on the table at the moment. We're also, I'm sure like everybody here, waiting to hear what happens with the CCBA and that's something we're obviously not party to. And so I think all we can do is keep delivering, keep the balance sheet in great shape and keep knocking on the door. And like you, we'll wait to hear it. If that presents an opportunity for CCEP, whether it's contiguous or not, we're very open, I think for our shareholders, we would not rule anything in and out at the beginning. We'd explore the opportunity, if we think it's going to make great value for shareholders, we'll go for it. If not, we'll pass.

So, yeah, we're ready.

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**Lauren R. Lieberman**

*Analyst, Barclays Capital, Inc Partners Plc*

I think we need to stop there and go to breakout but please join me in thanking CCEP for being here this year.

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**Damian Paul Gammell**

*Chief Executive Officer & Director, Coca-Cola European Partners Plc*

Thank you.