



COCA-COLA EUROPACIFIC PARTNERS
FY 2024 Results
Analyst Call Transcript
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CORPORATE PARTICIPANTS OF PREPARED REMARKS

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PREPARED REMARKS

Sarah Willett: Introduction

Thank you all for joining us on this love-ly day today! I'm here with Damian Gammell, our CEO, and Ed Walker, our CFO.

Before we begin with our opening remarks, a reminder of our cautionary statements. This call will contain forward-looking management comments and other statements reflecting our outlook. These comments should be considered in conjunction with the cautionary language contained in today's release, as well as the detailed cautionary statements found in reports filed with the UK, U.S., Dutch, and Spanish authorities. A copy of this information is available on our website at www.cocacolaep.com.

Prepared remarks will be made by Damian and Ed followed by Q&A.

Unless otherwise stated, metrics presented today will be on a comparable and FX neutral basis throughout. They will also be presented on an adjusted comparable basis, thus reflecting the results of CCEP and our Australia, Pacific and Southeast Asia business unit (APS) as if the Coca-Cola Philippines transaction had occurred at the beginning of last year, rather than in February when the acquisition completed.

Following the call, a full transcript will be made available as soon as possible on our website. I will now turn the call over to our CEO, Damian.

Damian Gammell:

Slide 3 - Delivering on our clear strategy

Thank you, Sarah, and many thanks to everyone for joining us today.

Starting with our strategy which we continue to deliver. Our value creation is clear. With 2024 being another solid year for CCEP, a year that saw us further diversify, with the addition of our great market in the Philippines.

I'd like to start by thanking all of my great colleagues for their energy, hard work and continued dedication to our customers and to our business. As always, this is underpinned by our strongly aligned relationships with The Coca-Cola Company, Monster and our other brand partners.

We will touch on many of these themes today, all of which contributing to our TSR of more than 160%.

Slide 4: FY 24 Key Messages

Just turning to our key messages. A great finish to a solid year with robust top and bottom-line growth.

We are more geographically diversified, with the strong performance of our higher growth APS markets helping offset some softer volumes in Europe, which reflected strategic de-listings, mixed summer weather and softer demand in our Away From Home.

I am particularly happy to have grown share ahead of the market and led on value creation for our customers. Alongside ongoing productivity gains, we drove impressive comparable free cash flow of over €1.8bn.

Looking ahead, we have strong investment and commercial plans in place to drive growth, both in Europe and APS, in categories that continue growing. We are therefore confident that we will deliver on our mid-term growth objectives. Our FY25 guidance, combined with the resumption of share buybacks, also announced today, demonstrating our ability to deliver continued shareholder value.

Slide 5: FY 24 Key metrics

Now to key performance highlights.

We delivered a great top-line performance reflecting underlying volume growth, with transactions ahead of volume, and solid gains in revenue per unit case. This was driven by revenue and margin growth management initiatives and our continued focus on price and promotion strategies.

The NARTD category grew in volume and value in both Europe and APS. We grew our value share by 40 basis points in the home channel, while also making gains in away from home and critically online. And in the Advantage survey of our customers, CCEP was registered again as a top tier supplier.

Our strong top-line performance, together with delivery on our efficiency programmes drove solid operating profit growth of 8%, with operating margin expansion in both Europe and APS. And diluted earnings per share growth of 6.5% on a comparable and FX neutral basis.

Again, we generated impressive comparable free cash flow of €1.8bn, after investing over €1bn in capacity, technology and digital, supporting the early return to our target leverage range. We delivered healthy dividend growth and have today announced a new €1bn share buyback programme.

Slide 6: Great people

As ever at CCEP we remain focused on great people, great brands and great execution, all done sustainably. And now to share a few brief highlights on last year.

Starting with people. We continue to build the capabilities of our teams, for example our partnership with the London Business School has upskilled our top 500 leaders.

We continued to be recognised internally and externally. We saw record scores in our engagement survey placing CCEP amongst the best of its peers as a great place to work. And recently the Top Employers Institute recognised CCEP as a top employer across many of our markets.

And, finally, committed to building an even more inclusive and diverse culture, we welcomed another nine thousand colleagues to CCEP with the seamless integration of the Philippines business.

Slide 7: Great brands

On our brands, we are extremely privileged to make, move and sell some of the world's most loved brands, in which we continue to invest, to make them even better, and to appeal to even more consumers.

Category highlights are included in today's release. Overall, it is fantastic that in Europe, for example, Coca-Cola Trademark remains the biggest FMCG brand, with Monster the third fastest growing.

We delivered innovation across the board through packaging, flavour extensions, special collaborations and more. A bit later I will share with you some of the brand plans in place for this year.

Slide 8: Great execution

Great execution is always a key priority at CCEP. We continued to create leading value for our category, adding well over a billion euros of value to our retail customers.

Activation, both in-store and on-line, is key. Last year, as you know, was a standout, with the summer's iconic sporting events, namely, the Olympic and Paralympic Games in Paris, the Euros in Germany and the America's Cup in Barcelona providing us with a powerful platform. We also increased our share of cold drinks space with even more cooler placements. All helping our brands to reach more households and to improve our share across categories.

Our customers and consumers rightly expect our products to be made to the highest quality and safety standards. In that context, we recently had a small issue with some products manufactured in Belgium late last year. This was deeply unfortunate in nature, we are pleased that this was quickly resolved, and naturally has led to any appropriate learnings to be incorporated into our product safety and quality procedures with new protocols put in place.

Slide 9: Done sustainably

Now onto our sustainability highlights, for which we continued to be recognised externally, including retaining our inclusion on CDP's A List for Climate, now for the 9th year, and maintaining our MSCI AAA ESG rating. We were also recently included in Sustainalytics ESG top-rated companies for 2025, which rated CCEP number one in the food and beverage category.

And we continue to invest in sustainability focused technology through our ventures arm, across ingredients, manufacturing, and packaging to support our decarbonisation journey. For example, Avalo are using AI to develop a low-carbon sugar crop with higher yields and improved drought resistance. Just one example of how we are making CCEP a better business.

Slide 10: Philippines – great first year

Before I hand over to Ed, I'd just like to call out the Philippines which will soon reach its first birthday in the CCEP family. And what a year it was having delivered double-digit volume growth.

Underlying market demand in the Philippines was strong, which with great execution drove nearly 300 basis points of value share gains to record highs, at an impressive 75% sparkling and 50% NARTD share. This translated into very healthy operating margin expansion of around 200 basis points.

I have said it before but the more time I spend in the market, the more excited I become about the addition of the Philippines into the CCEP family. We see lots of opportunities both long and short term which naturally will be led by Coke Trademark. But we also see opportunities in other areas such as low and no sugar, energy and ARTD.

Our strong focus on capital allocation and our long-term mindset will ensure we invest in this exciting business to support the market's long-term growth expectation. So, given the positive outlook, we are accelerating some of our capex plans.

I know many of you are coming to our capital markets event in the Philippines in May, where the leadership, local teams and I look forward to showcasing this market. We will also be bringing Indonesia to Manila!

So, on Indonesia, whereas clearly the Philippines had a standout year, our Indonesian volumes, similar to many other Western brands, were significantly affected by geopolitical events. We did however see encouraging sparkling growth in less affected parts of the country. And the transformation of our route to market has progressed well to ensure Indonesia continues to be fit for the future.

I wanted to not only recognise the fantastic efforts made by our Indonesian business in this challenging environment, but also reiterate that we continue to



believe in the long-term opportunity in this market. However, given the context, business performance is naturally behind plan leading to a non-cash impairment charge in our FY24 results.

Ed will touch more on this shortly. Now, I would like to forward it over to you Ed to talk in more detail to the financials.

Ed Walker

Slide 11: FY 24 Financial summary

Thank you Damian and thank you all for joining us today.

Firstly to our financial summary.

We delivered revenue for the year of €20.7bn, an increase of 3.5% and in-line with our guidance.

While comparable volumes were flat for the year, underlying volumes were up by 0.7% when we take into account the effect of strategic de-listings, principally Capri Sun in Europe.

As Damian mentioned earlier, we also felt the impact of adverse weather in Europe, particularly during Q2 and Q3 which contributed to softer volumes, particularly in the Away from Home channel. Volumes in Europe were down 2.4% or 1.4% on an underlying basis. Volumes in APS were up 4.9% driven by the Philippines but also reflected impressive growth in the Pacific Islands and Papua New Guinea.

We delivered strong revenue per unit case growth of 2.7% reflecting positive headline pricing and promotional optimisation, with a focus on consumer price relevance, all built on data and insights. We had favourable brand mix which was partly offset by geographic mix, driven by the strong growth in the Philippines, which is coming from a lower revenue per unit case.

Cost of sales per unit case increased 2.6% in line with guidance, cycling high single-digit growth in 2023. This reflects our increased revenue per unit case, driving higher concentrate costs through our incidence pricing model, and inflation in manufacturing, offset by the mix benefit from the stronger growth in the Philippines, which has a lower cost of sales per unit. A breakdown is provided in the appendix to this presentation.

Opex as a percentage of revenue was 22.5%, an improvement of 50 basis points.

And all these elements combined drove operating profit for the year of €2.7bn, up 8%, and an operating margin of 12.9%, an expansion of around 50 basis points.

On a reported basis, operating profit declined by just under 9% reflecting higher business transformation costs, to support our growth and productivity programmes, and the €175m non-cash impairment charge relating to the carrying value of our Indonesian business unit, which Damian referred to earlier.

We delivered diluted earnings per share of €3.95, up 6.5% on a comparable and FX neutral basis. And this was driven by our operating profit growth, in part offset by the higher non-controlling interest and interest charge, both driven by the Philippines, and by a higher effective tax rate in line with guidance.

Comparable Free cash flow generation continues to be a core priority for us, delivering an impressive €1.8bn.

Our return on invested capital increased by 50 basis points to 10.8% driven by the increase in profit after tax and our continued focus on capital allocation.

And finally on shareholder returns, we paid a total dividend per share of €1.97 cents, up just over 7% for the year.

Slide 12: First year of our next phase of efficiencies delivering ahead of plan

Now onto efficiency and productivity where we have a proven track record of delivery. As a reminder, our current programme aims to deliver between 350 and 400 million euros of efficiencies by 2028.

In its first year, we have delivered around €80m, earlier than plan and ahead of our original guidance of 60 to 70m euros. Around half of this came from supply chain initiatives in Europe and Australia, alongside further leveraging of our digital and shared service capabilities in Bulgaria.

Looking ahead to 2025, while we still expect to see inflationary pressures on the business, particularly in labour, we're confident of continuing to drive further efficiencies in line with our plans. One example relates to further optimisation of our German network leading to the closure of the Cologne site and consolidation

of warehousing facilities, which also generates carbon benefits. And, as previously referenced, the benefits of the programmes and the cash restructuring cost to deliver them are included within guidance.

Slide 13: Impressive comparable free cashflow generation

Turning now to free cash flow, as I said, is a core priority for us.

The €1.8bn of comparable free cash flow generated translates into a very healthy FCF conversion to net profit. And this bridge lays out the key components, including ongoing restructuring cash costs, as I mentioned earlier

Recognising the importance of targeted investment, we spent around €1.1bn on CapEx, on supply chain, digital and technology as well as more cold drink equipment. Examples included new can lines in GB and Australia, a new PET line in Papua New Guinea, and a new RGB line in Germany. We are also entering the build phase of our new unified SAP architecture, having successfully completed the design phase.

And finally, as you know, driving working capital benefits remains a core focus for us, so I'm really pleased that we delivered yet another year of benefits taking the cumulative amount to more than €1.5bn since 2017.

Slide 14: Return to target leverage range (2.5-3.0x) one year ahead of plan

And that impressive free cash flow generation has driven sustained deleveraging over time.

This enabled us to return to our target leverage range of 2.5 to 3.0 times EBITDA, and one year ahead of plan,

Slide 15: Consistent & disciplined focus on capital allocation

Which brings me onto our capital allocation framework which is unchanged. We remain focused on ensuring we maintain a strong and flexible balance sheet, operating within our leverage range and with a strong investment grade rating. We continue to benefit from a balanced debt maturity profile with an attractive total weighted average cost of net debt expected to remain around 2%.



We've touched already on capex and restructuring spend, with our guidance on capital investment unchanged for 2025 which implies well over a billion euros of spend to support our growth plans.

Of course we remain alert to value accretive M&A should the opportunity arise.

And finally, as Damian referenced earlier, we are committed to delivering shareholder returns. These comprise our annual dividend payout ratio of around 50% and as of today, our new share buyback programme of €1bn to be executed over the next twelve months.

Slide 16: Portfolio alignment with TCCC reflected in our FY25 guidance

Before I move on to our guidance for FY25, I wanted to share a few comments on two well trailed portfolio changes that will increase our alignment with The Coca-Cola Company, and unlock future growth opportunities.

The first is the transition from Nestea to Fuze Tea. Following its successful roll out in Europe, Iberia is the last market to change to this better and bolder platform in the growing tea category. As you would expect, this has been well planned, distribution is going well with both home and away from home customers, supported by great marketing.

*And the second relates to the end of our **partnership** with Suntory Global Spirits, running until the end of June in Australia and the end of December in New Zealand. This paves the way for the start of the multi-year transition to launching ARTD offerings, as we have seen in Europe and the Philippines, but in Australia now extended to The Coca-Cola Company's recently acquired popular vodka-based Billson's brand.*

Just to note that both of these exciting changes are reflected in our FY25 guidance.

Slide 17: Our mid-term objectives

A brief reminder of our mid-term objectives. These are unchanged and we remain confident in their delivery as Damian mentioned earlier.

Slide 18: FY25 Guidance

Which then brings me onto our FY25 guidance reflecting our current view of market conditions and is aligned with these mid-term objectives. Touching briefly on areas by exception.

We expect revenue growth of approximately 4% and to be more balanced between volume and revenue per case compared to last year. From a phasing perspective, I would call out that in Q1 we will annualise the impact of the Capri Sun strategic de-listing and Easter this year will fall in Q2 versus Q1 and we have two less selling days in Q1 versus last year.

On cost of sales, we expect this to grow by around 2%. As I mentioned earlier, our concentrate costs are tied to our revenue per unit case growth. And we anticipate broadly flat commodity inflation, on which we are approximately 80% hedged for FY25. We do continue to see inflationary pressures in labour within manufacturing partly offset by our combined efforts on efficiency. We have the throughput tax impact from the GB soft drinks excise tax changes, announced late last year, with the offset of revenue. And finally, the mix benefit of higher anticipated volume growth in the Philippines given its lower cost of sales per unit case.

Our effective tax rate for the year is expected to be around 26%, up from 25% last year, reflecting differences in the mix of taxable profits across our markets and our current assessment of uncertain tax positions.

We expect to generate at least €1.7bn of comparable free cash flow and our new €1bn share buyback programme will commence imminently, to be executed over the next twelve months through February 2026.

We broadly expect any accretion this year flowing through from 10 of the twelve months of the share buyback, to be offset by the anticipated higher effective tax rate and growth in non-controlling interest given the positive outlook in the Philippines.

Now back to Damian.

Slide 19: Revenue growth levers

Thanks Ed.

So just turning to what we talked about earlier, we are confident in our ability to deliver approximately 4% revenue growth, in FY25 and beyond, driven by these



four levers, balanced between healthy underlying volume and revenue per unit case growth.

Before I share some examples of what gives me confidence for this year, I did want to call out that we exited 2024 with a good December and that this continued into January.

Slide 20: Portfolio

So on portfolio, a lot to be excited about across our great brands. And always consumer led.

For Coke Original Taste and Zero Sugar, new flavours continue with the addition of Lime and later in the year, watch out for new fruit eye catching graphics across our packs. The new Diet Coke campaign, 'This is My Taste' fronted by our new brand ambassador Jamie Dornan is gaining momentum. And for Fanta, an upweighted choice of flavour extensions, including Tutti Frutti.

In energy and Monster, as well as new additions to the Juiced range, we're excited about the new collaboration with Lando Norris and the McLaren F1 team.

And we continue to expand our portfolio to capture new opportunities in areas such as sports and ARTD, as Ed referenced.

In sports, as a football fan, I was excited to hear that the young Spanish star and Powerade fan, Lamine Yamal, has entered into a multi-year deal as a Team Powerade athlete which will resonate well with consumers, build affinity and drive preference for this terrific brand.

And, in ARTD, we're continuing to build our presence in this growing segment, with the launch of Bacardi and Coca-Cola and adding new flavours to existing ranges like Absolut and Sprite Watermelon.

Slide 21: Customer

Now to our customer relationships are front and centre. And what a great retail foundation to be their number one absolute revenue growth creator.

FY25 pricing is largely in place, including GB and Germany, executed later last year, with other negotiations well advanced. We continue to leverage our best in



class Revenue and Margin Growth Management tools and capabilities across our broad pack offering as you see here. And to highlight a few recent customer wins, including Alsea, a multi-brand restaurant franchise operator in Spain, Subway in GB and Gerry's Grill 110 plus restaurant chain in the Philippines.

Slide 22: Execution

As I touched on earlier, we're fanatical about in-market execution and activation whether in store, online or in outlet. All to drive distribution and visibility every day.

We love creating engaging displays, especially around key holiday events, all well planned across the calendar year. All driven by the largest sales force in FMCG, nearly 9,000 in total, powered by technology, enabling more contact with more customers.

We're investing in more coolers this year, aiming to add over 100k across Coke Trademark and Monster. We continue to accelerate our digital capabilities, like adding even better functionality to our B2B portal, myCCEP.com, to make life even easier for our customers. We believe there are few eB2B platforms in Europe delivering annual revenue of nearly €2.5bn in the FMCG space.

And we're also improving our forecasting accuracy with machine learning. In Germany, for example, 80% of our SKUs no longer require any human intervention. This has driven best in class forecasting accuracy, and a 2% improvement year on year. And better forecasting means more cases delivered to our customers on time and in full.

Slide 23: Geography

Geographically, our diversification across 31 markets with leading market positions makes us stronger. This is evidenced by our performance last year.

Going forward, we ultimately recognise that volume and revenue growth in Europe is critical for CCEP across sparkling, energy and other NARTD.

We are however excited by the balance of exposures we now have to higher growth markets, where we continue to build out capabilities. In my mind, these include not only the Philippines and Indonesia but also Papua New Guinea and the Pacific Islands. They represent half of our markets, which having grown

revenue last year by around 10%, clearly demonstrate their power as an organic top line accelerator for CCEP.

Slide 24: Continued focus on stakeholder value creation

And so, to conclude, we are very well placed for 2025 and beyond. We are confident we have the right strategy, done sustainably to deliver on our mid-term growth objectives.

Our FY25 guidance, combined with the resumption of share buybacks, demonstrate the strength of our business and our ability to deliver continued shareholder value. We look forward to sharing more on our exciting future at our capital markets event in Manila in May.

Slide 25: Q&A

So thank you very much – Ed and I will now be happy to take your questions. And I will hand the call back over to you, operator.

(Operator Instructions)

The first question today is from the line of Mitch Collett from Deutsche Bank..

Mitch Collett - Deutsche Bank - Analyst

My question is a very quick one. Can you give some colour on why you've chosen to increase the free cash flow guide. Is that all driven by operating profit? Or are there other lines within cash flow that are helping you to have a higher level of free cash flow going forward?

Ed Walker - Coca-Cola Europacific Partners PLC - Chief Financial Officer

Thanks, Mitch. Yes. So we've increased the guidance to at least EUR1.7 billion. Obviously, we did EUR1.8 billion in 2024, which we're very pleased about. So it's really just the increased confidence that we have in the business and the ability for the business to generate operating profit growth and value and then us to convert that into free cash flow.

We are keeping some flexibility within that because, as we said in the - in the prepared remarks, we have over EUR1 billion of CapEx investment planned and we're keen to invest to unlock that growth across our markets. So yes, we're pleased to be saying at least EUR1.7 billion for 2025.

Matthew Ford - BNP Paribas Exane - Analyst

My question is just on, I suppose, on the Philippines, Indonesia. So it's sort of two in one really. But on the Philippines, I just want to get a sense of how you finished the year. You talked about solid trading in Q4, and you spoke overall about trends improving across -- or continuing to perform well in Q1, but just to get a sense of how Philippines is going and what your expectations are for the year?

And then just on Indonesia. Clearly, still a difficult market to operate in. Just be great to get an update on the boycotting situation, what you're seeing if you see kind of improvement in the last weeks and months there?

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Yes. Thanks, Matthew. Maybe I'll start with Indonesia. So it's fair to say our businesses stabilized very well there in light of some of those geopolitical challenges. As you know, it's a big, big country, which is one of the reasons we remain very excited about it for the long term. What is interesting, and I've just got back from a trip down there is there are certain areas more impacted than others, where we see less of an impact, we see our brands growing high single digit to mid-teens.

So I think that gives us confidence that the changes we've made, both in terms of route to market, our pricing strategies and the marketing push with the Coca-Cola Company are working. Obviously, we will continue to keep a close eye on the situation. And as it improves over time, which it will, I think the changes that we've been able to make in the last year will really pay off, particularly our route-to-market change, some of the restructuring we've done.

And I'm particularly excited as we move into Ramadan, we've got a great campaign around Sprite. So definitely more to come in Indonesia. As I mentioned in my prepared remarks, a big call out to our team there. Challenging when you've got some of those macro elements out of your control, but I think they've continued to focus on the long term as we have, and that will pay out in Indonesia for that, I'm sure.

On the Philippines, yes, great year last year. Great finish of the year. So Christmas is a really big occasion in the Philippines and our teams locally really made the most of it. Record volumes, that continues into 2025. Yes. And

I'd just call out that we'd see the Philippines pretty much in line with our midterm guidance.

So high single-digit growth. We've talked many times that one of our priorities is margin expansion. We're seeing that coming through. Some of the capital that we're deploying is unlocking that. Yes. So another great start to the year in the Philippines and looking forward to another - not a very, very strong year from that business. Thank you, Matthew.

Eric Serotta - Morgan Stanley - Analyst

I am hoping you could give some colour on what you're seeing in Energy, 6% and change growth, you called solid or strong. But it's certainly a slowdown from what we've seen over the past few years. Any colour on Energy as 2024 unfolded in your expectation for 2025?

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Yes. Thank you, Eric. I mean, relatively speaking, Energy was still the standout category, if you look at growth across most of our markets last year. And I see it continuing to play that lead on a percentage level, it will be slightly down.

A couple of things, I'd call out. We are looking at expanding Energy into newer markets, so Indonesia, Philippines. I touched earlier on the pipeline of innovation coming from Monster. So it continues to be a very exciting innovative category for us.

I see it returning back to that more high single-digit growth. So I don't see anything in the category that points to that being a sustained slowdown. In fact, I think it's getting more competitive. So we see a lot of people investing in the category, which will generate growth.

Clearly, that puts an emphasis on us being at the top of our game with the Monster company, which we are. So a great pipeline of innovation, particularly in Western Europe, gaining share, launching it into some of our more emerging markets where I think it will play a role long term. And that gives me confidence that we'll continue to see Energy leading our growth against our midterm guidance.

Lauren Lieberman - Barclays - Analyst

I know in the release, you flagged some away-from-home weakness in Europe. And so I'd just like to talk a little bit more about plans to help support that channel this year, particularly in light of what remains a pretty stretched consumer backdrop and you've had a lot of other beverage companies broadly talking about the challenges in that outlet - that set of outlets.

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Yes. Thanks, Lauren. So I'd probably call out a couple of areas. I think one, the brand innovation that we showed a bit earlier, I think will definitely play into that channel in terms of bringing excitement to the consumer and to our customers.

So we've got some specific programs, particularly on Coke trademark that I won't talk to in detail for obvious reasons coming summer. But I think once they hit the market, you'll see very much targeted against the consumer in the Away-From-Home segment. So we really want to support the consumer.

Our pricing has moderated in that channel. So we think relevance - price relevance is in good shape. I referenced as well in the prepared remarks; we will be stepping up our cooler investments. That is a key support to the away-from-home channel as well. And a lot of our digital-led campaigns will be focusing on helping our customers drive incidents in store and drive traffic.

And then finally, we're also winning a lot of new business in the away-from-home area, and I think that also supports our growth ambition in that channel. So I do see 2025 being a better year in away-from-home, particularly in Europe. And I think the steps we've taken will support that. And then obviously, we're looking at forward to summer, and that will definitely unlock growth. So yes, they'd be the four pillars that I would talk to Lauren.

Edward Mundy - Jefferies - Analyst

Just coming back to the volume piece within Western Europe. I mean, you managed to generate about 8% EBIT growth in 2024 despite European volumes down nearly 2.5%. And I know you don't guide for volumes. But if you were to get a percentage of volume growth in Europe, would there not be quite a favourable implications for EBIT, given some of the operating leverage that would kick off? And I'm just trying to square that circle with regards to your 7% EBIT growth and your sort of higher free cash flow guidance as well.



Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Go ahead, Ed.

Ed Walker - Coca-Cola Europacific Partners PLC - Chief Financial Officer

Yes. So thanks, Ed. Well, I think the first thing to say is that it's still very early in the year. And we're here in February. And so as we look forward, we want to give guidance that we're confident in delivery for the year. You're absolutely right, 4% is above the 3.5% from a revenue perspective that that we did in 2024.

But when we look at the mix of that revenue for '25, we think more of it will come from volume, as we mentioned earlier, and less from revenue per case. And actually, as you look through the P&L, that then has less of an accretive effect because we obviously need the cost of that extra volume to go through the P&L.

So that's the reason why we're maintaining the 7% guidance, approximately 7% guidance for the year. And the same goes for our free cash flow. We want to maintain some flexibility as we go through the year. And as we talked about earlier, we have lots of opportunity to invest cash to unlock growth for the future.

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

And just maybe to Bill and Ed's comments, I mean, as you'd expect, bottom below volume, if I speak to my supply chain colleagues. What gets them most excited is more volume going through our plants and getting that leverage that Ed talked to. So you will see a more purposeful focus on quality volume in Western Europe in '25.

Touching back I want to mention to Lauren, that starts with an away-from-home investment levels that are very, very strong. I think a lot of the marketing innovation that you're seeing from the Coca-Cola Company and for Monster will help us support that volume growth. If you look at last year, I mean, it was a bit bumpy both in terms of some of the macros but also delists like CAPRI SUN.

So the underlying volume performance is clearly stronger than it looks on a reported level, and that also gives us confidence going into '25. And as I called out, we did finish the year strongly and January started well. So as ever, as we go through the year, we'll keep all of you fully updated on how we're seeing volume progress, particularly in Europe.

Edward Mundy - Jefferies - Analyst

And Damian, just as a follow-up. I mean, 2024 was a year of a lot of support that it didn't fully materialize from a volume standpoint because there's a washout summer it feels like 2025, you've almost got a lot more innovation than you normally would have to sort of lap the sporting summer, but given that you didn't have the benefit from the summer of sports, it does feel like the setup for 2025 volumes is quite favourable.

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Yes. I mean we were planning '25 and in '23. So I mean, we'd obviously higher expectations in '24 that on the back of great assets that we would have strong volume growth in '24. That didn't quite materialize as we would have liked. But that did give us the catalyst to make sure the '25 from a kind of campaign and cycling those assets that work started in '23.

And you're seeing some of that coming through, both in terms of diet coke, particularly in GB, some of the Fanta innovation that's hitting the market, great summer campaign that I can't talk about for Coke, but that will all become clear pretty soon. Yes, and innovation across other brands. So it's probably - yes, probably one of the most exciting marketing product calendars that we've had for a while. And I think that's exactly what we need to stimulate that growth in Europe, in particular.

Sanjeet Aujla - UBS Equities - Analyst

My question is really around the pricing and promo strategy in Europe. So I think you called out maybe some adjustments have been made in the away-from-home Channel. But how are you thinking about the home channel? Is the mantra to price in line with CPI despite a more favourable input cost environment? Any context there would be helpful.

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Yes, Sanjeet. Yes. broadly, you're spot on. I think we have a very good discipline and I suppose, habit of taking what we believe are really good, relevant price moves every year. We'll continue to do that broadly in line with CPI, as you said. Beyond that, we have an amazing amount of investment deployed in our P&L and promotions, if you look at the amount of the number, the quantum, it's significant.

So every percent that we can make that work harder really adds both to the P&L, but to the top line growth. So I suppose on top of that CPI, we continue to use a lot of data analytics work and in-market testing to try and make sure that we're finding the most relevant price points, particularly on promotion.

That's also very true for Australia and New Zealand. So yes, CPI and then a more efficient and productive use of that promotional funding would be the two key elements for us in '25. And on the second one, continuing to build up muscle of data and analytics to allow us to make better decisions, but also a bit faster.

So you will see some changes in some of our promo strategies in our key markets in terms of multipacks. We also believe that there's still premiumization in our markets, and I think that you saw on the slide earlier, the amount of SKUs we've deployed across our retail landscape gives us a chance to make sure we also capture some of those training up opportunities, some of those personalization, mini-cans.

So I think as we've definitely play to a more, I suppose, price-sensitive consumer in some markets, we've also retained our premiumization and people will still pay for that. So I think it's important to do both right. So that's kind of how we're thinking about it. But in summary, you're spot on, CPI is probably a good benchmark to think about our pricing.

Sanjeet Aujla - UBS Equities - Analyst

And just to clarify your point on change in the promo strategy on multipacks. Is that reallocating or stepping up promo to support that particular pack?

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

No, it's all reallocating. I mean we've -- we have a lot of investment deployed already. So it's not about more investment. It's about continuing to invest smarter, testing new ideas to see what resonates with the shopper. Yes, so it's more efficiency, I would say, rather than the step up.

Bryan Spillane - BofA Global Research - Analyst

Can you hear me?

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Yes.



Bryan Spillane - BofA Global Research - Analyst

Okay. Great. Sorry about that. Damian, so maybe just kind of a bigger picture question. In the time that since you've taken over as CEO, I think the enterprise value in the business has basically doubled. And also the free cash flow is effectively doubled as well. And I know over the course of the last, I guess, three months or so with the potential for the addition of FTSE, you've been introduced to a lot of maybe investors you would have been introduced to.

Actually, Sarah that's probably done the bulk of that work. But - so can you just kind of give us some perspective on like what it would take to double again over the next eight years? How much of it was acquisitions? How much of it was operational? Just trying to give people a perspective on how this business can actually compound returns.

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Well, it's a big picture question, Bryan. Thank you. And just to confirm, Sarah does do most of the hard work when it comes to meeting the investors. But we are getting an opportunity to tell the CCEP story to a lot more newer investors on the back of the FTSE conversation.

So that's been great. Yes, clearly, we're excited about where we've got with CCEP. And if you look at our value creation, a lot of it is organic, right. So I think we've done some really good M&A. But ultimately, what underpins this business is strong growth organically in our markets. And if I was to - it's probably a boring answer, but it's kind of a red line through probably a lot of what we've talked about today.

I think sustained quality volume and revenue growth is the key to building the business again. I think we get good leverage on our P&L. We've got enough capital. We've got great talent. So really, when I think about the next eight years, it's about quality top line growth, volume and revenue with volume obviously being the priority in '25.

And then I think the innovation pipeline from the Coca-Cola Company, I didn't think eight years ago, we'd be an ARTD, who knows how big that's going to be for us. We've seen how big it could be in Australia. I think the Energy category continues to deliver.

Honestly, we've got categories that I feel we've not got the most value out of. One is sports and Powerade. There's more to go on Fuze Tea. So when I look

at something the business will really be around that space, if there is M&A that is accretive and we can drive value for the Coke Company and we'd definitely be interested. But it's probably going to be a more organic story going forward.

I love M&A. It's gone really well. I have to say it's also good to focus on getting the most of what you've already bought, and that's really what we're doing in '25 and '26.

Charlie Higgs - Redburn Atlantic - Analyst

Well, I've got a question on the balance sheet and the net debt EBITDA, which I think has come down very nicely to 2.7 times comparable EBITDA. And you've obviously announced a EUR1 billion buyback this morning.

But I think on my numbers, even with that leverage might fall a little bit in 2025. So can you just think or tell us through like how you're thinking about cash allocation over the coming years? I know you've got some up-weighted capital expenditure. But are you leaving some dry powder, maybe some M&A? It doesn't sound like from the last answer you were. So just how you think about the balance sheet over the coming years?

Ed Walker - Coca-Cola Europacific Partners PLC - Chief Financial Officer

Thanks, Charlie. Yes, good question. So yes, we're delighted that we're now back in that leverage range at 2.7x and one year early. And of course, we've acquired the Philippines in that period of time as well. So as we look forward, I mean that we want to stay within that 2.5 times to 3 times range. We are leaving ourselves a little bit of flexibility. That's to allow for more cash investment in the business should the growth opportunities be there.

But it's also to allow for variation in business results over time and potentially for some M&A. So we don't want to overcommit now and need to change that guidance and those expectations later. So we're leaving ourselves a little bit of flexibility. But we see ourselves continuing to operate within that 2.5 times to 3 times range.

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

And just to add to that, I mean, I think we've - we're really happy that we could announce a share buyback 12 months. Clearly, to your point, Charlie, and to Ed's comments, that still leaves some powder for M&A, particularly with that



cash flow guidance that we've given today. So we've demonstrated we can create value, particularly for the Coke company, and our shareholders. If there are opportunities, for sure, we're interested.

I suppose, like we've talked about before, NARTD and soft drink seems to be a business that lots of people are attracted to get into. So finding bottling assets that are coming up is always going to be a priority, but it's probably getting a bit more challenging. But we have the powder, and we have the flexibility. And I think that's what we'll continue to focus on.

Robert Ottenstein - Evercore ISI - Analyst

Great. So Damian, one of the great successes for the Coca-Cola system overall, which you guys play a very key role has been the greater coordination between the bottlers and Atlanta and the agility, the coordination on marketing, planning, obviously, incidence.

And I'm wondering if you could kind of maybe give us a little bit of sense of what sort of initiatives that the global system is doing, the sort of initiatives that Atlanta has been talking to you about as it relates to your business, both in 2025 and beyond. So we get a little bit of sense of kind of the bigger picture and how you're participating in those initiatives coming out of Atlanta?

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Thank you, Robert. Yes. So for sure, we are benefiting from the new evolving new marketing approach from Manolo (Arroyo) & the company. I think that's driving a higher quality of engagement with our consumers. It's more productive and efficient. So we benefit from that efficiency in terms of marketing spend and allows us to connect with more consumers. So I think the way Manolo and the Coke Company have evolved the marketing structure is definitely helping us.

Secondly, we're benefiting on the portfolio. So if you look at our plans, very aligned in terms of Sparkling flavour growth, Coke light Diet Coke. We're clearly learning from markets like Australia, the US around sports and Powerade and how that becomes a mainstream category.

We're curious about innovations as well that the company. We've looked at a lot of the innovation out of North America, but globally, so we get great access very quickly to portfolio innovation. And then we kind of have a good conversation about how relevant that is for our consumers here in Asia or Australia and New Zealand.

A good example of that is ARTD, Bacardi and Coke, a great look and pack. So we definitely benefit on their investments, the quality of output from the new model, the portfolio. And then an area that is getting better. And I would say we're still probably at the beginning is really more around data insights and leveraging better that bridge between consumer, customer and shopper. We've been working on that. Obviously, AI unlocks another tool to get into that quicker and to get more output. So that's probably an evolving area that I'm excited about over the next couple of years. Yes. But overall, very aligned. I think we've talked about it before, Robert. I think the financial model on incidents just continues to drive the right behaviour in the system. I see that every day in decision-making, and that gives me a lot of confidence.

And I suppose we all have great marketing. I mean that's why we love this business and when you see some of the product innovation or the quality of media copy or the online activation coming out of Atlanta, it's just going to continue to support our top line growth objectives. So a lot happening.

Philip Spain - JPMorgan - Analyst

I just had one on the Philippines, please. In your prepared remarks, you spoke about accelerating your CapEx plans in that market. And I just wanted to understand better what gave you the conviction to make that decision to accelerate the CapEx plans? And if you could also share more colour on what that accelerated investment will entail as well?

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Philip, so really, it's all those expectations that the Philippine team or the Tigers, as they call themselves, have delivered well ahead of our expectation in year one. So some of it's quite a linear investment behind extra volume.

So we pulled forward a couple of lines. That's in our kind of five-year plan, they were in there. We're just bringing them forward. It's not a step up in our overall CapEx guidance, as Ed talked to. So that remains intact. So it's from within that guidance in '25 of around circa 5%. We're also looking at in line with our other markets, more cooler placements on the back of more volume.

And then also, we will start to invest a bit more in technology and systems as clearly, that's going to be an area in such a high-growth business that we feel is really important. And then some of it is fundamental, which is bottles and cases. So a lot of that volume growth is coming from our



refillable glass business and that just requires a bit more CapEx to keep our lines running and make sure we've got enough stock.

So from a CapEx deployment area, all good reasons and exciting. And as I said, the catalyst is really an overdelivery on volume last year, and that's flowing through into '25 and beyond. Ed, I don't know if there's anything else.

Ed Walker - Coca-Cola Europacific Partners PLC - Chief Financial Officer

I think - and also some of that capital will unlock some of those mix opportunities. It's a very RGB-focused market, but we see lots of opportunities in cans, in PET. And so that investment as well is going to unlock some of those mix opportunities. So we're very excited about that, and we're always happy to spend money on things that unlock that level of growth.

Richard Withagen - Kepler Cheuvreux - Analyst

Just one question on - going back to the Energy drink category. A two-part question. First of all, can you talk a bit about the competitive situation in the category? I think Red Bull has introduced a bit more flavours last year. So what's the competitive situation?

And the second point is, is the cost of growth increasing in that category?

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Yes. So it's - as you would expect, given it's consistently probably the fastest-growing segment within NARTD that brings in a lot of competition, not just from big players like Red Bull, but you'll see a lot more local innovation coming into the category, different price tiers.

So it is evolving every year on the back of that high growth. So that competition really pushes us to be on the top of our game with Monster. You're correct. Red Bull have gone back into some flavour innovation. We also have probably enjoyed more growth in that space over the last number of years, and we'll continue to do so on the back of some of the juice variants from Monster.

So overall, healthy competitive category, driving high single-digit growth over time. And our aim is to grow and take share in that category, and we're doing that. And it will probably remain one of the most competitive categories.

It's not driving an increased cost of growth. In fact, as we grow, as Ed talked about, it is an area that we get better leverage on our fixed asset base. So in some ways, over time, our margins will improve in Energy as well. So there's not



a significant higher cost of growth. Yes, I don't expect that, but I do expect it to remain nice and competitive.

Operator

I would now like to hand the conference back over to Damian Gammell for his closing remarks. Damian, please go ahead.

Damian Gammell - Coca-Cola Europacific Partners PLC - Chief Executive Officer, Executive Director

Thank you. So firstly, again, a big thank you for everybody taking time out this morning and this afternoon to join us.

As we've closed out 2024 was a great end to a very solid year CCEP. Today, we're very pleased to announce our EUR1 billion share buyback that will start on Monday. As you've heard from both myself and Ed today, we're super excited about the investment and, in particular, commercial plans to drive that quality growth for 2025 and beyond.

And we look forward to you joining us on the ground in Manila in May, where we can showcase the growth and success of our Philippines business, and we'll also showcase the changes we're making in Indonesia to ensure the long-term success and health of that business. And we'll also give you, obviously, an update on how we see our European business as we head into the summer. So see you Manila. And again, thank you for joining us.

Operator

That concludes our conference for today. Thank you for participating. You may all disconnect.