

COCA-COLA EUROPEAN PARTNERS

Preliminary Unaudited Results for the Full-Year Ended 31 December 2019

13 Feb 2020

CORPORATE PARTICIPANTS

Damian Gammell - CEO

Nik Jhangiani - CFO

PREPARED REMARKS

Damian Gammell - CEO

Many thanks to everyone joining us today to discuss our full-year and fourth-quarter 2019 preliminary results, as well as our 2020 outlook.

2019 saw our business deliver another solid full year of growth with our journey continuing to be built on three pillars – great people, great service and great beverages.

We delivered solid revenue growth supported by a strong focus on innovation as we continue to diversify to become a total beverage company, aligned with our brand partners. As well as investing behind innovation, we continued to make the right strategic investments in areas such as our supply chain, coolers, and digital.

2019 has also been a great year for progress made on our sustainability 'This is Forward' plan.

All this has led to us delivering robust growth, with operating profit growth of 6 percent on the back of 3 ½ percent revenue growth, both on a comparable and fx-neutral basis and excluding the impact of incremental soft drinks taxes. This was also supported by the successful closure of our merger synergy commitments.

All resulting in another year of increased shareholder returns, a key focus and priority for us.

And of course, our 2019 performance would not have been possible without our talented team of 23,500 engaged people who continue to deliver on their commitments through hard work each and every day.

Now to 2019 revenue. Full year revenue increased by 4 ½ percent or 3 ½ percent excluding the impact of incremental soft drinks taxes, both on an fx-neutral basis.

We saw solid growth of 2 percent in revenue per unit case excluding the impact of incremental soft drinks taxes as we continue to benefit from our

efforts to improve price and mix with growth in priority small packs and the away from home channel.

Volume increased by 1 percent with strong in-market execution and innovation-led growth partially offset by strong weather driven comparables in the third quarter.

I am particularly pleased that transactions grew overall by 2 1/2 percent during 2019, outpacing volume for the third year in a row.

Given detailed commentary by geography is provided in the release, the key takeaway would be to emphasise that our growth is balanced across all geographies as we continue to demonstrate the focus on our revenue management growth initiatives. We are benefitting from our efforts to drive priority small packs, more efficient promotional activity, alongside wider distribution and innovation.

Now to some additional revenue highlights for 2019.

2019 was a great year for our customers; joint value creation remains a key priority, so it has been great to see that once again we were by far the largest FMCG value creator in the retail channel across our territories, adding 4 ½ percent more value or an additional €430 million versus 2018 according to Nielsen. In fact we delivered more than twice the value to our customers than our nearest competitor. And at a brand level, this year we had five of the leading eight brands for absolute value growth in our portfolio. Europanel data also shows that over 20 percent of our brands were present in NARTD baskets in 2019, supported by our growing portfolio.

This momentum is also evidenced by our market share, which grew in all our territories according to Nielsen. Overall we gained over a percentage point of value share in NARTD, and 90 basis points of share within sparkling. Our Coke Trademark portfolio also performed well – we saw volume growth of 1 ½ percent and transactions growth ahead at 2 percent.

Within Light Colas, we saw solid volume growth of 13 percent in Coca-Cola Zero Sugar. And we will completely reinvigorate the Diet Coke/Coke Light brand in 2020 with new packaging, new flavours and more marketing.

Flavours had a great year overall and we gained 110 basis points of value share during the year according to Nielsen. This was driven in particular by Fanta, the number one flavours brand across our territories for delivering absolute value growth for our customers. This was helped by another successful Halloween campaign featuring limited-edition bottles and cans as well as Halloween-inspired flavours.

We are especially pleased with our performance in the mixers category with Schweppes gaining 180 basis points of market share in GB within the measured channels. This is a segment where we see clear opportunities for further growth and we will continue to differentiate by enhancing the premium nature of our portfolio and continuing to build on the success of newer brands like Royal Bliss, Schweppes Signature and Coke Signature mixers.

From a pack perspective we continue to focus on driving smaller, more premium packages. For example we saw volume growth of 11 percent in small cans which contributed positively to mix and gross margins.

And finally, we've made some great progress with our innovation which I'll cover in more detail on the next slide. 2019 saw a step change in the pace and top line contribution from innovation through a combination of new products, flavours and brands.

In fact last year we launched one in three of the top 15 innovations in Europe according to Nielsen.

Fuze Tea has been a huge success story. We launched this brand in January 2018 in all territories bar Iberia. And just two years on, we have overtaken Nestea to become the number two ready-to-drink tea brand across most markets and in Germany we are now the number one. A new recipe for Fuze Tea brewed with real tea leaves will soon be available across our markets. Energy also had a strong year supported by innovation, in particular Mango Loco and some new Ultra flavours. Impressively, Monster has now overtaken Red Bull to become the number one energy brand in Spain.

The recently acquired juice brand, Tropic, is proving popular with customers in France, doubling its market share since we started distributing the brand in March 2019.

Monster Espresso continues to gain traction, delivering 12 percent of the growth in the home channel's ready-to-drink coffee category across our markets last year. And as with all our innovation, we are focused on growing category value, demonstrated by higher than average revenue per case metrics.

Coke Energy is now available in all of our markets. We have exciting plans in 2020 for this brand.

And finally Costa coffee ready-to-drink is already proving popular in GB, achieving 6 percent value share in just five months.

Importantly, our revenue momentum provides the license to build for the future. We are continuing to make the right investments now to support long term sustainable growth.

Nearly two thirds of our capex went into our supply chain in 2019 to support our total beverage strategy. We commissioned seven new lines during the year, three canning, three glass and one aseptic line to support in-house capability for products such as Fuze Tea.

We are also making the right strategic investments in capabilities such as our coolers and our field sales teams. We are rolling out next generation field sales digital tools which will not only improve the customer experience but also increase productivity and optimise sell time.

Our sales force remains a huge investment priority for us. We grew our field sales team during 2019 with more hires planned for 2020. In addition, we added around 42 thousand coolers into our markets as we aim to improve availability of our core products in addition to supporting the expansion of our portfolio.

We also secured our first two ventures investments during the year. These investments will explore how technology can transform customer experience. We have continued to strengthen our digital capabilities, and our customer portal will continue to support our commitment to make it even easier for our customers to do business with us. We now have around 15,000 customers using our portals, helping us to capture over €900 million of revenue in 2019, up 30 percent on the previous year.

And finally – as you know – sustainability is a key priority for our business and having made great progress in 2019, I will cover this in more detail next.

We have a bold and integrated sustainability agenda. We are making good progress on carbon and water, as well as packaging, where we are taking robust action and leading innovation.

We are improving recyclability and increasing the amount of recycled PET in our bottles, working towards a circular economy where everything is collected and reused. This will move us closer to our target of zero waste – not just for plastic, but also cans, card and glass.

Having already accelerated our 50% recycled plastic target by two years, Sweden will become our first 100% rPET market this year featuring a new on pack 'recycle me' campaign. We are also transitioning our Smartwater, Honest, Vio and Chaudfontaine brands to 100% rPET. This will be supported by our strategic partnerships with enhanced recycling firms. We also continue to reduce the amount of plastic used in our secondary packaging, moving from shrink wrap to cardboard packaging for our can multipacks.

Our progress is being recognised and we are proud to have recently been awarded a position on the CDP A List for Climate and Water, and one of only three companies to be awarded both for a fourth consecutive year.

Our sustainability initiatives are at the core of everything we do at CCEP and I know that our people want it to be truly embedded within our culture. To that end, we are looking to formally incorporate some of our sustainability targets into our next long-term incentive plan, which we will update you on in due course.

But to build on the previous slide, I wanted to talk more to our people strategy and culture at CCEP.

We continue to see progress, evidenced by a meaningful seven percentage point increase in employee engagement during the year. This firmly positions us in the top quartile of our benchmark group.

Our colleagues have been utilising their two new annual days of paid volunteering, resulting in over 24,000 hours last year.

More broadly, we recently launched a new people strategy called me@CCEP focussed on wellbeing, diversity & inclusion, as well as creating a positive environment where everyone can develop and learn. All supported by a number of new digital platforms, making it easier for our employees to engage and develop.

We will continue to focus on this critical area going forward, providing the capabilities and most importantly the culture we need to continue to grow our business.

Let me now turn the call over to Nik for more detail on our 2019 financial results and our 2020 outlook.

Nik Jhangiani - CFO

Thank you, Damian, and thank you all for taking the time to be with us today. Here you will see our 2019 financial summary. I will focus on the areas not yet commented on by Damian.

Our COGS per unit case also increased 4 ½ percent on a comparable and fx-neutral basis, or approximately 3 ½ and 3 percent respectively excluding incremental soft drinks taxes. Comparable and fx-neutral gross margins were down 75 basis points, however excluding the impact of soft drinks taxes, gross margins were down by 40 basis points, in line with our plans.

So taking into account our revenue growth, the investments we are making to support sustainable growth including the step up in innovation, and the close out of our synergy delivery, our operating profit grew by 6 percent on a comparable and fx-neutral basis. Our comparable and fx-neutral operating

margin grew by around 20 basis points or by 35 basis points excluding the impact of incremental soft drinks taxes.

Our comparable and fx-neutral diluted earnings per share grew 10 percent, ahead of comparable operating profit, reflecting accretion from the now completed €1.5 billion share buyback, of which €1 billion was executed in 2019.

Our annualised dividend payout ratio remains at approximately 50 percent, reflected in our full year dividend, up 17 percent versus last year.

Next on cash, an important metric for us, we generated free cash flow of €1.1 billion which I'll come back to in a moment.

We increased ROIC by 65 basis points when adjusting for the impact of adopting IFRS 16, closing the year at 10.3 percent. On a reported basis, ROIC increased by 40 basis points.

And finally, our leverage. We finished the year with a net debt to adjusted EBITDA ratio of 2.7 times, at the mid point of our stated objective of between 2 ½ and 3 times.

So turning back to free cash flow in more detail.

We delivered €1.1 billion of free cash flow in 2019, this slide laying out the key components.

As I have mentioned previously, IFRS 16, the new leasing standard, came into effect on 1 January 2019, requiring us to recognise virtually all leases on the balance sheet. While IFRS 16 is a non-cash adjustment, as our lease obligations are operating in nature, we now include these cash outflows within capex as you see here. These amounted last year to €130 million.

In addition to the €130 million, we spent €590 million on supply chain, IT and cold drink equipment capex, broken down on the slide. We continue to be disciplined around our investments to ensure we have the right portfolio and distribution capabilities to sell our products to all our customers across all channels.

So in total our capex last year, including lease payments, was €720 million.

To be clear, our future guidance on capex will include lease payments.

We retained our focus on driving working capital improvements and delivered approximately €50 million of benefits, taking our cumulative improvements to approximately €650 million since 2017. This has all been driven through strong cross-functional collaboration, as well as solid routines to track and drive results.

Cash generation remains a key performance indicator for us. This is evidenced by both our medium term annual objective of delivering at least €1 billion of

free cash flow each year with a current free cash flow yield of just under five percent.

As Damian was highlighting, we are developing a great culture at CCEP and I am very proud of the progress we are making since our formation 3 and a half years ago.

At H1 2019 we closed out our merger synergies programme by delivering a further €55 million. Cumulative realised synergies amount to €330 million, representing the successful completion of our merger commitments and in line with our guidance. These efficiencies have been delivered through a combination of initiatives including procurement, supply chain and central operating functions.

The rationale behind the creation of CCEP went beyond merger savings and was about forming a company that can sustainably and profitably grow the top line and ultimately create value for all our stakeholders. We will continue to look for ways to improve the effectiveness and competitiveness of our business.

The decisions we made during the integration were focussed on 'making it work at speed' but now we are making decisions that will make our business even better driving towards best in class. This includes the optimisation of our cooler fleet as we look to significantly increase the number of net placements over the next 3 to 5 years. We will continue to leverage our digital capabilities, like our ordering portals which are now live and gaining momentum in seven of our markets. And more broadly taking a holistic review of our business to find opportunities to harmonise our ways of working and drive end-to-end processes to ensure that we become an even easier business for our customers to partner and win with.

We will talk more to these opportunities at the Capital Markets Event in May this year.

Before I move on to wider guidance for 2020, let me first provide some colour on our COGS outlook. We expect COGS per unit case to increase by approximately 2½ to 3 percent.

Firstly on commodities, which account for around 25 percent of our total COGS. We anticipate an increase of approximately 1 percent on a per unit case basis. This reflects an increase in sugar prices as we roll out of some of our fixed price contracts and higher recycled PET pricing, offset by reductions on cans and virgin PET. Please bear in mind that our commodities exposure is largely hedged for 2020.

Secondly, we expect our focus on driving revenue per unit case to increase our 2020 concentrate costs in line with our incidence model. As you can see,

concentrate and finished goods make up approximately 45 percent of our cost of goods, with about 85 percent of that being concentrate. Thirdly, mix will continue to drive an increase in COGs per unit case as we continue to focus on developing our portfolio through scaling our innovations and driving premiumisation by accelerating glass and small can formats.

Further to this and as Damian mentioned earlier, our innovation has been gaining traction, though this has required investment in partnership with The Coca-Cola Company.

While these innovations are revenue accretive, the cost of manufacturing these products is higher, and so is adversely impacting our COGS per unit case from a mix perspective. These are however the right investments to be making for the long term as we gain scale and drive towards becoming a total beverage company. Examples of this include our new aseptic line in the Netherlands that Damian referenced earlier, which will enable in-house production of products such as Fuze Tea. And the new line being commissioned in France that will pick up both Fuze and Tropic volumes for that market in the second half of 2020.

Now turning to our guidance highlights for 2020.

We expect revenue growth in the low single-digit range, with COGs per unit case growth of approximately 2½ to 3 percent. We have now cycled out of any impact of incremental soft drinks taxes.

We expect mid-single digit operating profit growth reflecting revenue growth alongside further productivity efficiencies. High single digit earnings per share growth reflects the accretion from the 2019 share buyback programme as well as the benefit of the new €1 billion share buyback to commence next week. While we currently do expect to buy back up to €1 billion of shares in 2020, this is subject to further approval at our May AGM, and of course will be subject to market conditions and any potential M&A opportunities.

We are also guiding to an effective tax rate of approximately 25 percent in 2020, in line with last year. We continue to monitor our tax position given changes in a few of our countries' corporate tax rates. We will also continue to assess our reserves and both these items may present some opportunities over the next three years which we will update you on in due course.

Capital expenditures are expected to be within the range of €650 million to €700 million, which is inclusive of lease payments under IFRS 16 as previously mentioned. We revise our medium term capex guidance from approximately 5 percent of revenue to 6 percent of revenue to reflect the inclusion of these lease payments in our total capex.

And for 2020, we anticipate a further improvement in ROIC of approximately 40 basis points. All of these factors are expected to drive free cash flow of at least €1 billion.

We also intend to maintain our dividend payout ratio of 50 percent alongside the aforementioned €1 billion share buyback programme.

CCEP is moving out of its integration period and into a transformation phase. Our plans for 2020 will ensure that we will be able to invest in the capabilities for the future, while ensuring that we continue to deliver profitable organic revenue growth, underpinned by our sustainability action plan. Our dividend policy and today's buyback announcement are the culmination of these plans which allow us to deliver sustainable growth while creating a better future for our business, our customers and the planet.

We have now agreed 2020 terms with the vast majority of our customers. Every year we have customers that for a variety of reasons take longer to reach agreement and this year is no exception. We are still in negotiations with a handful of customers and in some cases this has resulted in some temporary disruption. Importantly, we have long-standing and good relationships with them and we have every intention of finding an agreement as quickly as possible. We will of course provide an update in our Q1 trading statement.

This customer disruption will however likely have some impact on quarterly phasing this year alongside the lapping of some Brexit-related stock build by our customers in Q1 last year. Also one final modelling point - please remember that as this year is a leap year, there will be one extra selling day in 2020.

Our priority is to continue leading the category for sustainable value creation for our customers. Already since 2017 we've added an incremental €1 billion to the FMCG industry, three times more than our nearest peer.

Damian Gammell - CEO

Thanks for that Nik. So for 2020 we have some exciting plans in place with our brand partners as we look to build out our portfolio. We continue to build our core business, particularly light colas, flavours and mixers alongside accelerating the momentum that we have in areas like RTD Tea, Energy and RTD coffee.

Alongside our brand plans we need to enhance our commercial capabilities, by investing to better serve our customers and further improve in market execution, whilst continuing to drive our sustainability journey. On all of these

areas we will provide more detail at our upcoming Capital markets Event in Brussels in May.

2019 on reflection has been another solid year of delivery. The great successes speak for themselves though we of course also took away some key learnings. Coke Energy for example achieved solid distribution, but needed to be repositioned to be closer to the great Coke taste we know and love. That is on its way in 2020 alongside a new and exciting Cherry flavour variant.

As I touched on earlier, we also made great progress on packaging in 2019. But our agenda goes way beyond that. We recognise that we have much more to do as we transition to a low-carbon circular business. We firmly believe in doing the right thing for our environment and for our communities. And we do that all with a fully aligned relationship with all our franchise partners.

So with that we'd now like to open for questions. One question at a time please. Thank you.

QUESTIONS AND ANSWERS CORPORATE PARTICIPANTS

Damian Paul Gammell *Coca-Cola European Partners plc - CEO & Director*

Nik H. Jhangiani *Coca-Cola European Partners plc - CFO & Senior VP*

Sarah Willett *Coca-Cola European Partners plc - VP of IR*

CONFERENCE CALL PARTICIPANTS

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Chris Pitcher *Redburn (Europe) Limited, Research Division - Partner of Beverages Research*

Fintan Ryan *JP Morgan Chase & Co, Research Division - Analyst*

Lauren Rae Lieberman *Barclays Bank PLC, Research Division - MD & Senior Research Analyst*

Nico Von Stackelberg *Liberum Capital Limited, Research Division - Research Analyst*

Robert Edward Ottenstein *Evercore ISI Institutional Equities, Research Division - Senior MD, Head of Global Beverages Research & Fundamental Research Analyst*

Sanjeet Aujla *Crédit Suisse AG, Research Division - European Beverages Analyst*

Simon Lynsay Hales *Citigroup Inc, Research Division - MD*

Yutong Zhou *- Evercore ISI*

Operator

Your first question comes from the line of Lauren Lieberman with Barclays.

Lauren Rae Lieberman *Barclays Bank PLC, Research Division - MD & Senior Research Analyst*

Great. I just notice on this last slide, the image of the Coca-Cola, the light taste. And I'd love to hear more about that because that would be a pretty significant repositioning for Diet, Diet Light, of course, if you've tested out this packaging, it really, it's incredibly different. So I would just love to hear more about the plans on that? And if that's across markets are just focused on 1 or 2.

Damian Paul Gammell *Coca-Cola European Partners plc - CEO & Director*

Yes. We're excited about it. It won't impact, obviously, the Diet Coke brand, as we know it in GB, where, obviously, it's a significant and very successful part of our business. And it will be rolled out across all of the markets where the brand is today, Coca-Cola Light. We look back over the last number of years, we've had fantastic success on our Coke Zero Sugar.

And we believe that it's a good time now to bring a bit more of a new look and feel to our Coke Life franchise. With that, obviously, packaging the brand imagery and also some great flavors, some of which I think you've already enjoyed in the U.S. So that will be going out across all our markets throughout 2020. And will also be supported by both the line marketing from the Coke company.

So it's clearly one of the pillars in our Cola Light platform, that we're excited about for 2020.

Operator

Your next question comes from the line of Robert Ottenstein with Evercore ISI.

Yutong Zhou -

This is actually Yutong, on for Robert. Could you just give us an idea of your Energy Drink strategy and your interaction between Monster Reign and Coca-Cola Energy, please?

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

Sorry, could you just repeat the first part of that question for me?

Yutong Zhou -

Could you update us on your Energy Drink strategy, please?

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

Okay, sorry. Yes. So obviously, it's a very big and relevant category for us. And we've enjoyed a number of years of great growth. But clearly, on average, our market share is in the range of 15% to 20% on the market, depending on which country you pick.

So we believe having a multi-brand strategy is right for the future.

So obviously, Monster Reign will play a role in that, although, we haven't launched that yet in Europe. That's something we're looking at going forward. And clearly, Coke Energy gives us another platform in that category. So we'll work across all of those areas. We also burn, which is a significant brand for us, particularly in Iberia.

So going forward, we believe the multi-brand approach, given the size of the category, the competitive structure and the different need states is something that will support not just long-term revenue growth, but also our profitability going forward. So

very excited about the flavors on Coke Energy. And clearly, we've got great distribution on that brand. So we would see that playing a bigger role going into 2020. We like what we hear about Reign coming out of the U.S. So again, with Monster, we're excited to bring that to European consumers. So -- and finally, to mention on the core Monster range, we've got some fantastic innovation coming again in 2020. So will be another vibrant year for us in the whole Energy category.

Yutong Zhou -

And just as on...

Nik H. Jhangiani Coca-Cola European Partners plc - CFO & Senior VP

And just to highlight revenue today is -- Energy contributes about just under 4% of our revenue, but growing double digits, as Damian said. So it's an exciting category for us.

Yutong Zhou -

Great. And just as a follow-up, are you -- I know it's early days, but are you seeing the reformulation of Coca-Cola Energy having any impact right now?

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

It's too early. We haven't brought that to market, although, we've been very pleased with the consumer testing, et cetera, but it hasn't hit the shelves yet.

Nik H. Jhangiani Coca-Cola European Partners plc - CFO & Senior VP

Yes, it'll hit probably towards the end of Q1.

Operator

(Operator Instructions)

Your next question comes from the line of Nico Von Stackelberg with Liberum.

Nico Von Stackelberg Liberum Capital Limited, Research Division - Research Analyst

Just a quick question on the small pack format. So volume growth was 11%, but revenue is only 1%. Can you talk a little bit about how price mix evolves. And sort of what the key drivers are of that wide gap.

Nik H. Jhangiani Coca-Cola European Partners plc - CFO & Senior VP

Yes, Nico. I think for us, the volume growth overall, continues to be a strong driver of that in terms of overall mix, that's coming through. On the revenue side, it's a combination of various factors in terms of our total numbers of revenue growth. So happy to pick that up with some more details offline.

Operator

Your next question comes from the line of Fintan Ryan with JPMorgan.

Fintan Ryan JP Morgan Chase & Co, Research Division - Analyst

Just in terms of your guidance for free cash flow for next year. I wonder, could you go through some of the moving parts, particularly, as regards working capital, and as well as I was expecting as the restructuring costs would fall away that you should be able to see further improvement in free cash, notwithstanding the lease payments. Can you sort of explain some of the other moving parts, please?

Nik H. Jhangiani Coca-Cola European Partners plc - CFO & Senior VP

Sure. So I think the lease payments are really just a gross up. So it's not really impacting the free cash flow number.

What you're looking at, is if you take a look at our 3-year trajectory we've had some tremendous success, as I highlighted in terms of working capital improvements, which, obviously, going forward, we will probably see some growth in our working capital -- operating working capital as the business continues to grow as well. So I think, a lot of what we could do to manage through both on terms and conditions as well as internal processes in terms of payables and receivables. We've done a great job at. And that's really unlocked a lot of value.

So going forward, that kind of falls away. To your question around broader cash spend on restructuring, while we have definitely come out of what we have called the synergy delivery phase.

We will continue to look at ways of optimizing our business, which may or may not entail some more cash outflows in relation to that, as we continue to do that. So as we indicated, we're very comfortable with the at least EUR 1 billion, and we will continue to update you, as things evolve during the course of the year.

Fintan Ryan JP Morgan Chase & Co, Research Division - Analyst

Great. And sorry, just as a follow-up. Conceptually, is it fair to say that, along with the investments in marketing behind your innovations and new products.

Is that -- would your -- is it fair to say the growth in those products is also working capital investments required as well?

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

Yes, there definitely will be working capital investments required. But I wouldn't necessarily call those out to separately from the rest of the overall business growth that we will continue to see that will clearly have an impact, given that we've now kind of got a good baseline on our working capital.

Operator

And your next question comes from the line of Andrea Pistacchi with Deutsche Bank.

Andrea Pistacchi Deutsche Bank AG, Research Division - Research Analyst

At Q3, you had called out the difficult consumer environment in GB and France. Leaving aside temporary disruptions from customer negotiations. Can you update us a bit on how you see the consumer in these 2 markets, please.

Nik H. Jhangiani Coca-Cola European Partners plc - CFO & Senior VP

Yes. I mean, we -- as you've seen from our results, we enjoyed a really strong finish to the year in both of those markets in terms of our revenue growth, and we continue to see solid share gains. So both markets continue to perform well. Clearly,

GB has come through a lot of volatility on a macro level, with Brexit and the General Election. But that, in some ways, has now settled down. So we continue to see the category growing low single-digit in GB, as we go through 2020 and also in France.

And with the changes we're making, both in our portfolio and in our execution, we would continue to see us participating and growing share in that growth.

So overall, the NARTD and in particular, the Sparkling category in both France and GB remains very vibrant. And a lot of the innovation we're bringing, and indeed our competitors to those categories is stimulating a lot of growth. And I suppose the good news looking back at 2019 is that we took a larger share of that growth than anybody else, which is great.

So overall, positives as we move into 2020.

Fintan Ryan JP Morgan Chase & Co, Research Division - Analyst

If I may, as a follow-up on a different market, please. On Germany. So from the 1st of January, I think you've taken over from Carlsberg, the contract for the German-Danish border. Is there any way you could quantify the benefit, but also how are you integrating this additional volume into your German production footprint. Should we expect a smooth process? Or could it create any short-term disruption.

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

Yes. So that business has been around for quite a while. So -- and it's basically quite a dynamic group of customers. So when you refer to kind of one contract, it's really a very normal

Commercial situation. Coming into 2020, we have secured some of that business going forward. And obviously, we're pleased with that. We're still looking at what that means for the full year, but clearly, it will allow us to source some of that product from our existing capacity within CCEP. And if needed, clearly, we've got partners that we can access short-term capacity through, if we require going forward.

So it's something that has happened reasonably smoothly. But again, it's a business that the German -- or German businesses have been involved in before, but obviously, we're happy to get a bit more revenue, as we go into 2020.

And it's something that, clearly, as we -- looking towards April, we'll have a little bit more insights on how that business is performing. And be happy to update you then.

Operator

(Operator Instructions)

Your next question comes from the line of Nico Von Buckeburg with Liberum

Nico Von Stackelberg Liberum Capital Limited, Research Division - Research Analyst

It's a bit of an awkward question because I'm asking the management about their KPIs, but you mentioned potentially incorporating sustainability into the incentive planning. And you've probably given some thought to this, but are there KPIs that you feel particularly aligned with value creation? And if so, could you maybe explain that for me?

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

Yes. It's well picked up Nico. I mean, that's something we're excited about. It's obviously something that we will go through the governance process with our ramcon our full board, but clearly, they support the idea of incorporating what we believe is a critical, if you metric for not just management for the whole business. So that will be in around the area of CO2 emission, waste and plastic.

We are actually looking at those metrics currently and seeking some external views on that. And also trying to look at what other companies are doing, but I think, we will be an early mover in this space, which we're very proud about. We see it completely consistent with our value creation model.

In fact, we know that our customers, our consumers and our employees, in particular, value that move. And they see it as a tangible commitment to making the world a better place. That has a halo effect on our company and our brands and on our relationships. And I think all of those lead to a longer-term stronger value creation model. And that's the way we're looking at it. A lot of the initiatives are already underway. So clearly, in some ways, our incentive change is catching up with the moves we've been making since we created CCEP.

So it's probably coming a little bit later than some of the actions that we've shared around water, energy use and packaging.

It's something we've tested with our management. And honestly, I was really, really surprised at how welcoming they were to have that in their metrics because they're very passionate about it.

And as we've seen in our short-term metrics, we created CCEP, we took the decision to include free cash flow. And I think you've all seen the power of that. So what gets measured, generally gets done. And if we're really, really, really passive about sustainability. We think it should be in there whatever the metrics. So we'll share more, obviously, on the specific metric and the targets.

We're aiming to try and probably do that by the mid-year. And yes, we will be able to give a bit more color around what we're measuring and what are the targets for the next 3-year cycle. But overall, an exciting commitment on behalf of our board and the management to sign up to that.

Operator

Our next question comes from the line of Matthew Ford with Credit Suisse.

Sanjeet Aujla Crédit Suisse AG, Research Division - European Beverages Analyst

It's actually Sanjeet here from Credit Suisse. Just a couple of questions. Firstly, are you able to talk a little bit about -- or break down the growth, that you've seen between the home and the away-from-home channel, just love to get a sense of how, if at all, accretive, the away-from-home channel is, I appreciate you've made a lot of investments in sales force, et cetera, over the last couple of years. That's my first question.

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

And I -- I mean, on a strategic level, you're right. I mean, that's been a priority since we created CCEP was to grow small packs, greater and large packs. And then also to grow out of retail faster than retail. And we've been delivering on that across all our markets. And also in 2019, and it's a priority for us going into 2020.

So you will see us continuing to benefit from the investments made in earlier years, in terms of product distribution, volume and revenue in our away-from-home channels. And we've also moved some more segmented structure, which we've shared previously and that's unlocking a lot more growth. And clearly, as we explore brands like Costa and build on the ready-to-drink platform and move that more into at work and (inaudible) that is another example of where our brand innovation clearly fits with that objective of diversifying our revenues across more segments and more channels.

So it's working. Clearly, we're pleased that packs like glass and cans and away-from-home continue to drive more value for us and our customers.

And we're also pleased to see that new brands are playing a bigger role in that channel going forward as well.

So overall, I'd expect it to continue in 2020. And it's something that we're pleased with, but also focused on going forward.

Nik H. Jhangiani Coca-Cola European Partners plc - CFO & Senior VP

And just keep in mind, if you're looking at the numbers, you might see that the home channel grew faster than the away-from-home, but a lot of that has to do with the comps that we had, particularly in GB, Germany and Northern Europe from last year, where we had a really good Q3.

So that clearly has an impact in terms of the base of the away-from-home growth. On the flip side, in Iberia, we had the benefit of better weather. And then France, obviously, you would expect to see that the whole market would grow faster, given the fact that we were cycling through the (inaudible) dispute. So all those would have had an impact. But to Damian's point, our strategy is unchanged in terms of how we would continue to see away-from-home growing faster than our home business, with our small tax focus. Hope that helps.

Sanjeet Aujla Crédit Suisse AG, Research Division - European Beverages Analyst

And yes, that's very helpful. And just a follow-up on that. Can you just remind us when you start lapping the (inaudible) benefit? And I think the rest of your French business, how disruptive has the (inaudible) law then. If at all?

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

Sorry, what was the last part of your question?

Sanjeet Aujla Crédit Suisse AG, Research Division - European Beverages Analyst

The (inaudible) regulation that we've seen across the...

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

Okay. Yes. So we're more or less through the clerk. So I think you're looking at a comparable performance in France now. So that's behind us.

I think the changes that were made probably had a bigger impact on other categories and suppliers than us. We had already, if you recall back, I think 2017 made some big changes in our pack pricing architecture in France. We did that through a lens of value creation for our customers, but quite quickly on the back of that, that new law came in. So we were slightly ahead of other categories. And we've been benefiting from that in '18, '19, obviously, absent the (inaudible) disruption. And as you can see in our Q4 numbers, our French category is performing really strongly for our customers and driving a lot of revenue. So the clerk is through, and those changes have been positive for us. And I think for most of the French retailers.

Operator

Your next question comes from the line of Charlie Higgs with Redburn.

Chris Pitcher Redburn (Europe) Limited, Research Division - Partner of Beverages Research

It's Chris for Redburn. A couple of questions. On Coke Zero. Can you give us an idea of what the distribution looks like now for Coke Zero versus Classic. And what your sort of targets are on a sort of a couple of year view. And then as my sort of follow-up. Nik, within the cost of goods guidance, how much are we starting to see the cost inflation coming in for more sustainable packaging. Is that an element of the COGS guidance? And should we expect that to sort of continue to work through as you head towards your targets?

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

Chris, on Coca-Cola zero, broadly, its distribution now is a parity with Coca-Cola Classic.

So I would put one caveat on that. And if you live in London, you know what I'm going to say, in GB, we're not quite there yet. Generally, we have got always 2 colas available in GB, definitely Coke Classic. And then depending on the account, it could be Coke Zero 0 or Diet Coke, given the size of Diet Coke in GB. So broadly speaking, the

distribution is probably at 100% for sugar-free. And a Classic variety in GB as well. It's just you'll probably find a bit more Diet Coke in GB than you will Coke Zero, given the strength of our brand.

But across all of our markets now, we broadly enjoy parity distribution on Coke Zero with the Coke Classic. And that's something that's driven that 13% plus growth on that brand over a number of years. We still see opportunities. So clearly, not just brand availability but pack availability. And certainly, on Coke Zero and to Lauren's point earlier, on our new Coca-Cola Lighter Taste and Diet Coke. We still see a lot of opportunities for some of the small pack varieties, particularly in retail.

More premium, some glass as well, which we're rolling out. So brand distribution, I think we're in good shape, but still some upside for us on package distribution, which we're going after in 2020 and beyond.

Nik H. Jhangiani *Coca-Cola European Partners plc - CFO & Senior VP*

And Chris, on your question on the COGS guidance. Yes, you do see an on cost from the recycled PET. But then on the flip side, you're also seeing a downward trend, at least for 2020 on the virgin PET. But going forward, I would also expect over the midterm, with more availability of recycled PET in the market, that will also hopefully moderate those prices.

So all in all, like we said, our commodities will be up roughly about the 1%, which I think is the basket of the variety of moving parts, but we'll continue to track that. And it's the right thing to do for our business, as Damian talked about, when we think about, what our customers want, what our consumers want from us. And over time, we do believe that will create a more sustainable business focused on having the right availability of the right type of pack for a variety of different consumers.

Damian Paul Gammell *Coca-Cola European Partners plc - CEO & Director*

And just to add to that. I mean, I think it's an important mindset. I mean, we view that as an investment in brand value rather than the cost. Because clearly, we know that consumers and customers value brands that are sustainable, more than those that are not. So while it flows through the COGS, it ultimately is a driver of brand value. Over time, we'd expect that will protect our existing value proposition but it may also, over time, allow us to extract more value.

And that's something, clearly, as we prioritize some of the packaging innovations, it may well allow us to continue to protect, but also grow value on some of those brands. So we clearly are conscious that we need to manage our profit and cash delivery in that environment, and we're doing that. But we're also really looking at that as an investment in the future of our brands rather than just a cost.

Operator

Your next question comes from the line of Simon Hales with Citi.

Simon Lynsay Hales *Citigroup Inc, Research Division - MD*

Wonder if you could just talk a little bit more about the performance of Schweppes into the year-end. Clearly, you're still getting good distribution and share gain. I'm just interested in how you see that develop, as you move through 2020, what you're seeing in terms of repeat purchase and generally competitive dynamics.

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

Simon. It's been a long time coming on track. So we're going to keep that caveat.

We had a few years where we were challenged in that brand. And as we've shared with you on a number of calls, we've taken some great initiatives coming out of 2018 into 2019 around packaging some of the new labeling flavors. And obviously, a more premium proposition. And we really saw the benefit of that coming through the second half of 2019.

And we'd expect that to continue. Clearly, we have still got distribution opportunities from some customers that moved away from that brand in '16 and '17. So we're seeing some customers and consumers coming back. We clearly have an opportunity in retail. We're not participating yet in some of the packed formats that our competitors are offering, that's something we aim to close, as we move through 2020. And we are working on a new (inaudible) with the Coke company around the brand, and we'll continue to explore new flavors as well. So great to see the brand responding and great to see the share coming back. But clearly, we're not back to where we were a number of years ago. So while we're enjoying the success, and we wanted to continue, we are cognizant that we are catching up for some lost ground earlier. And that gives us momentum into 2020 in that category. We also have Royal Bliss outside of GB, which, again, gives us an excellent brand and not just in Iberia, but something that we're going to look across of the market. So overall, good news in Schweppes, but more to come.

Simon Lynsay Hales Citigroup Inc, Research Division - MD

Got it. And just separately, on another note, as a follow-up. Can I just ask around the new share buyback program. Just from a technical standpoint, are you able to go into market and immediately execute, or start executing against that? Or is before we perhaps start to see you in the open market buying back stock?

Nik H. Jhangiani Coca-Cola European Partners plc - CFO & Senior VP

Yes, as I said, Simon, we will actually initiate that program next week. So you will see us back in the market. And we'll probably do that pro rata through the course of the year. Obviously, subject to AGM approval and the other caveats I put out before.

Operator

Your next question comes from the line of Robert Ottenstein with Evercore ISI.

Robert Edward Ottenstein Evercore ISI Institutional Equities, Research Division - Senior MD, Head of Global Beverages Research & Fundamental Research Analyst

Just in terms of looking into 2020, could you give us some color on the innovations that you're most excited about? And also, any changes in consumer trends that you're seeing?

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

So on the innovation side, I think a lot of it will be building on momentum that we created in 2019. So clearly, by category, we're excited about innovation on our core Sparkling brands. So Fatma flavors continue to perform well. We've recently moved stride into clear PET and given that brand an update. So that's an exciting innovation. And on our core Coca-Cola trademark, we'll continue to see innovation on packaging. So that's something that we will see a lot of, as we go through 2020.

On the brand side, clearly, as I talked about in my comments, we'll bring more to Fuze Tea. We'll see more really cool brands coming across the energy segment, obviously, Coke Energy and Coke Energy Cherry. Our Monster innovation pipeline looks great. We've got Costa coffee. So we really have got a rich portfolio of innovation. That has delivered in 2019, but will also support the growth into 2020.

On the consumer, again, as I mentioned earlier, we see robust growth in the category, and we see consumers responding well to innovation and choice.

We see them responding well to some of our low and sugar-free varieties. They continue to look for new and exciting beverages. I think, as I just mentioned, we've got a long list of those coming. They also are looking for more sustainable credentials. We talked about that on the call. So we see that growing in importance. And clearly, they continue to respond well to promotions. And as we look into 2020, we've got some big assets from the Olympics, and from the Euros on the football side. So that's something that we know our consumers in Europe always enjoy participating in.

So overall, solid category growth expectations on the back of a solid consumer environment.

But that's something, obviously, we'll keep a close eye on, as we go through 2020.

Operator

Your final question comes from the line of Nico Von Stackelberg with Liberum.

Nico Von Stackelberg Liberum Capital Limited, Research Division - Research Analyst

I wanted to ask about new products. On the Coca-Cola signature mixtures. Could you give me a rough feel for how successful has it been so far? And I'm also quite curious about -- it seems like it's a predominantly an on trade product that you can get it on e-commerce, but can you tell me a little bit about how you think about advertising and marketing and activating the brand?

So I guess, in short, what sort of percentage of A&P of sales do you spend on signature mixers? And as another question, if I can get it in there, a little bit cheekily

is, do you expect a halt to come to CCEP in the foreseeable future apart from the states, it's the Sparkling Water, that's caffeinated?

Damian Paul Gammell Coca-Cola European Partners plc - CEO & Director

So on Coke signature mixes, I mean, that was a really good innovation on the Coke trademark that we brought to market last year.

So it's very early. We predominantly focus, as you said, on a number of on trade outlets to learn, drive, trial. We haven't really rolled it out in retail, although, you can find it in some select accounts in GB. We don't really disclose the amount of A&P or on a brand level, but it's very small, Nico. I mean, it's something that we we'll continue to trial, within 2020, see if it's going to get scalable, we've got some very positive customer and consumer feedback. But overall, excluding GB, the Mixes segment is quite small anyway. And within that, dark mixes are starting to develop at least in our view, that's the right space to be in with Coke signature mixes. But again, very small and really at the beginning of exploring the opportunity on that brand and format.

On AHA, again, we have a very engaging and collaborative process with the Coke company, where we look at the brands that they have, that don't exist in their territories. We have a -- basically, every 2 months, we sit down and view that as a leadership team, we'll include AHA in our deliberations on, is that a brand that could work in Europe or not. But we do that across hundreds of brands with the Coke company. I mean, the great thing for us is they bring a lot of brands globally to Europe, that we can just test and see if they respond well here or not, I'm going to do the same with AHA.

Thank you Nico. So again, I'd like to thank you on behalf of Sarah, Nik and I, for taking the time to join us today. And that's been really great to share with you, another great year of results for CCEP in 2019. And most importantly, share with you our guidance and some color on how we see our business developing in 2020. We look forward to our call in April. And most importantly, we look forward to our Capital Markets Day in May, where we, again, will take the time to update you on our business. And also share with you our perspectives, on what is a very exciting future for all our shareholders at CCEP. Thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect
