COCA-COLA EUROPEAN PARTNERS
Preliminary Unaudited Results for the Full-Year Ended 31 December 2020
Analyst Call Transcript
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CORPORATE PARTICIPANTS OF PREPARED REMARKS

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PREPARED REMARKS

Sarah Willett: Introduction
Thank you and good afternoon in Europe or good morning in the US.

Thank you all for joining us today. I'm here with Damian Gammell, our CEO, and Nik Jhangiani, our CFO.

Before we begin with our opening remarks on our Preliminary Results for the Fourth-Quarter & Full-Year 2020, 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 this morning'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 Nik and accompanied by a slide deck. We will then turn the call over to your questions.
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: Summary
Thank you, Sarah, and many thanks to everyone joining us today.

2020 was clearly an unprecedented and challenging year for us all and so let me start by saying a huge thank you to everyone at CCEP for their incredible commitment and agility as well as the support they provided our customers, consumers and communities throughout the year.

We entered 2020 with good momentum, building on a solid performance in 2019 and a strong track record. Then the pandemic hit our markets and communities.

Our response was rapid, and we clearly demonstrated the resilience of our business, evidenced by another year of market share gains. I'll talk more about our actions, but I am proud of our ability to protect our performance in the short term without compromising the longer term.

We overdelivered on our cost mitigation plans, of which a significant amount will not return, and we launched our accelerate competitiveness efficiency programme on our journey to an even leaner future.

And even after our continued investments behind our portfolio, digital and sustainability, we were still able to deliver over €900 million in free cash flow – a standout performance given the year we had.

This foundation gives us confidence in the future and our fantastic portfolio of brands provides an exciting platform for growth, a future which will be digital and green led.

And of course, we also have the exciting opportunity to acquire Coca-Cola Amatil.

While there remains some uncertainty about the duration and impact of the pandemic, the rollout of COVID-19 vaccines brings new optimism. Our decisive actions during the year have put us in a stronger position to react to the renewed restrictions we are facing in 2021. We remain confident that we will emerge from this crisis as an even more efficient and sustainable business.

Damian Gammell: We come from a position of strength
You will have seen this before, and the message remains the same. We come from a position of strength.

We operate in an attractive and valuable category. We enjoy scale and a market leading position across all our geographies. We have an exciting portfolio of brands, products and packaging with a strong future pipeline of innovation.

We continue to create a lot of value for our customers too through the great service we offer.

We have a solid balance sheet and despite a challenging year we continue to generate a lot of cash.

And we continue to be strongly aligned with our largest franchise partner, The Coca-Cola Company, alongside our other brand partners.

As you know sustainability is a key priority - and the pandemic has strengthened our determination to go further and faster in decarbonising our business.

And I am privileged to be leading a strong team of such dedicated, talented and engaged colleagues.

Damian Gammell: Respond, recover & build for future

In addition to thanking our employees, I'd also like to extend my gratitude to all of those who worked hard to keep us safe and well last year.

Safeguarding our people has been our number one priority. The majority of our office-based colleagues continue to work remotely, utilising the digital workplace tools in place across our markets. And we increased our internal communications and emotional and mental health support, including the roll out of online wellbeing training modules.

We have worked closely with all our partners to support our communities. Together with the Coca-Cola Company we provided substantial aid and where possible we made our logistics and transportation services available to support emergency relief work.

Securing business continuity has been a big focus and the pandemic has really reinforced the power of the relationship we have with The Coca-Cola Company and our other brand partners. We share a collective belief in driving our core brands and through our joint investment plans, we were able to react quickly to the sharp changes in consumer behaviour.

The widespread closure of away from home outlets and low demand for immediate consumption meant we needed to quickly optimise our pack price architecture in the home channel, with greater emphasis on our core brands and larger pack sizes. Reducing our SKUs, which at the height of the pandemic were down by over a third, helped us to ensure product availability and visibility for our customers, as well as driving further efficiencies in our supply chain. This meant that we were able to maintain great customer service levels at close to 100% despite the challenging backdrop. Some of these SKUs have of course been reintroduced based on stringent criteria but we continue to aim for a permanent 10% reduction, with a focus on our core brands and key innovation.

We reallocated resource across the business, especially within field sales, from away from home to home to increase coverage and capture revenue opportunities. We pushed extra adjacencies in the home channel such as meal deals and introduced more premium packs, both in store and online, to capture some of the away-from-home dining occasions that had transferred to the home.

And we successfully leveraged our digital capabilities, with strong growth in both our B2B2Home and B2B businesses.

Importantly, this focus and close collaboration with our customers and brand partners allowed us to gain overall market share - a fantastic achievement.

And finally, we took bold actions to protect our performance both in the short and long term. We have been, and continue to be, extremely disciplined from a cost perspective, ensuring all opex and capex was limited to what was essential. We also took actions to protect our cash and manage our working capital requirements. All of this enabled us to generate strong free cash flow and maintain our solid balance sheet.

And finally, we took an important step in our sustainability journey by setting a bold ambition to become carbon neutral, which I will come on to next.

Damian Gammell: FY20 Strengthening our sustainability commitments

The pandemic has strengthened our determination to go further and faster on our integrated sustainability plan, This is Forward. In December we announced our ambition to reach net zero greenhouse gas emissions by 2040.

Our focus will be on reducing emissions across our entire value chain – from the raw ingredients we source and the packaging we use, to the drinks we sell. To support this ambition, we have set an interim target to reduce absolute greenhouse gas emissions across our entire value chain by thirty percent by 2030.

Our sustainability initiatives are at the core of everything we do at CCEP. This was reflected in our decision to integrate a carbon reduction metric into our long-term incentive plan for the first time in 2020, making us an early adopter in this space.

Packaging is of course central to our carbon reduction targets and I am pleased that despite the pandemic, we continued to move closer towards our 50% recycled plastic target, progressing from 30 to 41 percent since this time last year. But the journey will not stop there - Sweden became our first 100 percent recycled PET market and the first in the Coca-Cola System, with the Netherlands, Norway and Iceland to follow this year.

We are proud that we continue to be recognised for our sustainability efforts. We are one of just four beverage companies to be included on the Dow Jones Sustainability Indices and recently had our position on the CDP A List for climate and water reaffirmed for a fifth consecutive year. We also retained our triple A MSCI ESG rating.

I would now like to hand over to Nik to talk in more detail to the financials. Nik.

Nik Jhangiani: FY20 Financial Summary
Thank you, Damian.

Here you will see our 2020 financial summary.

Our revenue declined by 11 percent on an fx-neutral basis, driven by a 10 percent comparable volume decline reflecting the impact of the Covid-19 pandemic which I'll come back to. The combination of adverse channel, pack and geographic mix resulted in a 1 ½ percent decline in revenue per unit case. You'll find our revenue performance by geography in the appendices of this presentation with detailed commentary in the release.

Our COGS per unit case increased 2 ½ percent on a comparable and fx-neutral basis, mainly driven by an under recovery of our fixed costs given the lower volumes, combined with adverse mix mainly due to higher demand for cans. As a reminder, approximately 15 percent of our COGS relate to fixed costs, namely manufacturing costs and D&A.

Commodities, which account for a further 25 percent, were mainly favourable in 2020 with lower PET and aluminium prices partially offset by an increase in sugar prices. In addition, we benefitted from lower concentrate costs driven by the decline in revenue per unit case in line with our incidence model.
A full breakdown of our COGS is included in the appendices. While we are not providing 2021 COGS guidance today, please note that our commodities exposure is largely hedged for this year as per our multi-year hedging policy. Given this level of coverage, we currently anticipate commodities inflation of approximately 1 percent and we will keep you updated as the year progresses.

Our comparable gross profit declined by 17 percent reflecting the decline in revenue and adverse COGS per unit case. Combined with an 11 percent reduction in comparable operating costs driven by discretionary opex savings of c.€260 million, this led to comparable operating profit of €1.2 billion, down 28 ½ percent on a comparable and fx-neutral basis.

I'll talk about opex and the discretionary savings in more detail shortly.

Our comparable effective tax rate declined to 24 percent mainly due to lower corporate tax rates in France and Belgium, as well as a change in profit mix. This resulted in comparable diluted earnings per share of €1.80, down 28 ½ percent on a comparable and fx-neutral basis.

And as you are aware, free cash flow generation has been, and continues to be, a core priority. Despite the challenging backdrop, we delivered strong free cash flow generation of €925 million, close to our medium-term annual objective of generating at least €1 billion a year. This highlights the strength of our free cash flow generation, supported by our capex and working capital initiatives which I'll cover in more detail shortly.

And finally, on shareholder returns, we returned approximately €130 million to shareholders via share buyback before the suspension of our €1 billion programme in March last year. We also paid a full-year dividend of €0.85 per share in December maintaining our dividend payout ratio of circa 50%, in line with our dividend policy to which we remain fully committed.

Nik Jhangiani: FY20 revenue highlights

Now to some revenue highlights.

Joint value creation with our customers remains a key priority, so it is great to see that we were the largest creator of retail value in the NARTD category in 2020, adding an additional €500 million versus 2019. In fact, we delivered nearly twice as much value as our nearest competitor and at a brand level, we had three of the leading five brands for absolute value growth in our portfolio.

This was driven by smart revenue growth management initiatives, such as optimising our promotional efficiency, SKU rationalisation, and the reallocation of field sales reps into the home channel. These initiatives also helped us to take value market share during the year, both in store and online. These share gains would not have been possible without the resilient performance from our core brands. Coca-Cola Zero Sugar was the number one NARTD brand for absolute value growth during the year. And as we pushed additional adjacencies and ensured the supply of larger packs in store, we saw solid volume growth in multipack cans for both Fanta and Sprite.

Energy has also been very resilient with volume growth of 13 percent, so we are well on track to meet our goal of doubling the size of our energy business. Monster was the standout performer with volume growth of 15 percent, supported by new flavours such as Pacific Punch and a broader multi-pack offering in markets such as GB. Impressively, Monster is now the number one energy brand, ahead of Red Bull, in both Spain and Portugal.

We have embraced the opportunity digital represents for our consumers and customers. In the B2B2Home space, our online grocery revenue grew 44 percent, resulting in value share gains of 140 basis points. In GB, our market share online has actually surpassed that of in store – reflecting our dedicated efforts to drive e-commerce sales together with our customers. And as restrictions have limited away from home socializing, we have continued to see strong growth in online food delivery, with revenue growth of around 50 percent during the year.

But our digital momentum goes much further than just online grocery. We have a winning B2B portal with MyCCEP.com, now with around 35 thousand customers using the platform, four times more than at the beginning of the year, and this number continues to grow.

We also launched our first ever direct to consumer sales platform in GB as a pilot – Your Coca-Cola.

And finally, despite the pandemic we continued to invest behind our core innovation and future revenue streams as we continue to diversify to become a total beverage company, aligned with our brand partners.

Nik Jhangiani: COVID-19 volume impact across the year
So, now to the impact of COVID-19.

This clearly shows the monthly volatility in volumes, mirroring the varying extent of lockdowns, outlet closures and restrictions.

Unsurprisingly, the most significant impact has been on our away from home channel where volumes declined by circa 28 percent. While we saw a marked improvement in volumes during Q3 reflecting the easing of initial lockdown measures and favourable weather, volumes in the fourth quarter again deteriorated, impacted by the renewed restrictions, particularly during November and December.

On the whole, trading in the home channel has been more stable with full year volume growth of circa 2 percent, benefitting from our RGM initiatives as well as the growth in online grocery as I mentioned earlier. The resolution of a *customer dispute also supported home volumes in the second half, particularly in France and Germany.*

From a pack perspective, on-the-go immediate consumption was negatively impacted across both channels with volumes down nearly 25 percent. Future consumption packs such as large PET and multipack cans performed better, particularly in the Home channel.

As a reminder, the away from home channel and immediate consumption typically account for around 40 percent and 35 percent of our volumes respectively. You'll find more colour on these volume breakdowns in the appendices of this deck.

The start to 2021 continues to be challenged by the pandemic, with January volumes weaker than Q4, impacted by tougher restrictions in most of our markets. While considerable uncertainty remains over the depth and duration of these restrictions, we anticipate they will remain in place throughout most of the first quarter. That said, our learnings from 2020 and the way we have adapted our business, give us confidence that we will navigate through any short-term challenges effectively.

Nik Jhangiani: Overdelivered on opex savings to protect profit and drive permanent efficiency

Moving now to costs. Importantly we came into the crisis with a solid understanding of our cost base, given the close out of the merger synergy programme in 2019 alongside ongoing work around our accelerate competitiveness initiatives. This enabled us to react even more quickly when the pandemic hit our markets.

The decline in operating profit was therefore moderated by robust action on discretionary spend. In total, we delivered opex savings of €260 million, ahead of our guided range of €200-250 million.

Some costs declined naturally, such as seasonal labour given lower volumes, as well as incentives, travel and meetings, and other services like consultancy. We were also able to reduce our trade marketing expenses as we worked closely with The Coca-Cola Company to become more targeted and efficient with our spend. Keep in mind though that this is of course an area we will continue to invest in as restrictions begin to lift, and volumes return.

And as a reminder, we would see roughly two-thirds of our total opex as fixed, and a third as variable. These variable volume related savings are the key bridging item between the €260 million of savings and the €315 million reduction in total opex that you see on this chart. This was partially offset by some one-off costs coming into the business such as bad debts, inventory *write offs and protective equipment for our colleagues and of course inflation.*

We anticipate opex savings of approximately €150 million in 2021 when compared to 2019. This includes some permanent benefits from the 2020 mitigation programme such as less travel and more efficient TME spend, as well as the initial benefits from our new Accelerate Competitiveness programme which was launched in October.

This programme will result in some structural headcount changes, as well as the closure of 3 plants, to address duplication, increase efficiency and scale, and simplify how we work. We anticipate that around 1,200 roles will be impacted across field sales, finance, central supply chain and support functions.

These are of course difficult decisions to make but are right for our business in the longer term, enabling us to meet the changing needs of our customers. Importantly, these initial initiatives will have multi-year benefits from a run rate perspective and, as always, we will continue to manage our cost base as we look to become a structurally more efficient business.

I've said it before, but I'll say it again. We will not return to our pre pandemic cost base and as a result, we expect our opex in FY21 to be lower than that of FY19 despite inflationary pressures given the actions we are taking to become a permanently leaner business for the future. It's this continued focus that gives us confidence in our ability to return to sustainable growth in 2021 and beyond.

Nik Jhangiani: Maintained strong Free Cash Flow generation of €925m
So, turning back to free cash flow in more detail, a hugely important metric for us.

Despite the challenging backdrop, we generated €925 million of free cash flow. This slide lays out the key components.

When the pandemic first hit our markets, we moved at speed to review all sources and uses of cash to preserve maximum flexibility. This included reducing capex by around a third by deferring non-critical projects. Recognising the importance of continued but targeted investment, we still spent circa €360 million, excluding leases, on supply chain, digital and other technologies, as well as cold drink equipment.

We will continue to be disciplined with our capex spend in 2021 to ensure we have the right portfolio and distribution capabilities to sell our products to all our customers across all channels. At this stage, we expect to maintain capex *at 2020 levels, but cannot provide any specific guidance today recognising the current uncertain environment. We will however continue scaling up our digital investments and anticipate this bucket will account for around 30 percent of this year's spend. This compares to 10 percent in 2019 and 20 percent in 2020.*

And despite the pandemic, we delivered a working capital inflow of €185m in 2020. Some of this is down to timing so will reverse, but reflecting our now multi-year focus on driving working capital improvements, we do expect to retain approximately €100 million, taking our cumulative improvements to approximately €750 million since 2017. This strong performance has all been driven through strong cross-functional collaboration, as well as solid routines to track and drive results across our trade payable, receivable and inventory ratios.

Nik Jhangiani: Maintained robust balance sheet & solid access to liquidity
And finally, on the balance sheet. As you know, we entered this crisis from a position of strength having de-levered quickly post merger driven by our strong free cash flow generation. We ended 2020 with a net debt to adjusted EBITDA ratio of 3.2x, reflecting the decline in profit owing to the pandemic, more than offsetting the reduction in net debt.

We remain fully committed to our strong investment grade ratings.
We have a balanced profile of long-term debt maturities as the chart shows and were pleased to secure an additional €1.6 billion of funding in the debt markets last year, taking advantage of favourable market conditions. These proceeds continue to provide us with additional liquidity and flexibility, including the repayment of maturing debt.

We also continue to have access to other sources of liquidity, including currently holding around 1.2 billion euro of cash and a 1.5 billion euro sustainability linked RCF. Additionally, we have access to the commercial paper market via our 1.5 billion euro multi-currency programme. That said, we currently do not have any RCF utilization or Commercial paper outstanding.

So, we have ample liquidity providing us with financial flexibility in the continued uncertain environment. And importantly there are no covenants on either our long-term debt or our facilities.
And now back to Damian.

Damian Gammell: Confident in future led by green & digital
Thanks Nik.

Our future will be green and digital led. We have and continue to increase our investments in digital right across the business. The pandemic has shown the important role digital platforms are playing for customers, consumers and colleagues, an opportunity we will continue to harness.
We continue to invest in sustainability with our now overarching commitment to net zero by 2040. This, alongside continuing to make portfolio investments, skewed to the core but also to seeding future revenue streams like Costa, Tropico and Topo Chico. All supported and aligned with our fantastic brand partners.

We want to continue growing in sparkling and double our already strong energy business. We are also now building a platform for growth in coffee with Costa.

So, we are rightly confident about the future of our business, built upon three pillars: great people, great service and great beverages.

We will strengthen a workplace culture that embraces wellbeing, inclusion, diversity and equality.

And to support our growth platform, we have also launched our new efficiency programme, with the first savings due to land in 2021, as we move forward to becoming an even leaner business.

Damian Gammell: Exciting portfolio growth platform
And with that in mind here are some key highlights to look out for in 2021.
On the core, watch out for the 'what the fanta' campaign, lending itself to the playful nature of the brand.

New coke packaging and a new greater tasting coke zero is on its way, to be supported by a major advertising campaign.

In the energy space, coke energy's delayed relaunch in 2020 is on the way, including the launch of coke energy cherry.

And Monster will drive more innovation including new flavours, especially across the ultra and juice ranges, including Monster mule, a mix between ginger brew and energy.

There will be new flavours for Fuze Tea like elderberry peach and raspberry mint. New larger pack sizes for the home channel alongside variants launching without sugar.

Tropico enters Portugal for the first time this year and with new flavours like clementine, orange and tropical, and of course the exciting launch of the new low-calorie hard seltzer Topo Chico brand is under way with three flavours. Early days but customers are enthusiastic and early feedback is encouraging. And now onto Costa.

Damian Gammell: Build a platform for growth in coffee with Costa
Building a platform for growth in coffee is an exciting opportunity in a large and growing category.

We have a new, dedicated team in place headed up by a new senior leadership role in CCEP.

We are busy building out plans with a focus on proud to serve, express machines and ready to drink, with new variants landing this year, like the flat white and vanilla latte.

Outside of GB, Costa will be launching proud to serve and express in all our other markets, starting with Germany, Belux and Norway in 2021.
We look forward to sharing more in due course.

Damian Gammell: Progressing with acquisition of Coca-Cola Amatil
We are progressing with the acquisition of Coca-Cola Amatil.

You will no doubt understand the sensitivity given this is a live transaction so we are limited as to what we can say at this time. In the meantime, as you will have seen recently, we announced receiving approval for the transaction from the Australian foreign investment review board.

In terms of next steps, we are now waiting for Amatil to receive the Independent Expert Report, commissioned by them, and then publish the scheme booklet ahead of the scheme vote.

The scheme naturally remains subject to other customary conditions, including Amatil shareholder approval, court approval and the New Zealand foreign investment regulatory approval.

We look forward to moving forward in the process and sharing more with you as soon as we can.

Damian Gammell: Key takeaways from 2020
So, our key takeaways from 2020.

2020 was a challenging year like no other. I am proud of how well we managed through such a rapidly changing environment.

The crisis reinforced the power of our relationship with The Coca-Cola Company and our other brand partners. Our collective belief in continuing to invest in our core brands served us well.

The crisis did not stop us continuing to do the right thing to position the business for the long term. We continued to invest, particularly in sustainability, digital and of course our portfolio. We adjusted our cost base to a new reality, and launched a wider efficiency programme, so more to come. And the strength of the free cash flow generation of this business was a real stand out.

And as I started by thanking my engaged and committed colleagues, I wish to end on the same note as we look to the future.

While our business continues to face significant restrictions, which we confidently continue to navigate, we face that future with optimism and confidence. We are ambitious in our ability to grow but done sustainably for a better shared future, as we believe more sustainable businesses will ultimately win longer term.

And now we would like to open for questions.

Thank you. Operator.

Q&A Section

Participants
Bonnie Herzog, Goldman Sachs
Lauren Lieberman, Barclays
Richard Withagen, Kepler
Edward Mundy, Jefferies
Robert Ottenstein, Evercore
Simon Hales, Citigroup
Charlie Higgs, Redburn
Fintan Ryan, JPMorgan
Sean Roberts King, UBS

Bonnie Herzog, Goldman Sachs
Thank you. Hi, everyone. Hope you're doing well I guess I was hoping to hear. Just a little bit more details on the permanent discretionary expense reduction you discussed and specifically, your thoughts on marketing spend this year. I guess I'm wondering if there are any examples that you could share with us that give you the confidence that the pullback or reduction won't necessarily have a negative impact on your top line for instance and then I know you're not in a position to provide guidance right now. But maybe on a high level, when thinking about margins, would it be fair then to expect margins to expand this year given the expense reductions and certainly your new savings program. Thanks.

Damian Gammell
Thanks Bonnie and good morning, maybe I'll cover your question around the marketing investment and then I'll hand over to Nik. So we feel really confident with the plan for 21 in terms of the level of investments against the programs both on our side and with the Coca-Cola Company and throughout the crisis last year, we continue to fully invest behind the business that was really opening and winning which is retail and online and we maintained our consumer pricing programs because we felt that was critically important and we saw that impact on our share and that will flow through to 21.

So I think from a topline growth perspective. The only thing that is going to hold us back in the near-term will just be the restrictions in away from home we continue to see strong growth across our brands, online and retail and clearly where away from home is open and takeaway or food to go we're also growing nicely. So we feel pretty confident about our investment levels and clearly, we have taken the opportunity throughout 2020 to just be more choiceful around where we spend our TME and that has released some savings to our bottom line. And we feel good about that.

So very much looking forward to our markets fully reopening and we're well placed to fully fund that as we move forward. So over to you Nik, if you want to cover the broader question on cost.

Nik Jhangiani
Yeah sure, so Bonnie if you look at what we did in 2020. The 260 million does largely four buckets there and we've got the PP&E spend you've got things on incentives you've got travel meetings, etc, and then you've got other discretionary spend. I've communicated the 150 that we believe we can definitely retain versus 2019. It's really back to that point that Damian just made. We are actually looking to reinvest back in PP&E, and hence you see that number coming down, but that's also then supported by the fact that we've got some new programs that we have initiated that will deliver savings in 2021 and in the years beyond.

So, I think combined with what we're looking at, we feel confident that this is what's going to definitely be said in the P&L and if there's more investment that needs to happen in TME, that's already what we've accounted for. So it's almost like this is the base for 2021, and then the outgoing years we actually have some of the continuing benefits of the program that we've announced in late 2020. So clearly if you look at that mathematically we would expect despite consumer and shopper investments that deduction against revenue, we expect to see rate improvement as well as mix improvement coming in on the topline. You can see, I've talked about COGS on the commodity perspective clearly obviously, if you look at the elements around volume coming back which we clearly expect it will, that will have a positive impact vs 2020 in terms of our overhead recovery. So both at a gross margin level and supported by what I have just described in terms of the opex savings at the operating profit margin level we would expect to see expansion. Clearly I can't give you a number, but clearly there would be expansion versus the numbers you see for 2020. So hopefully that helps.

Lauren Lieberman, Barclays
Great, thanks, good morning should recovery come faster than expected. How do you make sure you are prepared for that outcome as well? Secondly, I was curious about the cooler placement conversation you shared Nik, how much of your CapEx budget was allocated to coolers or cold drink equipment in 2020 and then in 2021 when mobility increases?

Damian Gammell
We are fully prepared for a faster recovery and obviously we very much look forward to that outcome. I think what Nik kind of highlighted in our financials from 2020 and something that I think we managed well was that while we re-based our cost base, including TME to Bonnie's earlier question we were also conscious to continue to spend money against the opportunity in the future. So we continued as Nik called out to invest in digital and we obviously continue to invest in sustainability. But we also closed out a number of supply chain projects that particularly on some packaging like cans that we know it's going to be a key driver of our future growth.

So certainly from a capacity perspective, we're well placed to recover. Clearly we've protected the muscle of the business. So when we talked about restructuring, which was necessary we did retain the most of the business the front-line and we redirected that asset to home market given the circumstances, but we've retained our coverage in away from home and our frontline capability.

So we're well placed and we continue to make the right decisions as we see that recovery hopefully moving forward and that gives us confidence that we can capture more than our fair share of that recovery, because clearly one of our goals is to beat the market and we've done that and I think we continue to generate a lot of cash and profit for our customers.

So we've come into 2021 in a good place with our customers, both on pricing and rates, and that was something we were conscious of as well to give us a solid foundation and that's in place. So really the variable that we're managing against is as these restrictions lift and the market reopens and we're ready to go with speed, and that's what we'll do.

Nik Jhangiani
So on the coolers if you look at our CapEx, we spent, like we said, 360 million in 2020, but it was a little more weighted towards both digital as well as some of the supply chain projects that we were kind of midstream on, if we look at 2021 we feel our base level would be about the same, but we have definitely upped our cooler investment there and clearly if the business is recovering and coming back faster Damian I would have no issue, putting more into coolers and moving the speed on that. So clearly committed to continue to invest in the market and be focused around faster recovery

Richard Withagen, Kepler
Yeah good afternoon all. Thanks for the question. On sustainability, you have a 250 million investment in the 2020-2022 period which partially go through the P&L and part through CapEx. So I was wondering how much of these investments will be incremental to your cost base and how much has already gone through the P&L in 2020?

Nik Jhangiani
So just to give you a quick view on the P&L piece in particular. The biggest elements are really what we're doing from a perspective of investing in areas such as RPET what's going on from an angle of our shrink to board conversion, etc. So that's included in our COGS number in our P&L, that's included in the 2.5% COGS per unit case, we don't break out that number separately, and then as we look forward, I mean obviously there is a fair amount in our base you will continue to see the investments going in there in the commodities number that I've given you circa 1% inflation that includes additional on cost for our sustainability investments again linked to those same elements that I talked to you about.

So you can see despite our investment in sustainability, we're managing to keep our commodities inflation very much in check and in line which is the right thing to do longer-term for our business and our brand equities.

Damian Gammell
Sorry. Just a follow-up to Nik's comments, I mean I think actually, this morning I had a look at a new campaign that will be rolling out with The Coca-Cola

Company around our sustainability investments, because clearly we see that as an investment rather than the cost and it's fair to say that we probably haven't leveraged that as much as we could, but I was happy to see a new direction around how we're going to get that message even closer to our consumer or shopper. And compared to two, three years ago even in Europe, I'm continually surprised at how much our customers are now leaning into the sustainability debate and really value in what we're doing. So, yes, it's a cost, but it's only cost that we don't turn into an investment, and that's really what we're focused on.

Richard Withagen, Kepler
Maybe as a quick follow-up, you gained market share overall in 2020. Can you perhaps give some colour on the markets where you did really well and the ones where you lag behind it's uncertain market share?

Damian Gammell
Yeah, we did really well across all of our markets. I have to say we definitely had some challenges with customer group. So I think when we look at market share, I think it's probably easier to look at specific challenges that lasted a bit longer we talked about during 2020 particularly with some of the buying groups, so that impacted markets like Germany and Belgium, but that was more a function of the customer universe rather than the market. Outside of our buying group challenge we gained share across all of our countries and across our customers.

So it really was more of a customer group challenge rather than any specific market, but obviously the markets that were affected by the longer than expected negotiations with Agecore were from a scale perspective definitely, Germany and Belgium. But overall, we saw share recover very nicely in the latter part of 2020 as we reached an agreement with that particular buying group. So yes, very positive move on share, above any RTD sparkling was slightly impacted by our buying group negotiations, but overall all our markets did pretty well I have to say.

Edward Mundy, Jefferies
Hi Damian and hi Nik, two from me please. Appreciate there is not much you can say on Amatil at this stage, but you probably noticed they printed some quite good results recently, does that change the opportunity? Is there any update you can give at this stage on the cost of financing you think you might be able to achieve on that deal? And in the second, again, probably not a lot you can say on this but I'm going to try to ask it anyway. Growth I think in 2021 it's going to depend to a large extent on how quickly the reopening takes place in Europe, appreciate you don't have a crystal ball. I was wondering what you are able to share what you think of how much of the lost revenue in 2020,

you think you might be able to get back on a good reopening scenario relative to let's say a bad reopening scenario.

Nik Jhangiani
Great in relation to, let me take that second one first. And in terms of we clearly when we look at our business we are expecting Q1 to probably be the most challenged, and I think you'll probably see restrictions as we hear in the market starting to ease towards hopefully the end of Q1, as the vaccine rollout happens etc. So I mean, I think if we look at the recovery, think about it from an angle that Q2 was our worst hit quarter last year. So clearly we'll be seeing a strong recovery in that quarter regardless because we're not going to have that level of lockdown that we saw.

And in the second half of the year, you've seen the results where there are strong results, but clearly, we believe there's upside, particularly given the fact that in Q4, the away-from-home was clearly challenged, again because of those numbers. So I mean, I think in a downside scenario, if you look at it in terms of that going longer, you're looking at maybe some period into Q2. But clearly, we see second half should be a lot stronger and if not Q2 relatively even in a weaker or a more lockdown situation, you're going to see that stronger. So we feel good about everything that we're doing that's within our control to be focused on what we can do from a better execution perspective, brand focus. We've got great supply chain capabilities to be able to ramp-up very quickly. So we feel good about that from an angle of really the recovery should hopefully come fast and sharp as soon as things start opening up.

From the perspective on the transaction, I think a couple of things to say. Firstly, if I start with your first question around the better share trading, the better trading update for Amatil. Clearly, we were expecting that, as you can see in our results. So we've seen that. So as Damian said, we're now waiting for Amatil to receive the independent expert report, which they've commissioned and then publishing of the scheme booklet ahead of the scheme vote. So we'll update you on that going forward.

In terms of cost of financing, I mean, again, you saw we were able to raise some great money towards the end of last year, both in terms of the recap for EUR 250 million, where we had an effective coupon of about 60 basis points and then we did a EUR 750 million 8-year deal where we had a coupon of 20 basis points. Now clearly, the magnitude of what we would be looking at going forward for the transaction would be significantly higher. But I think if we look at it from an angle of where we are, I would view those as benchmarks. And if you look at particularly the we should be very comfortably be able to do that within that quantum that I just referred to in terms of the deal size. So hopefully, that helps a little bit.

Robert Ottenstein, Evercore
Congratulations on a very strong performance in most challenging times. One of the things that I was wondering, you mentioned that you were going to reduce 1,200 roles to meet the changing needs of customers, if I recall that correctly. Can you -- is it -- talk about sort of the ongoing changes. I mean, are these changing needs giving COVID or changing needs as you see them developing in the post-COVID world? So that would be my first question. And then the second question, just if you can talk to us a little bit about what you've learned about costs are ready-to-drink and how that's been received in 2020?

Damian Gammell
Thank you, Robert. Yes, the changes that we made are really focused on the future. So I mean, they obviously support our journey through COVID, but they're very much anchored in our view of a post-COVID consumer and customer environment in Europe. And they're quite broad, those roles. Some of them come from our SKU rationalization and the efficiency that, that's driving. Some of them come from businesses that we're exiting. So a number of water brands that we felt were not going to contribute to our shareholder value story going forward. Obviously, we've been investing a lot in technology since we created CCEP, and there was always going to be the opportunity to become more efficient and productive through that. So some of those changes can come on the back of our technology investment. So it's quite broad, and sets us up very well for the future. And clearly, is on the back of decisions we made pre-COVID, but I'm sure you hear a lot of CEOs saying this, but it has allowed us to accelerate some of the changes that we were going to do anyway. So very much future-based.

On Costa, we're seeing our ready-to-drink portfolio in the U.K. do very well. The brand is well known. We're excited about rolling that out across Europe. I think Nik highlighted that in his comments. We're going to do it on a holistic level with some of our other propositions around proud-to-serve and also the Costa express machines, which are fantastic. So we're very excited about that. It's a growing category. And clearly, the Costa brand gives us a great platform to win and ready-to-drink outside of the U.K. So that's how we're looking at Costa.

And to echo what Nik said, some of the decisions we made in 2020 were to continue to invest in our capital program for Costa as well.

Robert Ottenstein, Evercore
What share, did you get for ready-to-drink in the UK.

Damian Gammell
And I think we're just over 4% now Robert, so just over 4.5% share. So from a quick start. So we're pleased with that as well.

Nik Jhangiani
And Robert just one last point to build on -- sorry, just one last point to build on the comment around Costa. As Damian said, clearly, we accelerated that. So the EUR 150 million that I talked about factors in for 2021 elements of those savings as well as the mitigation continuing. But then as we look forward because of those announced programs, if you look out the next 3 years, '22 to '24, there's at least another 50 to 75 just based on the programs that announced and the run rate. So clearly, strongly focused on our cost base.

Simon Hales, Citigroup
Nik, maybe just following up on your last comment there around the EUR 150 million of savings this year and ongoing. Can I just sort of clarify that in the EUR 150 million this year, that includes some of the ongoing savings you'll be getting, particularly in Q1, given the tough backdrop, I think you're certainly facing at the moment in Europe or are they separate and on top of the EUR 150 million?

Nik Jhangiani
Sorry, I didn't get your question. In Q1 of 2021?

Simon Hales, Citigroup
Yes, I'm just trying to understand there aren't 2 separate buckets here, Nik, the EUR 150 million of savings and part of that's retention of last year's savings. But as we've come into 2021, clearly, the trading backdrop is still very challenged. People still aren't traveling in the way than we perhaps hope they might have been 6 or 9 months ago. Is the EUR 150 million encompassing all of the OpEx savings in sort of 2021 or is there still some ongoing cost mitigation in the short-term given the second wave of lockdown on top of that? Does that make sense to you?

Nik Jhangiani
Got it. So I think if you look at the EUR 150 million that I've talked about, clearly, it is more weighted towards the first half of the year. And keep in mind, as we talked about earlier, I think with Lauren's question, would we be able to move and invest faster in the business? We have planned for a recovery and are investing. Clearly, that's not coming, I'd almost say this EUR 150 million is our baseline savings, and we would guide more. So -- but that EUR 150 million is definitely more H1 weighted than H2 weighted. And I would say more Q1 weighted than within H1. So that's the way I would look at it. And then as I just said to Robert's question, this is obviously what we have for 2021. You will see some of those ongoing programs that we've announced deliver savings in '22 to '24 as well in the EUR 50 million to EUR 75 million range in addition to that EUR 150 million that will be in our base versus '19. So hopefully, that helps.

Charlie Higgs, Redburn
The first one is just on kind of a new way of working, maybe post pandemic. If people are working from home more and there is just a sustained shift to the at-home channel, are there things that you can do in retail to improve pack mix and price mix or will that potentially be an ongoing price mix headwind? And then the second question is very strong digital growth maybe give a bit more color on what that means for the business? I mean, is that positive for margins, maybe better for working capital cycle? Just any more color on that would be useful, please?

Damian Gammell
Thank you, Charlie. Yes. I mean, we see price mix improving going forward. We have adapted quickly to some of the new dynamics around working from home. We've had exponential growth with food aggregators. I mean we were doing well with them pre-crisis because they were winning anyway. So we had a good platform. But as their business has accelerated, we've accelerated with them and we've been changing pipe formats with them as we see transaction sizes growing as, obviously, people are having family meals and maybe meals that they were celebrating out-of-home at home. So that's working very well.

We are also continuing to look at driving profitability even faster in retail. We changed a lot of our pack formats based on the first experience of lockdown, where we saw, obviously, people shopping slightly less frequently or using more home delivery. And obviously, that points to being able to offer larger pack sizes or special packs in and outs, which we really enjoyed success in, in the second half of last year.

So we expect a lot of those trends will remain. We're obviously prepared for the eventuality of also restaurants, bars and travel reopening when that happens. And clearly, as people go back to restaurants and bars, even if it's slightly less than previously, that's going to be a price mix gain for us. And so we're excited about seeing that happening. There's a lot of speculation about whether people will have blowouts and their eating out will become even bigger or not, we're prepared for both eventualities. But I'd say even in the current restrictions, which we believe are getting closer to an end across Europe, our investments with food aggregators, our platform for takeaway is really helping us.

Our online business, to your last point, clearly, our online business is predominantly through our retailers. And therefore, is basically something that doesn't drain our margins because we work with our retailers through their home delivery platforms and again, that has served us well. We have got a small trial of direct-to-consumer in the U.K. And clearly, that's something we're excited about. But obviously, very conscious that, that's going to be a good initiative for our margins as well going forward. So that's how we're looking at it at the moment.

Fintan Ryan, JPMorgan
Just 2 for me, please, and most around your portfolio. Following on from your commentary around the Costa expansion rollout and the opportunities you see there. Nik, could you quantify in terms of your OpEx and CapEx in the next few years? What sort of incremental should we see, particularly in regard to the actual capital rollout of the Costa express vending machines? Is there -- should these become sort of a meaningful line item on your cash flow statement as you're seeing with the cold drink equipment? And then secondly, just with regards to your sort of long-term targets to double the energy business. I'm wondering could you give a bit more color around how you see that evolving in terms of category growth, market share opportunities where you can take specifically and what you've done already in Spain and Portugal? And again, do you see any risk that further growth within the energy portfolio could, in many ways, cannibalize your sparkling flavors. So any thoughts around that would be great please.

Damian Gammell
Thank you, Fintan. I'll maybe deal with the second part of your question, and then Nik can comment on capital and Costa. So we've had a great success story in energy, particularly led by Monster over the last number of years, and we've got Coke Energy coming in. So it's been the best-performing category throughout 2020. We've been able to enjoy the growth of the category a little bit more. Our absolute category share, depending on the markets you look at, is still in the 20s. So when we look at that doubling of the business, if you compare that share to what we enjoy in our other mainstream categories like cola or flavors, it's still well below what we enjoy. So we believe we can participate in the market growth and take some share. And I think we've demonstrated that, as you called out Spain and Portugal. We have a great business across Europe. Clearly, GB has been a strong market for a while. So we're excited about that being quality growth for us that doesn't impact the rest of our portfolio. And I think the pipeline of innovation from both The Coke Company and Monster in this space, combined with what we've already done, gives us confidence in building the business. And clearly, we're challenging ourselves to do it as quick as we can. But in effect, it's what we've shown over the last 3 or 4 years, and we still see a lot of headroom for growth. It's profitable. It's a great category, and I think we're well set for taking our more than fair share of it. So yes, excited about that. And Nik, do you want to comment on the CapEx?

Nik Jhangiani
Yes. So I mean, I think as Damian said, it's a great category, it's a growing category and it's a profitable category as we choose to play in it. So we talked about the ready-to-drink, which clearly we will continue to bring that and do that in-house at the right time. So there will be some investments there. But it's a good revenue per case and good margin product for us. And then you've got the Proud to serve and the Costa express that we continue to be excited

about. So the numbers that I've indicated for you -- to you for 2021, as I indicated to Lauren with the coolers piece, we've included in that, obviously, our rollout of machines as we look at the priority markets, really being Germany and Belgium and Norway as we're rolling out with Costa. And what we would plan to do is we're laying out a 5-year plan with the Costa team and our senior leadership team that Damian referred to. And at the appropriate time, we'll actually share with you a separate business view on Costa, including margins, CapEx investments, etc. But for 2021, that's included in the number. If recovery is faster and we want to go faster on that, again, that will not be a limiting factor for us.

Sean King, UBS
We've been hearing a lot more and more about sustainable packaging, which is coming at a cost. You mentioned that your customers are getting behind these initiatives. Any evidence of consumers being willing to pay more for sustainable packaging? Or is this just really the price to play in the industry?

Damian Gammell
Thank you, Sean. Great question. Currently, we haven't seen the consumer preparing to pay more. I think that's a function of a number of factors. Clearly, our brands are pretty well-premium priced already. It is something that we haven't factored into our modeling. But obviously, it's something that we look to be able to extract more value on. So certainly, getting back to a comment I made earlier, we are working on a function of the willingness to pay is to understand the value. And I think we have now built a platform that, going into '21 and '22, we can talk more directly to consumers about the benefit of sustainability, the benefit of our packaging and how we're managing it. And over time, that could translate into certainly more brand love. We can see that. And over time, that may translate into more pricing power in the market. So that's something we're excited about. We haven't factored that in.

So we clearly see that as being upside to our investment case. It's logical, I think, that brands that are seeing genuine to be more sustainable, will be more valuable. I think that's definitely true. The ability to translate that into shelf pricing, I think, it's something we're going to keep exploring and testing. It's certainly giving us more engagement with our customers around space in store, aligning to their green agenda and partnering with them around reducing carbon footprint. So definitely, a win on the engagement side with customers, definitely increasing brand value, great opportunity as you raise to see if we can extract a higher price on the back of that and more to come on that.

Operator
I will now turn today's conference over to Damian Gammell for closing comments.

Damian Gammell
So first of all, again, a big thank you to everybody for joining us today. As you will have heard, we've had a very resilient performance, and we realized that certainly, in Q1, we still face restrictions, and we're dealing with that as we move forward. We are continuing to invest our business right across innovation, sustainability and our digital agenda. We're also delivering on costs. We've adjusted our cost base strategically to a new reality, and there is more to come. The strength of our free cash flow continues to be a standout, and we're very, very excited about 2021, both from a core innovation and some new news coming on our Coca-Cola brands, Topo Chico, Costa and, of course, Amatil. The transaction is progressing, and we look forward to moving forward in the process and sharing more with you as soon as we can.

So with that, I'd like to thank you again and close our call, and I hope everybody continues to stay safe and well. Thank you very much.

Operator
Thank you for participating in today's conference call. Once again, we appreciate your participation, and ask that you please disconnect.

End