COCA-COLA EUROPACIFIC PARTNERS
H1 2024 Results
Analyst Call Transcript
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CORPORATE PARTICIPANTS OF PREPARED REMARKS

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PREPARED REMARKS

Sarah Willett: Introduction

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

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

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

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

Damian Gammell:

Slide 3 - Executing & delivering on our clear strategy

Thank you, Sarah, and many thanks to everyone joining us today. Before I begin I would particularly like to take this opportunity to thank all of my great colleagues at CCEP for their ongoing hard work and dedication to our customers and our business. I would also like to thank Nik and wish him all the best, and of course to welcome Ed into his new and very well deserved role.

Before we get into the detail of our half year results, I just wanted to take a moment to stand back and reflect.

At CCEP, we have a clear strategy which we continue to focus on and execute well. We have an unwavering commitment to stakeholder value creation. Indeed our TSR speaks for itself. And importantly our retail customers continue to share in our success. Since 2017, we have created more value for them than any of our peers. We are now a bigger and a more diverse business, providing the opportunity to leverage best practice and talent across all of our markets.

Importantly, we continue to take decisions for the long term, as demonstrated through our geographic diversification, portfolio choices and investment strategy, which I'll touch more on later.

Slide 4: H1 24 Key Messages

Now to our first half. I am very pleased with our financial performance, achieving solid top and bottom-line growth and strong free cash flow.

The great performance of our APS business unit helps offset softer volumes in Europe driven by strategic de-listings and some adverse weather. This demonstrates how our diversity makes us a stronger and more robust business with about a third of our volumes now delivered by our APS business unit. We grew share ahead of the market and importantly continued to create significant value for our customers.

Today we re-affirm our full year guidance which is in-line with our mid-term objectives and looking ahead, we feel we are very well placed. We continue to invest for growth and have strong commercial plans in place for the rest of this year and beyond to engage customers and our consumers.

We remain focused on driving profitable revenue growth and growing category value over the long term for our customers. This alongside our focus on productivity and free cash flow.

Combined with our first half interim dividend this demonstrates the strength of our business, and our continued ability to create value for all our stakeholders.

Slide 5: H1 24 Key metrics

Turning now to our key performance highlights.

As I said just now, we delivered a solid top-line performance. Our volume growth reflects good underlying demand across our developed markets and double-digit growth in Southeast Asia driven by the Philippines. It also reflects strategic choices we have made in our portfolio in Europe and adverse weather especially in June.

Execution of our revenue and margin growth management initiatives, along with our dynamic price and promotion strategies, drove solid revenue per unit case growth. We enjoy a broad pack offering which enables us to balance affordability and premiumisation. So, we continued to invest accordingly to prioritise relevance and affordability for all consumers, whilst remaining focused on winning with our customers every day.

Now to the NARTD category. It remains resilient, continuing to grow in value in Europe and APS, and we gained value share both in-store and online supported by great activation and execution.

Our strong top-line performance, together with our continued focus on efficiency drove solid operating profit growth of 9 percent, with operating profit margins, excluding the Philippines, now back to 2019 levels. A great achievement given the wider backdrop.

We generated solid free cash flow, supporting the return to our target leverage range of 2.5 to 3 times by the end of this year, providing even more flexibility as we look forward.

And, as proven successful integrators, we seamlessly completed the Philippines integration.

Slide 6: Great people

At CCEP we remain focused on great people, great brands, great execution, all done sustainably. So I will touch on each of these areas as we take a brief look back at the first half.

Starting with great people, whose well-being and safety continues to be our number one priority at CCEP.

We are committed to building an even more inclusive and diverse culture, so we celebrated a number of key events across our business including Pride and International Women's Day, and we supported the Special Olympics with our colleagues from The Coca-Cola Company.

Our commitment to our people continued to be recognised externally, in 2024 by the Top Employers Institute in Europe.

And moving further east, over 9 thousand talented Philippine colleagues are now firmly part of the CCEP family, alongside expanding our reach to a further 1 million customers.

Slide 7: Great brands

We are extremely privileged to make, move and sell some of the world's most loved brands. We continue to invest and innovate to make them even better, and appeal to even more consumers. In fact, in Europe, around 75% of households purchased from our NARTD portfolio.

Coca-Cola trademark volumes performed well, up 1.7 percent. Coca-Cola Zero Sugar continued to achieve good share and volume growth across our key markets. We delivered fantastic activation with the Euros and joined forces with Marvel in Australia with limited-edition superhero cans. Coca-Cola Original Taste also performed well, led by growth in the Philippines and supported by the launch of our lemon flavour extension in Europe, now available in both regular and zero variants.

Sprite volumes performed well, up 5.9 percent, in growth across Europe and APS, with double-digit growth in the Philippines, driven by in-market execution, reformulation and refreshed marketing.

Our Sports volumes grew 4.8 percent despite cycling strong growth last year, led by Powerade, and supported by the launch of Powerade Mango and great Euros activation. Aquarius also grew reflecting continued favourable trends in this category.

Monster outperformed, driving overall energy volume up 7.5 percent, on top of the impressive 15 percent growth last year. Fantastic innovation continues to drive recruitment and distribution, building on the launch of Monster Green Zero, the launch of Reign Storm and the continued flavour extensions across the Ultra range.

And finally, in ARTD, as we diversify our business to address different need states, and following the encouraging results of Jack Daniel's & Coca-Cola, the number one ARTD value brand in GB, we are building on the excitement with the launch of Absolut & Sprite in Europe. Already off to a good start with an encouraging rate of sale.

Slide 8: Great execution

Great execution will always be a key priority for us at CCEP as we strive to make it even easier for our customers to do business with us and share in our success. We continue to create value for our category, adding 600 million euros of value to our retail customers in the first half.

Activation, both in-store and on-line, is key. We continue to invest in our digital capabilities to drive more targeted activation points in the market. Through our world class key account management capabilities, we continued to increase distribution, building incremental displays and increasing our share of cold drinks space with more cooler placements. Both help our brands to reach more households and improve our retail and away from home share of visible inventory metrics as you will see here.

We also continue to invest in supply chain, for example in Germany we invested 40 million euros in a new returnable glass line. Great for our customers whilst supporting our sustainability agenda.

Slide 9: Done sustainably

Which brings me onto our other sustainability highlights, for which we continued to be recognised externally, including retaining our inclusion on CDP's A List for Climate, and maintaining our MSCI AAA ESG rating.

We continue to invest in sustainability focused technology through our CCEP ventures arm. We recently created a sustainability partnership with AirHive which supports the development of technology to capture 1000 tons of CO2 annually. This can then be used in our carbonated drinks whilst aligning with our net-zero emissions targets.

And, to support sustainability in every day decision making, we recently launched our own Sustainability Academy in partnership with the AXA Climate School.

I'd now like to hand over to Ed to talk in more detail to the financials. Ed.

Ed Walker

Slide 10: H1 24 Financial summary

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

Let me start by taking you through our financial summary.

We delivered total revenue of 10.1 billion euros, an increase of 3.5 percent in the half.

Our cost of sales per unit case increased 2.5 percent. This is cycling a high single-digit cost of sales per unit case growth in the first half last year and also includes the mix benefit driven by the strong growth in the Philippines, which has a lower cost of sales per unit case as you know.

We delivered an operating profit of 1.3 billion euros, up 9 percent. This reflects our solid top-line performance, the delivery of the first year of our next efficiency programme, and our continued focus on strong cost management. This has led to operating profit margin expansion of more than 50 basis points and as Damian referred to earlier, gets our operating margin back to 2019, pre the Philippines levels, which we are very pleased with.

We delivered comparable diluted earnings per share of €1.97 for the half, up 7 percent on a comparable and FX neutral basis. This is not an adjusted measure so does not assume that the Philippines transaction had occurred at the beginning of last year, but in February this year when the acquisition completed. The growth in EPS is driven by our solid operating profit growth, in part offset by Aboitiz's non-controlling interest of 17 million euros, a higher interest charge, driven by the Philippines transaction, and a higher effective tax rate, all of which were highlighted earlier this year within our full year guidance.

Comparable Free cash flow generation continues to be a core priority, and we delivered an impressive 539 million euros in the first half. This was after investing in various key projects, including new can lines in GB and Australia, a new PET line in Papua New Guinea and a new RGB line in Germany. We stepped up our cooler placements, also as Damian referred to earlier. And, we continue to invest in our digital journey, including our move from legacy SAP systems to s4 Hana. We remain on track to deliver comparable free cash flow of around 1.7 billion euros for the year as per our guidance.

And finally on shareholder returns, we paid a first half interim dividend per share of 74 euro cents which we declared back in April and then paid in May. As a reminder, this was calculated as forty percent of the full year 2023 dividend.

Slide 11: H1 24 Revenue

Now to our revenue highlights.

We delivered a solid top-line performance.

Revenue per unit case grew 2.9 percent reflecting positive headline pricing, promotional optimisation & brand mix, partly offset by geographic mix. This geographical mix was driven by the strong growth in the Philippines, which is at a lower revenue per unit case as we have discussed before. We continued to benefit from the pricing we took in the second half of last year in GB and Germany, and successfully executed pricing across our other key markets. Australia/Pacific revenue per unit case grew in line with Europe.

Volumes, volumes were up 0.6 percent versus last year. As Damian touched on earlier, our volumes reflect strategic choices we have made in our portfolio and adverse weather in Europe, especially in June.

As you will recall, we have made a number of portfolio choices, including our transition out of Capri Sun in Europe and out of bulk water across a number of markets. These are the right strategic decisions as we continue to be more choiceful on where we want to play for the long-term, and to ensure we continue to grow our business both profitably and sustainably. These exits account for around 1% of volume in the first half across both Europe and APS.

In Europe, these strategic exits and the adverse weather, especially in June, impacted both home and away from home channels. The exits aside, we believe that the adverse weather, whilst not an exact science, did drive the majority of the remaining volume decline. Underlying consumer spending did hold up reasonably well and we saw volume growth across a number of our brands, like sports and energy as Damian talked to earlier.

We continue to focus on driving long term value for the category and for our customers. Our retail share held up well, improving across the half. And we grew share in away from home despite lower footfall across the channel.

Looking at our APS markets we saw volumes grow by 7.5 percent in the first half reflecting solid momentum in Australia & New Zealand, double-digit growth in the Philippines and a solid performance from Papua New Guinea. From a brand perspective, we delivered solid growth in Coke Zero and Fanta and double-digit growth in Energy.

In Indonesia, following an encouraging first quarter, we have seen more mixed demand reflecting the geopolitical situation. We do however remain confident in our transformation plan and the long-term opportunity in the market. Damian will touch more on this shortly alongside the Philippines.

Damian Gammell:

Slide 12: Philippines – great first half

Thanks Ed.

So let me start with the Philippines. As we have said before, a great strategic move and now very much part of the CCEP family.

We had a strong first half delivering double-digit volume growth. Underlying market demand remains strong, growing high single-digit, with a large, young &

growing population. Our great execution delivered solid value share gains, now at an impressive 74 percent sparkling share and 47 percent NARTD share.

And, I have to say that the more I see the business, the more and more excited I become.

We see lots of opportunities both long and short term which naturally will be led by Coke Trademark. But we also see opportunities in low and no sugar, in the energy category where we have recently launched the more affordable Predator offering. And, in expanding our presence in ARTD with the launch of Peach Lemon-Dou and Jack Daniels & Coca-Cola Zero.

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

Many of you would have received the invitation for our capital markets day for May next year, where the leadership and the local teams and I look forward to showcasing our Southeast Asia businesses.

Slide 13: Indonesia

Now onto Indonesia another expanding market. Like many other western brands in the country, our first half was impacted by the geopolitical situation in the Middle East, however this is not across all regions in the country. In fact, unaffected areas are delivering encouraging volume and transaction growth.

It is important therefore to focus on what we can control and influence in this market, being our long-term transformation journey.

Our 3 price pack channel strategy has landed well in the market. We continue to build sparkling relevance and build on our ready to drink tea offering, with flavour extensions like Fanta Grape and Frestea Lemongrass. We are accelerating our zero mix which is seeing strong growth, especially in the modern trade. And we have a strong targeted activation programme underway, focused on connecting with the young and growing consumer base extending to 500 universities this year.

We are taking the right decisions to re-engineer both our cost base and accelerate our route to market transformation to be fit for the longer term. All *whilst investing in our great talent in a business recently recognised as one of the best companies to work for in Asia.*

On sustainability we are owning our circularity journey from Day 1 through the right partnerships and investments. We are on track to introduce returnable glass in the second half of this year. And, we have partnered with recycling facilities to support our plans to achieve 100 percent packaging collection in 2025, which would be well ahead of our developed markets.

Slide 14: Excitement ahead for FY24 & beyond

So a lot of excitement ahead for this year and beyond.

We have great brands, which our consumers love, and on the back of ongoing investment and innovation in brands, product and packaging, our category and brands continue to support a solid growth platform for all our customers. It is essential now more than ever that we continue to balance premiumisation for those that seek it, with more affordable offerings for those that need it.

One great example is in Spain, where we activated a popular and affordable price point on the iconic 2 litre pack in the Home channel to drive frequency and household penetration. And, in the same stores, we also offer our more premium glass packaging and multipack cans at a higher revenue per unit case.

We will continue to invest to boost range, space and visibility across our portfolio through strong in-store execution, and connecting our consumers with key calendar events, including music, Halloween and Christmas. And for those that have been or are planning to visit Paris for the Olympics, you will see our fantastic in-market execution across retail and away from home outlets.

We have some exciting innovation planned for the Coke portfolio, building on the lemon flavour extension launched this year with further innovations planned, so continue to watch this space!

And energy will continue to benefit from the wider launch of the well-received Monster Green Zero Sugar, and the launch of new and exciting flavour extensions and Reign Storm.

Slide 15: FY24 Re-affirming guidance

Onto the full year. In short, very little has changed.

Given our solid year to date performance, we are very pleased to be re-affirming our full year guidance, which is aligned with our mid-term objectives.

Please note that these full year growth rates are provided on an adjusted comparable and FX neutral basis.

We expect revenue growth of around 4 percent.

For cost of sales per unit case, we had indicated a range of 3 to 4 percent growth earlier in the year. We are now guiding to the bottom end of this range, so around 3 percent. We now anticipate our commodity inflation to be flat versus our previous low single-digit growth rate, 90 percent of which is now hedged.

With our continued focus on opex, which includes savings of around 60 to 70 million euros linked to our latest efficiency programme, we will look to deliver comparable operating profit growth of around 7 percent.

We continue to expect our full year effective tax rate to be approximately 25%, up from 24% last year, reflecting differences in the mix of taxable profits across our markets and known tax rate increases.

And finally, we expect to deliver comparable free cash flow of around €1.7 billion after investing around 1 billion euros in capex to support our long-term growth, examples of which Ed touched on earlier.

Slide 16: H1 24 Key Messages

So, a quick recap of our key messages before we move to the close. We are really pleased with our first half financial performance. We are reaffirming our FY guidance which is in-line with our mid-term objectives I spoke to earlier and looking ahead, we believe we are well placed.

Slide 17: Continued focus on stakeholder value creation through…

Finally to our ongoing stakeholder value creation story.

We have opportunities everywhere. Top line. Bottom line. For our great colleagues who tell us every day they join for the brands and stay for the people. For our communities. For all our stakeholders.

We have the capacity to invest in a long-term, sustainable, data and insight led future. But of course done in the right way.

Our consistent and disciplined capital allocation framework is always front and centre. We will return to our target leverage range later this year, one year earlier than planned, providing even more flexibility as we look forward.

So, lots to shoot for and it is why I love this exciting and diverse business.

To close, I would like to thank our customers, our brand partners, and our great people, whose hard work and commitment mean we are able to go further together.

So, thank you very much – Ed and I will now be happy to take your questions. Thank you, operator.

END

QUESTIONS AND ANSWERS

(Operator Instructions)
The first question today is from the line of Bonnie Herzog from Goldman Sachs..

Bonnie Lee Herzog - Goldman Sachs Group, Inc., Research Division - MD & Senior Consumer Analyst
Hi, everyone. Hope you're well I guess I had a question on your volumes in the quarter, hoping to get a little more color and really trying to get a sense of how they trended relative to your internal expectations? I know, Damian, you mentioned weather was one of the main impacts on volume pressures, especially in Europe, but any other [callers] that maybe surprised you, I guess, from your perspective?

And also if you could provide us with how volumes trended month-to-month in the quarter? And any color on July and August so far? And then sorry, finally, but just curious to hear if transactions outpaced volume in the quarter and if those transactions sort of accelerated sequentially?

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO & Executive Director
Hi, Bonnie. Thank you. Yes. So maybe I'll just start with your the second part of that. So we are pleased that transactions performed better than volume. We saw that in Europe and across all of our markets. So we are seeing transactions continue to hold up stronger than volume did. Yes, clearly, I mean, it was a weaker volume quarter than we would have liked in Europe.

I haven't seen anything in it other than we're gaining share. I think all of our activations landed really well. I was lucky enough to be at the Euros and the great activation across Germany across all of our markets have been recently in France. So it's certainly not an executional issue. It's just an offtake issue.

When we look at offtake, I would say June and July were slower than we would like. We have seen it improve and certainly, we've got a lot of plans in place for the remainder of the year in Europe, but across all of our markets to drive volume and revenue. As you've seen, we've got great revenue per case realization.

So the one delta in the quarter obviously was volume. And as I said, I don't see anything beyond some adverse weather, which really dampened our away-from-

home business. Retail performed better. So we did see our retail business continue to hold up.

So when you look through it, there's nothing on a specific brand or pack to call out. It's really kind of across the category and not just for us. So we gained share in the software category, which I think is a good outcome. And as I mentioned, our retail business held up well.

Yes, and you just saw less people out and about and away from home. So footfall was down particularly in June. We saw that continue a little bit into July and then it started to improve and we see August looking a bit better as well. So I think that gives us confidence for the rest of the year.

On top of that, I think our diversification strategy has played a big part. So while we did have a slightly weaker European volume outlook, our businesses in APS continue to perform really well. And I think that will continue to the end of the year.

Operator
We'll now take our next question, and this is from the line of Simon Hales from Citi.

Simon Lynsay Hales - Citigroup Inc., Research Division - MD
Thank you and hi, Damian, Ed and Sarah. I wonder if you could just talk a little bit more about the health of the consumer more broadly across your developed markets, in particular?

You mentioned in your prepared remarks perhaps the need to sort of continue to balance affordability and premiumization. How are you thinking about the promotional environment generally heading into the second half of the year? Your peer CCH was calling out this morning, perhaps some signs of a more price-sensitive consumer in some European markets. I just sort of wonder what you're seeing are you seeing that in some areas, if so, where, et cetera?

Ed Walker - Coca-Cola Europacific Partners PLC – CFO
Hi, thanks, Simon. And I would say we haven't seen a dramatic change in that space. I think last year, we talked about it. And I think we adjusted our real pricing and our promotional strategy to reflect that some of our consumers were needing more affordability. That's kind of been in place for us now, at least for the last 18, maybe even 24 months. It hasn't deteriorated and we don't see that in the second half.

So I think we're well-funded from a promo strategy. I called out some of the examples like in Spain. But if you go across all of our markets from the UK right across New Zealand, I think we've done a good job offering value for consumers who are looking for it, but we haven't lost that ability to drive premium NSR per case on profit for us and our customers through those small PET packs, multipack cans and glass.

So yes, it's still an element of our strategy. But to answer your question, Simon, I don't see it getting worse. I think as we look at Europe, potentially with lower interest rates, Ed talked to some of the commodity pressures easing, that's not only going to benefit us, but it will probably benefit the more macro consumer spend environment. So I'd say we don't see any more promotional intensity required.

I think it's really about executing what we already have in place. And we see that working from a share perspective. We added over 1 million households in Europe. So we're definitely getting more people to participate in our brands. And I think that will continue probably into '25.

So as we look at '25, I see a similar environment, maybe some more potential for a mix benefit as potentially consumers go out a bit more and eat out a bit more. So I'd expect in the medium term, the away-from-home channel to do slightly better than it's done. And I think that's going to be a big benefit as well.

Operator
We'll now take our next question. This is from the line of Sanjeet Aujla from UBS.

Sanjeet Aujla - UBS Investment Bank, Research Division – Analyst
Hi, both from a couple from me, please. Firstly, just coming back to the Europe market share trends. I think Ed talked about growing share in the away-from-home channel. Can you just talk a little bit about what share trends you're seeing in the home channel? I think that Nielsen data, things have softened there of late. So just look to get you taking that. And my follow-up question is just really on how you're seeing the COGS outlook shape up for 2025 with the level of hedges you have in place to date?

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO & Executive Director

Thanks, Sanjeet. I see the direction for one question per caller has gone down really well today. No surprise there. So I'll touch on share and then I'll let Ed talk a little bit to the hedging. So we have gained a lot of share in away-from-home, particularly in Europe. We're pleased with that. And we're also gaining volume share in retail and value.

Our volume share is slightly ahead of value and I think that reflects what I talked to Simon about in terms of for a while now we have been supporting some of those more affordability strategies and that's driven volume share ahead of value, which for us is unusual. Typically, if you go back over the years, it was value ahead of volume. But in this environment, we're pleased that we're recruiting consumers and households. So that will remain a focus.

So on a consolidated level, good share gains, strong in away-from-home and share gains in retail mainly driven on the volume side in sparkling. So pretty pleased with that and I'll hand over to Ed to talk a little bit to the commodities and hedging.

Ed Walker - Coca-Cola Europacific Partners PLC – CFO

Yes. Thank you. So I mean, for this year on cost of goods to start with, we're pleased with the fact we're now guiding to 3% per case. And we're also pleased with the more stability in this line versus what we've seen in the last few years. And we're in a great place at the moment with 90% coverage. And of course, that's being driven by strong commodity management, great cost control within our supply chain and the benefit of a number of the transformation initiatives that we've talked about in the past.

We're not giving guidance on '25 at this stage, it's a bit too early, but we do hope that this more stable environment continues into next year. And today, we're already 40% hedged on the key commodities for next year. So more to come, I think, in Q3 and towards the end of the year and what we see for '25.

Operator

We'll now take our next question, and this is from the line of Lauren Lieberman from Barclays.

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

Great, thanks. Good morning. So Damian, I know you mentioned the (inaudible) in the last question you just asked about home channel performance. So when I just look at what was cited in the release, home channel volumes were down pretty comparably with away-from-home. And so I just wanted to talk about maybe how weather is or is not impacting home channel performance and maybe what you're seeing because like Sanjeet mentioned, like the Nielsen data share performance hasn't looked great for a while.

And so I just wanted to push a little bit on the degree to which the channels that are measured you're looking at differently, right? There's sort of execution you want to build up, whether it's coolers and things you want to do in store, but what is measured is in the Nielsen, the shares haven't looked great. And so I was just wondering if you could comment more specifically on plans and the degree to which that's problematic.

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO & Executive Director

Thanks, Lauren. So I think first, to your share comment, I mean, back to what I talked to with Sanjeet. I mean, I think when we look at our share performance in away-from-home and in retail across all of our markets, we see a particularly long volume share, which we're pleased with and our value shares holding up well. So I don't see that being a challenge.

I think what I see really is back to what you touched on, which is slightly lower volumes in away-from-home versus home. And I think that's also looking at the strong comps, right? So Europe away-from-home, we were down over 4%, but we were cycling volume of plus 4% and home, we were down 1.9%. So still a decline in volume, but clearly doing better than our away-from-home business. And then when we look at our price mix, obviously, we see a better revenue picture.

When I break that down, I mean, it's more in Northern Europe, in particular, where we see that away-from-home. And when I look at it and we speak to our customers, we've had some great wins in that space, somewhere in the UK for example, it's really a footfall challenge. And so we're seeing less people out and about and that's a function of some of the things we talked about earlier.

Our retail business is performing stronger and I think that's on the back of people are eating and drinking more at home. Some great activation on the back of Euros and Olympics. So yes, we see the share position slightly different than *you're laying out, but I'm sure we can reconcile that together. It doesn't take away from the fact that we anticipate a stronger second half in volume and revenue in Europe, as I called out earlier, we're pleased with how August has started.*

We obviously saw some trends coming out of Q1 that allowed us to put in some incremental activity in the second half of the year, predominantly around innovation and flavor innovation. Our execution has got better. So as things turn, we are seeing the benefit of those cooler placements earlier in the year. And clearly, all that relates just to Europe, Lauren. So, I mean there's a different dynamic going on in the Philippines, Australia and New Zealand. So hopefully that answers your question.

Operator
We'll now take our next question, and this is from the line of Matthew Ford from BNP Paribas Exane.

Matthew Ford - BNP Paribas Exane, Research Division - Research Analyst
Hi Damian, Hi Ed. My question is just on the leverage. You mentioned that you're now firmly back within your target range by the end of the year. How do you think about capital allocation from here? When you think about prioritizing M&A versus perhaps share buybacks, what do you think would you look forward to 2025?

Ed Walker - Coca-Cola Europacific Partners PLC – CFO
Thank you, Matthew. Maybe I'll take that one. So yes, we're delighted that we're going to be back within our leverage range, 2.5% to 3% by the end of the year and that's built on the very strong free cash flow of EUR1.7 billion this year and the fact that we're doing it a year early after when you look back and after the acquisitions of Amatil and the Philippines.

We routinely look at our capital allocation. And so we'll be doing that over the next couple of months, but it's a little bit too early at this stage to say what the plans will be going forward. But obviously, we're delighted about the flexibility that this now offers us going towards the end of the year.

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO & Executive Director
Yes. And just to build on Ed's point, I think we're going to continue that relentless focus on free cash flow into '25. That will give us a lot more options

and that's something we'll talk to towards the end of the year. And obviously we'll spend a bit more time in our Capital Markets Day in May.

Operator
We'll now take our next question. This is from Robert Ottenstein from Evercore.

Robert Edward Ottenstein - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Global Beverages & Household Products Research
Great. First, a quick follow-up and then my main question. So just as a follow-up, just love to get a sense of how Reign Storm is doing kind of initial takes in the context, obviously, of Celsius moving into Europe? And then longer term, love to get your thoughts, Damian, on what the Carlsberg-Britvic transaction means to you?

They obviously built it up in terms of tremendous synergies. Do you see any changes over time in the competitive dynamics in GB because of that? And also, are there opportunities for you perhaps to pick up additional countries as alignments change with the different suppliers? Thank you.

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO & Executive Director
Thank you. So we've just really launched Reign Storm in Europe. I'd say the launch has gone better than we expected. So good trial, good rotation on shell, good response from our customers. So we're very, very pleased. Obviously, it's early days, so we'll probably be able to give a bit more color towards the end of the year. But actually, I had a review this morning about it, and I was pleasantly surprised that it started stronger than we expected and has got good response from our customers, our teams and obviously the consumer. So more to come on Reign Storm.

And I think it just plays to a category in which we see growth for CCEP over a number of years on the back of that level of innovation and the fact that we've got a share between 20% and 25% in such a fast-growing category.

So that's exciting. And Carlsberg, yes, I mean, I suppose it's encouraging for us, but brewers see the soft drink any RTD category so attractive to deploy so much capital. So I think that reinforces we feel we're playing in the right categories at the right time.

Britvic has been a great competitor for a number of years in the UK and one that we've respected. So I'd imagine they'll make changes. We've looked at their communications as well. In the near term, we expect a strong competitor and I think that's good for the category. It's good for us and we'll adapt accordingly. And obviously, we've got some ideas in that space, but I won't be sharing them on a call like this, as you can appreciate.

Interesting, your point on M&A, certainly a question that we'll look at with Atlanta going forward when we get some more clarity. As Ed pointed out, we certainly have the financial power to do more M&A. And we certainly have the ambition. And if we can add more markets, that makes sense, we'll do so.

I don't expect that to be a near-term conversation. I think it will probably be a couple of years out just based on what's happening in that space. But more to come on that, but certainly, interesting move to see a big brewer come to a market like GB and something that will, I think, help grow the category and we look at it with interest. Thanks, Robert.

Operator
We'll now move on to the next question, and this is from the line of Edward Mundy from Jefferies.

Edward Brampton Mundy - Jefferies LLC, Research Division - Equity Analyst
So just one question on your medium-term framework. I mean, Damian, you mentioned the more you see the Philippines, the more excited you become and without sort of stealing your thunder for the Capital Markets event next week, how do you think about your medium-term framework of 4%, which was set before you bought the Philippines and the Philippines is growing quite nicely at double-digits and it's close to 10%, I think, of your business? Thank you.

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO & Executive Director
Thank you. Yes, I mean, we've -- you're correct. When we gave that midterm guidance, we hadn't factored in the Philippines. We're still factoring that in. We're still learning about that market. Really happy with its performance this year.

Ed and I will be traveling to that part of the world shortly. That'll give us a chance with Gareth and the team to look at the '25, '26 plans. And I think that will give us a better understanding of the midterm opportunity, which I think is immense *in that market. And then that will probably feed nicely into be able to kind of have that conversation with you on our Capital Markets Day in May.*

So I think that will give us over a year of running that business. We'll get a good view on the midterm. And I think then we'll come back and talk about how our midterm guidance looks against that 4%. But clearly, that's supporting a higher top line growth when we just look at it both stand-alone and on an integrated basis. So more to come on that question, Ed, but probably something we'll formalize with our Board and then bring it to the Capital Markets Day. But definitely on the good side of the conversation, let's put it that way. Thanks.

Operator
We'll now take our next question. This is from the line of Charlie Higgs from Redburn Atlantic.

Charlie Higgs - Redburn Atlantic, Research Division - Equity Research Analyst
Hi Damian, Ed, hope you're both well, I've got one on the Philippines, then a follow-up on London listing. But on the Philippines, volumes up double-digit is obviously very strong. Are you able to be any more specific on what double-digit means and maybe your early thoughts on how creditor landed? And then just still on the Philippines, I think there's some flooding at the start of Q3. And was there any impact to the business there as you start H2? And then just London listing, is there any update you can give there given the implementation came in on the 29 of July?? Thank you.

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO & Executive Director
Thanks, Charlie. Maybe I'll touch on the listing first. So I'm sure like you were all relieved that we now have some clarity on the regime and the rules. So as you'd appreciate, we're reviewing that with our shareholders. We have our next Board meeting in September. And then after that, we'll look at the next step forward. But it is encouraging to see those finally issued and published and we'll obviously communicate on that as we go forward.

On the Philippines, what I've learned speaking to Gareth and the team is that cyclones are quite common and the business is very resilient. So we didn't really see any material impact. When you look at the overall growth, I mean, clearly, there is some very strong fundamentals from a demographic economic perspective. I think we've called out in our Q1, we did have some easier comps in the first half of the year in the Philippines. So that definitely contributes to that higher percentage number.

But when you kind of step back, I mean, that high-single-digit target that we set ourselves in the Philippines, we feel really good about that, not just based on the year-to-date performance, but on some of those fundamentals. And more and more as we get to understand the strength of our system there and the benefits of our investment. And I think that gives us a lot of confidence in that market for the mid-to long-term. Yes. So exciting and I think very sustainable.

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

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO & Executive Director
Thank you. And I just want to really thank everybody again for joining us. As you've heard today, we're really pleased with our half year performance, delivering a 9% profit growth given the context of some of the challenges we've pushed on today in Europe, I think, demonstrates the skill of our teams, the resilience of our business and the strength of the categories that we continue to operate within.

Given that Ed and I are very happy that we can reaffirm our guidance today for the full year, clearly, our next conversation, we'll be able to update you on how Q3 performed. But overall, we feel really excited about a very strong second half program, both in Europe and across our APS countries. And I'd just like to close again by thanking all my colleagues at CCEP for their ongoing commitment to a great business. So, thank you and have a great rest of the day.