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PRESENTATION

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

Good afternoon, everybody. I'm Simon Hales, Head of Beverage and Tobacco Research here at Citi, and I'm delighted to welcome back to the conference, Nik Jhangiani. group Chief Financial Officer at CCEP. Thanks for taking the time to join us together Nik for this fire side chat today . I have prepared some questions as usual but as I very much encourage anyone listening in to submit their questions via the online platform or e-mail me or sent me an IB on Bloomberg, and I can put any questions to Nik on your behalf.

So with that, I think we've got about sort of 45 minutes or so. So -- and perhaps I could just sort of kick things off with a question really around trading and the sort of, Nik.

QUESTIONS AND ANSWERS

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

I mean I suppose if we look through the last 18, 24 months, CCEP has delivered consistent good share gain within its core European businesses and even into the new API businesses. Can you talk a little bit about the things you've been doing to really drive that sustained share performance, I suppose, particularly as we've got into the second year of the pandemic, if you like, in 2021? What have you been doing more effectively, particularly in the home occasion and your products?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Yes. Great question, Simon. And I think we've continued to be very focused around making sure our products are available and ready on shelf for our consumers or through e-shopping experiences. And I think, in all fairness, I need to call out our supply chain and procurement teams have just been doing a phenomenal job to support our customers through this period, and that's really played out very well, both from an angle of their feedback to us through advantaged surveys, how we're then performing relative to competitors. And that then clearly shows across in our share reads as well. So the whole at-home consumption occasion as well as the online piece are critically important elements. And if you think about both those, we're gaining share in store, but also online. And the higher value share online is really benefiting us from an angle that is obviously helping that number look even stronger given the benefit of that e-grocery channel.

I think what we're doing differently is we're trying to drive a lot more tax and promotions to really capture that at-home experience. So what we're noticing a lot is these people and consumers and shoppers want to replicate the away-from-home experience as much as possible at home. So whether that's about glass, that's about mixing occasions, that's about mixers, et cetera, those are the types of things that are really performing very well. We're also making sure that we're doing a lot of pizza-movie voucher combinations and activations, mini cans for homes when you want to take a quick break offer a Zoom call to be able to grab a quick moment of refreshment or an indulgence, if that's the way you see it. So really focused around core brands, smaller packs and strong execution both in store, but also online. And I think those are trends that we'll continue to see accelerate, and we're well positioned to be able to capture that going forward as well.

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

Very interesting. I mean just sort of bringing those comments a little bit more up to the very recent past. And obviously, coming into the year-end, it's not the ideal necessarily year and we're all hoping for, given some of the uncertainty that's out there. Look, I know it's very early days and things like Omicron, but we are starting to see some restricted measures coming into some of your markets, albeit, hopefully, so far, not as onerous as we've seen in the past.

I mean are you seeing anything at this stage in terms of shorter-term trade trends that might concern, particularly with regards to the updated guidance you provided in the Q3 around what a very tight 29% to 30% revenue growth range?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Well, Simon, listen, Omicron was not known to any of us at the time that we put out that guidance. Having said that, I think our priority remains the safety of our people and to make sure that we can continue to supply our customers, both through those home and online channels, but very much on the away-from-home as well, right? Because as you know, that started on the opening up towards the end of the second quarter. To date, I would say we haven't seen anything significant. Having said that, there are some restrictions that are coming into a couple of the markets, Belgium, Netherlands, a little bit in Germany as well. So that's something that we're very mindful and watchful of.

Having said that, I think the guidance that we provided was a range. It was tight, but I think, overall, we should be able to still deliver within what we provided to the markets. Obviously, as we go into the early part of next year, we'll have to see how those trends continue. But hopefully, we can pull the levers like we've successfully done in the past to try and mitigate if we do some season changes coming. So I think we'll update you, obviously, in February. But I think we know what we need to do if there is something that's coming, and we will obviously do everything to protect P&L, cash flows, but, ultimately, the safety of our people as well.

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

All right. So just moving away from those very short term issues into maybe just 2022, which is still, obviously, relatively short term to be looking forward in your business. But clearly, a lot of the debate, as you well know, across FMCG at the moment is around sort of the cost backdrop that the wider industries are facing. You've been guiding towards 4% to 5% sort of COGS the case inflation for next year. Can you just update us on where we are now with regards to your hedging positions as we head into 2022? Clearly, we've seen a little bit of a recent pullback on things like aluminum where your hedging was more limited certainly at the Q3 stage than perhaps where it might normally be. I just sort of wonder if there's anything you can say to update us on that to start with?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Yes. I mean our hedging is pretty much at those levels, maybe slightly increased versus where we were in terms of that circa 45%, but not substantially. I think we've taken a bit of a different position in view this year from an angle of versus looking at our hedge coverage just on an overall basis for the year. And typically, as you rightfully said, we would go into the year around that 80% threshold. And today, we're circa about 45% to 47% threshold. But we have more front weighted that. So if you look at aluminum, for instance, if you look at that softness that we saw maybe about a month ago, we took advantage of that and locked in and got to stronger coverage for Q1 and slightly into Q2. So when I look at that weighted average coverage for Q1 and Q2 across our commodities, you're looking at circa 70% for Q1 and about 50% for Q2, right? So it's a little more front loaded.

Aluminum prices have come off a little bit. We continue to monitor that. My team has put into place some triggers that we have approved as a committee, and we'll continue to watch that. Again, if we did look at some of that shorter-term slide that's happened, again, we probably look at how do we lock in a little bit more from Q2, with the view that there's probably still more to come towards the latter part of the year. So we'll keep you updated on that. I think we've got a robust process to make sure we get that balance right in the shorter term, i.e., for the first half of the year,

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uncertainty versus potentially locking in at too higher price and then having to, obviously, manage that through pricing going forward, right? So we want to get that balance right. So we'll keep you updated as we go along.

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

Okay. And I mean, just picking up on the -- your price comments at the end, obviously, it naturally leads on to a discussion around how you're going to sort of manage the revenue per case in that sort of numbers for next year. obviously, from what you've been saying, and some of your other bottling peers, it feels like you're all relatively confident in your ability to drive higher revenue per case next year, perhaps it's not completely offset some of this cost inflation, largely offset it. It seems like the markets in the investor base is more skeptical in that ability. I just sort of wonder what really gives you guys the confidence now that you can deal with this inflationary cycle, perhaps that much better than you were able to deal with inflationary cycles that we've seen around commodities in the past?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Yes. Simon, great question. And I think, quite honestly, if you look back to the past, you're looking going back 15-plus years where we've seen this type of an inflationary environment. And I think the context in that -- at that stage was very different. One, I think you have a fully aligned system today that is focused around revenue growth, which is a critically important differentiator versus where we were probably 15 years ago, where you had the company very much focused around volume. Today, we're pulling together on all cylinders to be focused around how do we make sure that we get that revenue per case that's requisite and appropriate with the brand equities that we actually have in the marketplace, right? But at the same time, making sure that we also manage affordability, relevance of the category, et cetera, trial, repeat, all that kind of stuff. So we need to look at that in that first holistic context.

But being on an incidence model, being revenue aligned as a system, hugely different. Two, I would say to you, as CCEP in particular, and I can't talk about the other bottlers, I can talk about ourselves, I think we're really coming from a position of strength. When you look back since we formed European Partners and now Europe Pacific, obviously, we have consistently been the #1 value creator across FMCG for our customers, right? So their margins have significantly improved in our category as a result of some of the actions that we've taken without actually compromising on volume or what I think is a critically important element for them, which is footfall through their stores, right?

So that position of strength in terms of the demonstration of the value that we've created is probably the second most important thing, I would say to you as we look at why is things different. Thirdly, I think we've got to stay focused around the fact that we do have other levers as well. Great is one lever, but promotional spend, particularly the time when you're seeing shortages of key materials, when you're seeing challenges across the competitive landscape in terms of being able to ensure availability on shelf, I think we have continued to fare really well through the pandemic in terms of customer service, and that's been called out by a lot of our customers as well. So I think managing the promo spend and those levers in terms of depth and frequency of promos is critically important as well. So I think all those elements, I think, put us in a very different context and position versus where we've been in the past.

Now having said that, I've always maintained that this is not about a single year focus, right? We're talking about this on a multiyear basis, at least as we look at the next 2 years, right? And the benefit of doing it in that way is that, consistently, over the last 4 years, we've been taking price. If you look at our performance in the last 4 years, about half of our growth on the top line has actually come from rate and mix. And that's a very positive, hopefully, indicator of why we feel confident going into 2022 as well. So all those factors, along with the fact that I think we will hopefully, Omicron aside, see a positive mix versus 2021, supporting us as well. And then I think the other element is we've been very focused around our competitiveness programs, our fighting fit programs, and those should help us lower down the P&L as well as we think around operating margins, too. So I think all those multiple levers is what we'll be looking at to protect margins on a multiyear basis.

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

That's great, but it raises lots of areas. I'd like to stick into a little bit more, if I can with you.

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Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Sure.

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

I mean maybe the first 1 is it was around that broader revenue management piece really and thinking about sort of mix and promo activity. In terms of the digital transformation, that you've been going on? And how do those tools really help you now compared to, again, where you might have been even just 3 or -- 3 years ago, 5 years ago, let alone 15 years ago to more effectively manage that spend?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Yes. So listen, one, we have put in some great digital tools to really help us in terms of trade from optimization, what kind of returns are we getting? And then how do we ensure that we're putting our dollars where we truly can get incremental volumes and incremental returns from smarter RGM capabilities and smarter promo activity. So digital tools are clearly something that are helping us. Are we there? Is there a lot more to do? I think we're investing a lot in data and analytics, right? We've built up a new team. We've got to get a lot of the foundational stuff right, but that is probably a core area of focus for us. But I think digital goes beyond just that. I think if you look at some of our e-platforms, if you think about what we're doing on myccep.com, how we're actually helping our customers serve us and them better in terms of ease of doing business with us, right? How we might be able to target and talk about promotional activity with them through those platforms? How we might think about really tailoring promotional activity by store? I mean, here are some great learnings that we're getting through API, right? When you look at a retailer, sometimes, we think about that retailer and plan what we want to do in that banner across the country. API Australia, for instance, has taken a very granular approach by actually looking postcode-by-postcode into each of the formats of that particular retailer, and how do we need to think about RGM and promos that might be different depending on the population that they're serving through those post codes, right? So it's actually a much more hyper-segmented approach if you have the right digital tools and capabilities that allows you to go -- to do that in a smarter way with not a one-size-fits-all. So segmentation is going to be key.

And how we think about that going forward, across our store formats across even a banner by using post codes, how we think about that with the right tech architecture going into those particular stores clearly, I would say, hyper segmentation is the way forward.

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

Is. And just going back to sort of rate or price specifically. Clearly, you'll be in negotiations now with a lot of the (inaudible) and don't sure they're ongoing. But I mean, obviously, a lot of the feedback we've been getting sort of generally from the FMCG space has been that those negotiations are probably a little bit more open and pragmatic than they may have been in the past given how broad-based consumer inflation is. Sounds like you're confirming that, but I suppose within that, specifically markets like France and Germany have been disruptive for you in the past and negotiations there tend to be some of the toughest that many companies face within Europe. Is there anything else you can share at the moment in terms of your confidence in the way the negotiations are progressing?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Well, listen, negotiations are never easy, right? I'm not going to say that this is an easier or a job done. But I think it comes back to some of the points that I made earlier, right? We come from a very different position, having taken price for the last several years, which has actually supported customer margins as well as their working capital as well as share gains, right? So I think all that positions us well. Having said that, I think the difference this time is that a lot of our competitors are in the same situation, right? In terms of the same cost challenges that they see. And while some of them were probably in a different position in terms of what their agreements might have been with the retailers, I think it's definitely different this year, right? And that backdrop is definitely supportive.

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I think clearly, also the retailers, with their own brands, are going to see some of the same challenges in terms of the cost inflation. And actually, if you think about it in terms of that cost inflation as a percentage of retail selling price on private labels, it's actually going to be even higher. So some of the things that they're going to need to do to protect their own business as well, I think, puts us in a context and a dynamic that's very different, right? Than where you've been in the past where we potentially have been amongst the few FMCG companies that have been pushing for pricing consistently year-on-year, right? And that's where some of that disruption has come in because they feel that why we're the ones pushing for it, even though, back to my point earlier, we've been actually helping them grow margins, right? So I think the backdrop is very different. Having said that, we're in the midst of those negotiations. Those are all pricing that comes into effect sometime between January and March in the key European markets. So it's happening right now across GB, Germany, France and Spain. (inaudible) markets typically happen around July, September. So we've already gone in with that first round. And I say first round because I've also been very clear, depending on how that backdrop continues to evolve. We are not saying that there couldn't potentially be a second round and a second bite at that apple. And then the other element I'll again remind you of is, remember, our promo plans are typically very much on an 8- to 12-week rolling period, right? So that's where we continue to have some flexibility as well as we think about both what's happening from a competitive landscape perspective, what's happening from the COGS inflation perspective and what we need to do to protect our pricing and our P&L as well. So we'll have definitely some flexibility to manage that lever as well as we look through the course of 2022.

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

The other thing you mentioned was sort of affordability and this -- your thought process around thinking about this backdrop on a multiyear sort of basis. I mean -- Have you changed the way you think about the sort of volume elasticities as we head into 2020 given the scale of cost inflation we are seeing generally and how the consumer is probably going to be under a broader on the broader strain than normal. I mean, I think typically, volume as tends to be minus 0.3%, something like that in CSDs. Is that something that you would share? Are you a bit more cautious do you think looking at 2022?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Yes. Listen, I think the elasticity that you quoted there is very much an average. And if you look across, depending on the actual subcategory within sparkling i.e., colas versus flavors. If you look at it in terms of channel, if you look at it packs within channel, it's going to be very different, right? And again, it comes back to that segmentation approach that we have to be careful about, right? I'm not talking about saying headline pricing of 2% or 3% or 1% or whatever that number is across our entire portfolio across each sub channel. So you've got to look at it in a segmented way. And that's the way -- that's what our GM is all about. That's what our commercial teams are focusing on, right? And where we have greater elasticities, we just need to be mindful and watchful of that, where there's less, clearly, there's more for room, and that's what our GM and our capabilities all about.

It comes back to the point around that data and analytics. And I think we've got a lot of data to support that in terms of what do we want to do with core packs within core brands? What do we want to do to drive recruitment and trial and that's where the affordability comes in? What do we want to do in the home channel where it might be around those at-home occasions? Interestingly enough, you're actually seeing a shift towards some of those smaller, better-margin packs and higher price packs because that's what the consumer wants to do. But we have choice, right? And that's where, again, we want to continue offering that choice of at ranges to our customers, whether it's large PET, whether it's multipack cans, whether it's small cans, whether it's glass, and that's where that hypersegmentation in terms of our pricing and promo activity comes in as well.

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

Got it. I want to go on to API. But just before we get there, just to sort of wrap up on the discussions around next year. Is there any sort of logistical bottlenecks or anything we should be aware of because supply chains are a bit more challenged than normal? I know we've talked about problems in GB in the recent past, where are we now with those sort of situations?

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Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Yes. Listen, again, a huge call out to our procurement and our supply chain teams because the way they've been managing through it with the support of the cross enterprise procurement group that sits across Coca-Cola and its bottlers, as well as how we have been working with our customers in a very proactive way to actually be very clear with them what we can and cannot do. We've managed through CO2 crises. We've managed through pallet shortages, can shortages, right? And it's something that they're working on daily and weekly. I think the challenge that you've highlighted in GB has been a little more acute because we've seen some haulage issues as well, shortage of HGV drivers. So having seen that and that trend coming, I think we've done a couple of things shorter term and what we're looking at in the midterm as well. So if I look at the shorter term, I think we worked with our retailers and our customer base to very much look at what was going to be driving towards that peak demand in December and that Christmas selling season, right? And fortunately, our retailers were very receptive and actually had some incremental warehousing for what they've taken given some of the Brexit fears that we were able to smooth out some of that delivery, right? To actually say, let's look at it in October, November and December as opposed to that peak lead up typically of that 3 to 4 weeks as we get to Christmas. So that's really supported us, and that's really supported ensuring that our products are available on shelf as you go around in GB today.

But that shortage of HGV drivers is going to continue, and it's not going to be something that goes away into 2022. So what we've done is to make sure that we've locked in some fixed capacity that we're saying we'll take month-on-month, again, to manage through some of those peaks and troughs, we'll try and normalize that. We're also looking at alternatives in terms of rail routes versus truck routes to be able to take some of that pressure off as well. And this will give us some incremental capacity, which will be great as well. So those are some of the shorter and the midterm ways that we're trying to manage through that. And I think, again, we'll stay agile and nimble to work through that as we go through 2022.

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

Great. That's very clear. Let's maybe turn into API because, I think, 12 months ago, when we last did 1 of these sort of firesides you were limited in terms of the detail you could share on API, should we say, at that point. I just sort of wonder sort of how you feel about the business now since acquisition? How it's performed relative to those initial expectations you had going into the business at the start really?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Listen, I have to say both Damian and myself and the Board are extremely pleased with the way the integration has gone for one. And I think the speed with which we've been able to do that particularly in a virtual world, right? And a big, big call out to Peter West, who's leading our API organization, but also Chris and Jorge our GMs in New Zealand, Pacific and Jorge have just come into Indonesia to run that business for us. So they've just been tremendous. Listen, the momentum as we went into the acquisition, particularly across AP, was very strong, right? And I think we've had a very strong working group looking at what we need to do under Jorge's leadership in Indonesia. And I'm very pleased as we look at the sparkling performance, early days, but we're definitely heading in the right direction in Indonesia as well, although there's a lot to do still as we go forward, right? So both year-to-date, if you look at Australia and New Zealand, that business is ahead of 2019. So the momentum continues to be strong. And keep in mind, this is despite the fact that both of those markets had some prolonged restrictions and lockdowns that we've been seeing, right?

Fortunately, most of Australia has come out and New Zealand is coming out of that, too. In fact, I was on a call with the team this morning, and all of the outlets in a way from home in New Zealand have opened up now. And that's great because we're going into their critical not just Christmas but summer season there as well. So I think we continue to do a lot to be able to support that organization, but they are firing on all cylinders. And Indonesia is about a multiyear journey, right? We've got to reset that business in terms of the complexity of the portfolio, the route to market that we need to look at going forward and really how we need to win in the general trade part of the business because that's the larger part of the business than modern trade, and how do we really think about portfolio and SKUs within that portfolio to help in general trade because those are small outlets. They don't have a huge amount of space, right? So there's a lot of work going on that, I think, at the right time, early next year, we will be able to update the markets in terms of how do we think about that business being led by sparkling tea and, to a limited extent, some juice businesses. But really, with a much smaller portfolio of brands and SKUs in that space. So very, very happy about the progress, but happy to dell them deeper in certain areas if we'd like to.

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

I mean just on that, I mean -- and is it fair to say that the good performance, which isn't (inaudible), as you say, been a good performance, especially given there's some of the restrictions that have been in market on that prolonged basis that you've seen this year. It sounds like it's come on the back of just really good execution on the ground even before you've started to -- we say, as the value or the magic dust that you thought you were going to bring to the API business when you acquired it with things like the introduction of sort of no sugar and things like that. I see things like that haven't really started to happen yet. We haven't got a real push on no sugar in Australia, for instance, as yet.

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Listen, as you rightly said, the momentum was good. The New Zealand business has been a very strong performing business for a number of years, right? And it's actually probably one of the standout markets when you look across, not just Euro Pacific, but I would say when you look across the broader Coke system as well, right? So a call out to that team because they actually won a very prestigious cup within the Coca-Cola system this year and were recognized for the best-in-class within the whole Coca-Cola system in terms of their execution capabilities. So that business continues to perform very well. I think Peter had come into the business and had already started making some changes, right? And we're seeing some of that start to pay off. But there's some great cross learnings that's happening both in API, i.e., Australia and New Zealand, but also the broader Europacific group, right? And I think it's both ways that's really helping us Coke Zero sugar or no sugar as you rightly called it, has been a tremendous success in Europe. It's been relaunched actually in Australia during Q3. We were able to actually give them some very early learnings as they went into that process, and it's no surprise then as we've taken some of those learnings and applying that, we've already started seeing some great success. So Coke no sugar, if I remember the numbers right, are growing over 25% in Australia and that's twice as fast as the growth of Pepsi Max, right? So clearly, you're already seeing some great traction.

But now if you look at it from a portfolio perspective, it accounts for about 17% of CCEP's total Australia NARTD claim. While if you look at some of our markets here in Europe, without calling them out, right? You've got that closer to 30%. So clearly, there's big headroom for growth, and we can continue to share some of those learnings on that one in particular, but across other areas, too, to help that business really use no sugar as a strong fuel for growth and really win against the competitive landscape as well.

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

Got it. And in terms of the sort of the greater focus on the portfolio within API, I mean you flagged at the Q3 results that you're exiting, I think, Feral Crop Beer, great name as well as some cider products and also, I think, selling some other brands or hoping sell some of the brands to coke as well this side of the year-end. I mean where are we on that process. And I suppose, more broadly, is there more to come? And how do we think about the potential P&L impact if some of this portfolio cleanup, if you like? Is there some risk of dilution as we look into 2022 and 2023 as some of the things have happened?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Yes. So I think I'd split it up into 3 or 4 buckets, right? So if you look at the Australia business going forward, we really see sparkling being a critically important part. Clearly, energy, clearly, alcohol in terms of the business that we have with Jim Beam Suntory. And if we've got that strong focus on that, to your question around dilution, you've got to look at this on a multiyear basis. And while there might be some temporary impact, the growth opportunities, as we look forward as we have a clearer, cleaner, more focused portfolio around really winning with those is what's going to help us not just grow the top line, but margins for the future as well.

So if you look at the first piece, it's about water brands and some flavors brands, Kirks, in particular, across Australia and New Zealand that we'll be selling to the Coca-Cola Company. Those discussions are progressing well. We still expect to have the -- that largely done from an agreement perspective this side of Christmas hopefully. Obviously, things might slip here or there, but we're talking about weeks, not much longer than that. The actual closing might take a little bit longer just based on regulatory approvals, et cetera, that might need to happen. The important piece is

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we're going to be working as a system to really think about that portfolio play and how, for instance, in flavors do we win with brands like Fanta, Sprite and Kirks versus in the past where we were actually competing against each other, right? So I think if you look at that going forward, that's very clear in terms of how we want to play and win, and similarly with the water brands of Mount Franklin and Deep Spring, right? And some of the new stuff that we're doing with Deep Spring kind of replicating some of the experiences from the U.S. with AHA is great. So that piece is going to happen. Clearly, there will be a margin impact as we sell those brands. So I realize some cash for those brands upfront. But then I, obviously, give up a part of that value stream because those will move into an incidence model. But what we will do is, as we get to February, kind of give you a clear indication of the revenue and the margin impact if we rebased 2021. And then you've got a good clean base to look at us going forward, right?

Then you've got the beer side of the business. It was an overly complicated business with joint ventures, owned brands, distribution agreements and we're exiting that piece completely. That should largely be complete by the end of the first half of 2022. That will actually be margin accretive because that business was a very low margin business based on the different models that we have, right? So those will be unwound in the same way I'll give you some indications of what kind of implications that have as we reset that going forward, right? And then we bought a coffee business that's strong, that we'll look at during 2022 with The Coca-Cola Company. And then we've also got a bulk water business that we'll continue to review with the business to determine what's the right future for that business. That has a strong trajectory through 2019. As you can imagine, with bulk order businesses, they're typically largely for offices, institutions, et cetera. And obviously, with COVID, that has clearly had an impact.

There's clearly ability to bring that business back and then look at what's the right fit for that business for the longer term. So there's a little more to come when we look at those 2 businesses. But I think the big part of the water and the sparkling portfolio and the beer exit are things that we're finalizing as we exit this year or into the early part of next year.

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

That's really help us very clearly. Maybe I can just sort of shift gears a little bit and move on to your ESG and sustainability strategy. And you've clearly set you up a range there were certain number of targets in that area. And I think, historically, you've talked around about sort EUR 250 million of investment to go behind a lot of those initiatives by the end of 2022. Now I think that was pre API. How do we think about the investment journey? Where are you? What are the sort of things that you've been spending that investment on? And how do we think about the level of investment over the next sort of 2 to 3 years on that basis?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Yes. So listen, firstly, I'm very glad that you talk about it as an investment because there clearly is an investment in terms of what we feel will differentiate us as a company, our brands, and, ultimately, what should be our brand equities and why we should be consumers and shoppers' preferred brands, right? In the past, a lot of focus has been around that and thinking about it as a cost, but truly is some investment for the future. So thank you for that, Simon.

I think we've been focused around if we think about ultimately our big focus is around reducing gas emissions, right? And the CO2 emissions. And if you look at it across the 5 main pillars of ingredients and what we need to do there, what we need to do on the packaging side, what we need to do with our manufacturing footprint, what we need to do with transportation our whole years, et cetera, and then ultimately also our coolers, which is an important part of it, right? In terms of our refrigeration and cooler footprint that we have. We've got some very clear measures and targets across each of those areas to be able to focus in on, right? So if you think about the investment and where it's been going, a large part of it has been around packaging in particular. How do we think about that move from one-way virgin PET and pulling out some of that tonnage and replacing it with recyclable PET? But we also want to make investments to support actually what is the circular economy to get better quality feedstock and to be able to reuse more and more of that material back into that packaging, right?

So I think we've made some great journeys there. We set a target at 50% by 2023. I think we're actually probably going to be ahead of that target, right? But is that enough? And I think we continue to push and challenge ourselves in terms of other areas and how quick -- how much quicker can we get even to a net zero versus the 2020-40 ambition that we've laid out for Europe. And now we'll obviously lay in some of that work on the

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API, too. We made lots of transitions from usage shrink material, which was really wasted plastic material into Board, which is stronger and much better. And I think we're doing a lot to invest in recycling facilities with industry partners, and you've seen some of the announcements that we've made in Australia and Indonesia as well.

On water, we continue to make good progress. We've actually also just certified 2 of our sites as carbon neutral, and we're going to make more progress with more of our sites as we go forward. We've been transitioning a lot of our fleet to electric. And those are investments that you need to make as you step up and move into electric vehicles. So those are the types of things that we're doing. And then we're looking at new technologies wherever possible. So we have a venture arm that looks at really a strong focus around how can we help on our carbon reduction footprint emission as we go forward. So things like packageless solutions. We're investing in companies there. things on more digitization that we can do through our supply chain and new tools that can come in there. Those are the types of things that we'll continue to invest in.

So can I give you a number? Probably not. Are we doing the right things to be able to position us well for the future, absolutely.

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

And I suppose sort of Germany, I'd appreciate there's no hard numbers that you can give. But I think historically, when analysts like I simplistically started looking at sort of the ESG agendas that...

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Simon, I think I seem to lost you. You are frozen. You're back now.

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

Can you hear me?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

I can hear you now.

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

Okay. Sorry. I don't know what you got there. So I was just saying when simplistically perhaps analysts by themselves started looking at (inaudible) ESG , that sort of initiatives then we look at things like with you guys that packaging shift from Virgin to recycle PET . It was easy to sort of look at the cost of Virgin PET and the greater cost of rPET and so there is a margin headwind here that the industry has got to bear within the short term and that drives potential drag on your earnings . When you look at the overall level investment that's going in to change the need to be made over the next 3 to 5 years do you see as a potential still margin drag or this is about better margin rates really about the investments to sustain and drive top line growth.

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Yeah ,for me I think there's a couple of things one I think despite our moves in the fact that I said we are actually accelerating that journey and that probably we are going to be ahead of those targets in 2023. I think we protected our business quite well and I think alternately the focus needs to be around the investment that you are making that's right for the longer term and alternately comeback to then being able drive stronger brand equities ,pricing power that -- Either that or we should be the consumer preferred brand and hence we should getting share versus our competitors cause we are moving faster on that journey right. Which ultimately will help top line growth, which will support the margin. So I continue to look

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at it more as an investment. I think the challenge has been, as you rightfully said the cost differential between rPET and vPET actually has continued to grow both because of the fact that the vPET prices from a supply-demand perspective, there's actually been a lower demand for that as people are shifting towards rPET. But also, on the rPET demand side, there just isn't enough quality feedstock. So we've got to support that with some of those investments that we're making in those JVs to support that circular economy with more capacity coming on stream that will naturally lead to those prices coming down as well, right? So we've got to be playing this for the long game as opposed to worrying about just a short-term absolute margin point because, I think, our absolute gross margin -- gross profit, on a dollar perspective, continues to grow very strongly, right? So I think we've got to get that balance right to really think about that investment for the future and what will differentiate us and give us an edge going forward. And that's the way I would summarize and look at that.

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

I'm conscious we're going up to time, but maybe I can just sort of squeeze 1 sort of final, I suppose, portfolio questioning. And now I suppose as you look at your portfolio, be the brands, (inaudible) markets over the medium to longer term, what's the bit that excites you most? Which doesn't get its fair share of attention do you think from analysts like me and the wider market? Where's the bit of CCEP that we're all missing at the moment as the next growth area?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

I think there's several. Firstly, I think we have to always continue to focus and believe in the power of our sparkling portfolio, right? And the continued strength that we have there, both in terms of when we look at the no sugar variants and flavors in particular, because we clearly have a much lower share on flavors. So that's a strong area. Then within sparkling, I would also add mixers and the whole adult straight drinking opportunity is very strong, right? The second big piece of when you look outside of sparkling is energy. That category has continued to grow really strongly and have been tremendously resilient through COVID, right? So I think that is a huge category, and we have just the most tremendous partner in Monster in terms of how we think about innovation, and how we bring excitement into that portfolio. So that's really strong. The third element that I would talk to you about is tea. We've been doing a phenomenal job with Fuze Tea and that's a category that continues to excite us. We've done well. There's a lot more runway and headroom for growth there. And then you've got the whole space around hydration and wellness products. It's great that the Coca-Cola Company has made a big investment with Body Armor. Early days. We need to assess that, but those are areas that continue to excite us. Coffee, right? I think it's completely underappreciated right now. There's a lot more work to do. We're excited with the partnership with Costa. There's a lot of opportunity with the express machines and proud to serve. And then finally, on the alcohol space and the element with ready-to-drink in that space, and we're getting some great learnings with the API acquisition with what they're doing with Jin Beam Suntory. So a lot on the portfolio side that we're excited about going forward.

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

That will be plenty to keep you busy.

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Exactly. Exactly.

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

And almost exactly on time as well. So can I just sort of say, Nik, thank you for joining us here today. Thanks for all your very direct and clear answers to all the questions. And we look forward to seeing how things sort of turn out and develop as we move into 2022. I'm sure we'll see another successful year of share gaining good momentum.

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Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Absolutely. Thanks. Thanks very much, Simon. Take care.

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

Thank you.

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Bye-bye.

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