

**COCA-COLA EUROPEAN PARTNERS**  
**Proposed CCA acquisition and Q3 trading update**  
**Analyst Call Transcript**  
**25 October 2020**

**CORPORATE PARTICIPANTS OF PREPARED REMARKS**

Damian Gammell - CEO  
Nik Jhangiani - CFO  
Sarah Willett – VP, Investor Relations

**PREPARED REMARKS**

Sarah Willett – VP, Investor Relations

*Thank you and good evening in Europe and the US and good morning in Australia.*

*Thank you all for joining us and apologies for the late timing. I'm here with Damian Gammell, our CEO, and Nik Jhangiani, our CFO.*

*Before we begin with our opening remarks on the proposed acquisition of Coca-Cola Amatil and our Q3 trading update, I would like to remind you 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 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](http://www.cocacolaep.com). Prepared remarks will be made by Damian and Nik and accompanied by a slide deck.*

*Following prepared remarks, we will turn the call over to your questions. Following the webcast, 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: Agenda slide***

*Thank you, Sarah, and many thanks to everyone joining us this evening here in the UK and US and tomorrow morning in Australia, particularly at such short notice.*

*This is a very exciting moment in time for us at Coca-Cola European Partners, as we share with you a very special announcement. Today we are announcing a non-binding proposal to acquire Coca-Cola Amatil, which as many of you will*

know, is one of the largest bottlers and distributors of ready-to drink non-alcoholic and alcoholic beverages and coffee in the Asia Pacific region.

We have great regard for Amatil's employees and history as a local Coke bottler, with a long and rich heritage of over 50 years. As such, Amatil is a great business and this transaction represents a unique and tremendous opportunity to combine two of the world's best bottlers. It is also a moment in time for the wider Coke system - as it represents a first – the first ever acquisition of a publicly listed Coke bottler by another listed bottler. As you can probably tell, I am more than excited about this opportunity but before I share more with you on this, I wanted to touch on our Q3 trading statement which we have also released this evening alongside our FY20 dividend declaration.

At the end of the prepared remarks, there will be plenty of time for questions.

**Damian: Q3 highlights slide**

So firstly, and very briefly on our third quarter performance.

We continued to demonstrate the resilience of our business and our ability to operate with agility in such a rapidly changing environment. I am proud of how our colleagues have continued to support our customers, consumers and communities throughout such a challenging time.

I am particularly pleased that we have continued to take value share year to date according to Nielsen, both in stores and online. This is reflected in our encouraging performance over the summer months which as you can see here, resulted in a significant improvement in volumes versus the second quarter, in part helped by favourable weather.

In particular, we saw a marked improvement in away from home volumes reflecting the easing of lockdown measures and outlet re-openings across all markets.

Home volumes were also strong, driven by the ongoing outperformance of future consumption, as well as the resolution of a recent customer negotiation which has started to support volumes in Germany and France in particular.

Revenue per unit case grew by 1 percent, benefitting from the improvement in away from home volumes, fewer promotions in the home channel, as well as favourable brand mix.

Moving now to the dividend. Recognising the importance of cash returns to shareholders and the confidence in the future of our business, we have today

declared a FY20 dividend per share of €0.85, representing a 50% payout ratio based on current consensus expectations for diluted earnings per share. Sustainability remains a key priority for our business and I am pleased that we continued to make further progress. We recently announced that the Netherlands & Norway will fully transition to 100% rPET in 2021 and Great Britain will fully transition to 50% rPET by the end of this year – a great achievement and something that remains of upmost importance to us, regardless of such a challenging backdrop.

And as you know, we have a great portfolio of the world's best brands and this is evident in the outperformance of brands such as Coca-Cola Zero Sugar, Monster and Schweppes, all of which grew volumes during the third quarter. And finally some brief comments on the outlook for the rest of FY20. As you will be aware, a number of restrictions and local lockdowns have been reintroduced across our markets. All bars and restaurants in Belgium and the Netherlands have been temporarily closed, while various regional closures and local restrictions have also been imposed across our other markets. Many markets have also now introduced curfews and many outlets are operating at reduced capacity.

Although this has resulted in a deterioration in October volumes versus September, it is important to note that we do not expect these restrictions to impact volumes as negatively as the second quarter. And seasonally, remember that the Home channel becomes more important for us in the fourth quarter. We will continue to work with our customers to drive volumes both in store and online, particularly in the run up to the key Christmas trading period.

So overall, a much improved quarter, and still lots to look forward to with Christmas approaching, despite the continued uncertainty about the duration and impact of the pandemic.

Damian: Proposed acquisition of Amatil: a unique and exciting opportunity  
So turning now to the main announcement of today – the proposed acquisition of Coca-Cola Amatil. This is a unique and tremendous opportunity to combine two of the world's best bottlers.

*Damian: Compelling strategic rationale*

*Four years on from the creation of CCEP, this is the right time to take on a new growth opportunity. We have been reviewing this potential transaction for some time and have invested significant time understanding Amatil's business and the markets in which it operates.*

*Western Europe of course remains a fantastic place to be, however it is now the right time to take our proven playbook and apply its success to these new markets.*

*The strategic rationale behind this proposed transaction is compelling, solidifying our position as the largest Coke bottler by revenue, and creating a platform for accelerated growth and returns.*

*We have created significant value for our shareholders and we are eager to continue on that trajectory. So this coming together of two of the world's best bottlers, is truly exciting.*

*We would be diversifying into a very exciting part of the world. New geographic exposure into markets which, whilst largely developed in nature and therefore like our own, enjoy higher underlying growth fundamentals. CCEP has a proven track record of creating value in developed markets through strong revenue growth management, route-to-market transformation and leading commercial capabilities. We believe this will enhance our collective business going forward.*

*This broader and more balanced geographic footprint will double our consumer reach and will provide the opportunity to take on one of the world's most populous emerging markets in Indonesia. More on that shortly. We expect the transaction to ultimately drive more sustainable and faster growth by combining the talent, learning and best practices of two great companies, both with a strong shared sustainability focus. And importantly, we will be able to scale up faster than ever before, with even more ambitious growth plans with The Coca-Cola Company and our other brand partners. And of course, we are very mindful of the backdrop. Both businesses have excellent, agile teams and operating models with great digital capability which will allow us to continue to run the collective business effectively in COVID times, whilst building on the best of who we are as we emerge from the pandemic and into an exciting future together.*

*Admittedly in the context of a global pandemic, the timing could have been easier, but the pandemic has been less disruptive in Australia and New Zealand than in Europe, and so we are confident that the short-term impacts and underlying fundamentals do not materially impact any long-term view.*

We believe in the power of the Coke system to generate value for shareholders, demonstrated by the creation of CCEP four years ago, and now by the taking on of these great franchises and markets.

**Damian: Solidifies our position as largest Coke bottler**

As I mentioned earlier, this transaction would solidify our position as the largest Coke bottler globally

You can see here the combined revenue and EBITDA of both companies on a 2019 basis.

Our revenue would grow by 25 percent from €12 billion to over €15 billion, operating on a similar EBITDA margin, generating nearly €3 billion in EBITDA. So a formidable and even larger player in the consumer staples space.

And overall this acquisition would solidify CCEP's ability to grow both revenue and EBITDA, invest in the business, de-lever, and ultimately return cash to our shareholders.

**Damian: Brings together of two of the world's best bottlers**

As you can see here, this transaction would be bringing together two of the world's best bottlers. Both businesses having leading positions in NARTD, in great markets with strong financials.

Most of you already know us very well. Amatil would provide attractive scale into 6 new markets – Australia, New Zealand, Fiji, Samoa, Indonesia and Papua New Guinea, doubling our consumer reach to around 600 million. From a portfolio perspective, we would be adding wider capabilities in the areas of alcohol and coffee.

And we would be creating a more diverse culture with even more opportunity for our people to grow.

And the financials here speak for themselves, both companies showcasing strong margins and excellent free cash flow generation.

**Damian: Provides further geographic diversification**

Since the formation of CCEP four years ago, our focus has been on revenue diversification through pack, channel and brand. Four years on, this is the right time to expand that diversification strategy into new geographies. And so I am very pleased to be adding these new markets into the CCEP family as you can see on this slide.

Approximately 75 percent of Amatil's revenues sit within developed markets, so similar to our current footprint, with the remainder driven by the exciting new emerging market of Indonesia.

*Damian: Alongside a diversified & exciting portfolio*

*Beyond the geographic diversification, whilst the core category for both businesses is NARTD, the transaction would methodically strengthen and broaden our current portfolio, not just within that category but in the acquisition of wider capabilities in alcohol and coffee. This is already a focus area for us here in Europe as we build out our coffee business led by Costa and prepare to launch Topo Chico across our markets.*

*And like our markets, Amatil boasts the number one market share position in CSDs across its key markets.*

*So a great portfolio and one that is clearly largely complimentary with our own.*

*Damian: Attractive long term macro growth prospects in all of Amatil's key markets*

*Amatil's markets also provide attractive long term macro growth prospects, with population growth and inflation ahead of our existing footprint. The same is true of expected GDP growth.*

*Indonesia's growth prospects are particularly attractive so we are excited that this transaction provides exposure to one of the most populous and dynamic emerging markets.*

*Here we can leverage past experiences of our senior leadership team, who have in their Coke careers been successful in creating value in similar environments.*

*For example, I spent several years in Amatil's markets in the early 2000s and so I know these markets well and have worked in various other markets such as Russia and Turkey during my Coke system career to date. And Nik spent several years in our European sister bottler, Coca-Cola Hellenic, with their focus on emerging markets, alongside time spent in India and in Africa. Experience, alongside many others in the CCEP leadership team, that we can leverage as we move forward.*

*Damian: With attractive underlying category growth*

*And the same story from a category perspective with NARTD growth expected across all markets in the medium term. Indonesia is the standout here, with high growth potential as we referred to on the previous slide. And within NARTD, sparkling continues to grow and has proved its resilience throughout the current pandemic as consumers turn to trusted and great tasting brands.*

*There's also an opportunity to increase consumption levels across Amatil's markets given they are currently significantly lower than in our markets. So all in all, the spectrum of opportunity from a macro and market perspective is one we are excited to grasp.*

*Damian: Combining the talent, learning & best practices of two great companies*

*And finally, we believe there are endless opportunities as we combine our talent pool and as we share learnings and best practices.*

*A more diverse and inclusive culture will translate into new thinking and new ideas and our people will have even more opportunity to grow and develop. We have a proven formula in our existing footprint, both in terms of integration experience as well as capabilities which we would apply to Amatil's markets to drive improved performance. But of course this is a two way future as there will equally be plenty to learn from Amatil as well.*

*This transaction also enables faster scale. We can accelerate faster together than we can individually. We can pilot across markets and scale up from this much larger platform, taking learnings as we go.*

*Faster scale benefits in areas such as digital, technology, procurement and sustainability but there would be many many more.*

*We can also develop faster capability in the exciting areas such as coffee and alcohol, complementing our core NARTD space.*

*And as I touched on earlier, we would leverage CCEP's experienced leadership in emerging markets.*

*Very importantly, all of this would drive even more aligned and ambitious growth plans with The Coca-Cola Company and indeed all our brand partners across Western Europe, Oceania and South East Asia.*

*Damian: A strong, shared focus on sustainability*

We are also pleased that CCEP and Amatil have a strong, shared focus on sustainability.

As you know, CCEP's integrated sustainability action plan is now underpinned by carbon reduction targets being incorporated into our long-term incentive plans, making us an early adopter in this space.

We will do more to reduce our carbon footprint, improve our packaging, support new packaging solutions and use less water. So, going forward, this would be in tandem with Amatil, who are also leading in this space. In fact, Amatil was the first bottler globally to launch a 100% recycled PET bottle for carbonated beverages.

The pandemic has strengthened our determination to go further and faster. Amatil's shared focus will facilitate that faster journey as we collectively build a better and greener future, and all aligned with The Coca-Cola Company's world without waste sustainability action plan.

So let me now pass over to Nik who will run you through the proposed transaction itself.

*Nik: Proposed transaction overview & next steps*

Thank you, Damian. And welcome to all of you again and thank you for joining us this late on a Sunday evening as we share what is truly a tremendous opportunity for CCEP.

So let me quickly move onto the proposed transaction itself, how we are thinking of structuring the deal, as well as talk through the next steps to get us to close.



**Nik: Proposed transaction**

Our Board of Directors have made a non-binding offer to acquire all of the public shareholding of Coca-Cola Amatil which is 69.2% of the share capital at a price of A\$12.75 per share in cash. Again, to be clear, this for the independent shareholders of Amatil other than The Coca-Cola Company. This represents a premium of approximately 18 ½ percent to the spot closing price on Thursday and a 23 per cent to the 1-week Volume Weighted Average Price. You'll find the 1 month and 3 month premiums included in our release. In addition, we have entered into heads of terms with The Coca-Cola Company, setting out the terms on which CCEP proposes to acquire The Coca-Cola Company's 30.8% interest in Amatil.

As you can see, The Coca-Cola Company would receive A\$9.57 per share in cash for 10.8% of their shareholding, which immediately allows them to sell down to a 20% stake.

CCEP will work with The Coca-Cola Company to acquire all of that remaining 20% shareholding in Amatil preferably in cash at closing but subject to us considering the appropriate levels of leverage we are willing to take as we consult with the ratings agencies - more on that in a moment.

To ensure maximum flexibility for us, we have agreed to provide a put option for the remaining 20% stake to be exercisable for a 3 year period beginning on the third anniversary after the closing of the transaction. This will be at the agreed conversion ratio into CCEP shares to allow the Coca-Cola Company to increase their stake in us, assuming of course we have not purchased the remaining stake in the interim

So taking all of this together and assuming we are able to go ahead with a full cash acquisition for the 20% shareholding at the price of A\$10.75, implies an effective purchase price per share of A\$12.01 for the proposed transaction, which is approximately an 11.7 percent premium to the spot closing price on Thursday.

**Nik: Proposed transaction**

So taking the effective purchase price of A\$12.01 results in an equity value of Amatil on a fully diluted basis of approximately A\$8.7 billion or approximately €5.2 billion as you can see on this slide.

The enterprise value of A\$10.8 billion or approximately €6.5 billion is calculated using the most recently reported figures for net debt, non-controlling interests and other items, as well as adjusting for AASB 16, a leasing accounting standard in Australia similar to that of IFRS 16.

So overall, the proposal implies a multiple of 10.9 times to Amatil's full year 2019 reported underlying EBITDA also after adjusting for AASB 16. This is an

*\*CCEP refers to the transcript of CCEP's analyst presentation dated 25 October 2020 with respect to CCEP's proposed acquisition of Coca-Cola Amatil. That transcript included a statement that "the transaction...represents a very full, fair and final price for the public shareholders of Amatil". CCEP wishes to clarify this statement for Australian law purposes. CCEP reiterates its view that it believes the value of its offer is full and fair. CCEP has no present intention of changing the terms of its offer nor does it see any reason to do so in the future, but it does of course reserve the right to do so. CCEP has commenced its confirmatory due diligence on Coca-Cola Amatil and discussions with Coca-Cola Amatil with respect to a binding scheme implementation deed are underway, which will set out more detailed terms for the implementation of the transaction. Further updates to the market will be provided in due course*

*attractive multiple for such an exciting deal and in line with the multiple paid on the creation of CCEP back in 2016. Having said that, the transaction still represents a very full\*, fair and final price for the public shareholders of Amatil. So clearly a very attractive use of cash and a transaction that we believe will create significant value for all our stakeholders.*

#### **Nik: Proposed transaction**

*From a financing perspective, the transaction will be principally funded by existing liquidity and incremental borrowing with committed financing in place for the proposed transaction. We would plan to put a syndicated bridge in place to be taken out in the public debt market at the appropriate time. This flexibility in structuring, together with the prices agreed, collectively demonstrate The Coca-Cola Company's support for this transaction as well as their belief in the future of CCEP.*

*And of course, this is a further endorsement of the strong alignment we have built with The Coca-Cola Company since the formation of CCEP, one of a true partnership*

*Importantly, we remain fully committed to an investment grade rating. As a reminder, we are at the top end of the band today, with a triple B plus and an A3 rating with S&P and Moody's respectively.*

*The combined business will continue to have a strong and unrelenting focus on free cash flow generation and conversion, as evidenced through our strong track record over the last four years while also maintaining our commitment on our progressive dividend policy and broader shareholder friendly actions. Generating strong returns for our shareholders remains of upmost importance to us, and this is also demonstrated in our dividend announcement today of €0.85 – a 50% payout ratio on consensus FY20 diluted earnings per share.*

*We will also continue to stay focused on deleveraging and the repayment of our debt obligations. As a reminder, we have a solid balance sheet with well balanced debt maturities that can be repaid through existing cash flows.*

*So in summary - we believe this is a great deal for all our shareholders and we look forward to driving continued shareholder value alongside our partners at The Coca-Cola Company.*

*The deal creates exciting top line growth potential as Damian talked to earlier, fully aligned with The Coca-Cola Company, and would be significantly earnings accretive within the first year. It is the best use of our cash and of course is enabled by the strong balance sheet that we have. So all in all a fantastic and unique transaction.*

**Nik: Next steps**

And before I turn back to Damian to close, let me touch briefly on next steps. The proposed transaction is subject to the satisfactory completion by CCEP of confirmatory due diligence, which is underway, the receipt of regulatory approvals, entry into a scheme implementation agreement between CCEP and Amatil and a cooperation and sale deed with The Coca-Cola Company, all of which will set out in more detail the terms and conditions for the implementation of the proposed transaction.

We are looking to complete the transaction in the first quarter of 2021, subject to the conditions with Amatil and The Coca-Cola Company above. Of course, we will update you on our progress in due course over the coming months

**Damian: Summary key takeaways**

Thanks for that Nik.

So, in summary, the strategic rationale behind the proposed acquisition of Amatil is extremely compelling and is a moment in time for the Coke system and especially a moment in time for CCEP.

This coming together of two of the world's best bottlers is truly exciting and there are plenty of opportunities ahead of us.

The creation of CCEP four years ago generated significant value for our shareholders, and we believe this transaction will deliver the same course, enhancing CCEP's profile as an attractive total investment opportunity. We truly believe this transaction represents one of the best ever in the Coke system and we can't wait to get started.

So, I would now like to turn the call over to your questions.  
Operator.

**Q&A SECTION**

**Participants**

Sanjeet Aujla, Crédit Suisse  
Lauren Lieberman, Barclays Bank  
Fintan Ryan, JPMorgan  
Bryan Spillane, Bank of America  
Robert Ottenstein, Evercore ISI  
Carlos Laboy, HSBC  
Charlie Higgs, Redburn

**Sanjeet Aujla**

Hey, guys. Thanks for the questions, three from me, please. Firstly, can you update us on your medium-term organic revenue growth profile pro forma Amatil? Secondly,

on cost synergies, presumably limited, but can you just talk about any numbers there? Thirdly, I'm quite interested in your take on the alcohol category read across here. You spoke a little bit about leveraging Amatil's experience in Australia, in particular. What are your ambitions there in Europe over the medium term? Thanks.

### **Damian Gammell**

Thanks, Sanjeet. Maybe I'll start with the last question and then let Nik cover the first two.

So, we are excited. I mean, we have in our Belgium business entered into a number of alcohol distribution agreements to try and learn within that category. I think it's certainly a category that we should continue to look at to see how it can complement and enhance our overall customer proposition. That's clearly something that we've seen Amatil do well. If you look at the size and scope of their alcohol business, particularly in Australia, we believe there's a lot of learning there, and obviously what we'd like to do is learn and understand a bit more as we go through the process, and then challenge some of our own thinking in Europe. I mean, that's one of the beauties of this deal, is that we've got, we believe, the opportunity to learn from a great leadership, the Management Team in Amatil, who have been through a lot in this space, and challenge some of our thinking in Europe. We can't articulate that into a strategy yet, because that's clearly the work we want to do as we move forward, but it's very exciting to learn. They have a great portfolio. They're in it for a quite a while. It's across beer, spirits, ready-to-drink alcohol, and clearly we're doing Topo Chico in Europe, so that will be another play in that space. So, a lot to learn, and hopefully lots to reapply in Europe, and then we'll obviously be able to put some numbers around that application with great value across in Europe.

So, happy to hand over to Nik to answer the other couple of questions.

### **Nik Jhangiani**

Just on your first question in relation to mid-term top line guidance for the pro forma company, I would say to you it's probably a little early to go into that, until we actually close the deal. Remember, we've always talked about at a CCEP level the low-single-digit top line growth. Clearly, I would expect the developed markets within Amatil's territories to be able to support something in a similar nature, particularly when you look at the category growth opportunities, and then, clearly, when you look at the emerging markets, we would expect that to be higher. Obviously, we will build that all in as we close the transaction and provide some more clear guidance for the year during close, but then, more importantly, how we think about that going forward. But, I think the really important point here is there is tremendous opportunity for top line growth from execution capabilities that we have demonstrated through this transaction, and we're really excited about that going forward, and a lot of cross-learnings that we can do from Amatil over to us and vice-versa.

On the cost synergies piece, just echoing and building on the comments that I've just said, remember this transaction is really about pursuing inorganic top line growth through stronger execution, best practices, building on what they have learned through alcohol and coffee—Damian just talked a little bit about that—our strong

focus on away-from-home and small packs, so lots of opportunities there. Cost synergies are going to be a lot more limited in this transaction. Having said that, we're excited about the work that the Amatil team has been doing on, one, the mitigation opportunities and how they think about that going forward, and we feel comfortable with that level at the early stages of diligence. Obviously, we'll provide you more an update on that as we go forward. Then, also, they've announced a program, that we will be assessing and provide more color on that.

In addition to that, there will be cost synergies. I think it'll be too early for me to go into that at this stage. We've assessed a number of areas, but there will be other areas that we will be assessing, as well, and come back to you in due course.

So, hopefully, that helps.

### **Sanjeet Aujla**

Sorry, just a very quick follow-up. You spoke quite a bit about leveraging your execution capabilities, and clearly you've done a great job in Europe over the last few years, but where exactly do you see the biggest opportunities? Is it with pack formats, is it channel strategy, is it route-to-market? Just a bit more colour on that sort of expertise you can bring into the Amatil business and where exactly you see the opportunities for growth here.

### **Damian Gammell**

Yes, I mean, I think as we called out, this really creates a larger and more exciting growth platform, and obviously when you include Indonesia, to Nik's comments, you can get a higher outlook, but on their business and on our business, I think we both demonstrated great abilities across a number of areas, all of which you've mentioned. We certainly see this as a two-way opportunity. I think we can bring some of the work we've been doing around key account management and mix, promotional pricing. Clearly, they've done a lot of work around portfolio management and a broader portfolio. I think both of us have invested a lot in digital, so there will be a lot of synergies there, I think, that we can combine. So, I think it's going to be across the whole range of dividing change, Sanjeet, but I think that, ultimately, we will probably both enter into this with a much lower cost base on the back of COVID. We've made that commitment at CCEP. From what you've seen from Amatil, they've also taken a lot of mitigation actions. We are also excited about the synergies, but also entering in with a lower cost base as we look forward, and then combining that with a more exciting growth outlook. Clearly, a lot of this is down to our relationship with The Coca-Cola Company, and as we've talked about, this transaction would also challenge ourselves to set even more ambitious growth targets as we look to the future.

### **Operator**

Thank you. As a reminder, if you would like to ask a question, please press star, then one on your telephone keypad. Again, star, one to come into the question queue.

Our next question comes from the line of Lauren Lieberman, Barclays.

## **Lauren Lieberman**

Great, thank you. Congratulations to all of you. It's exciting and makes so much sense. We spent most of the day kind of working through this.

Anyway, I have many questions, but the first thing I wanted to talk about, maybe, was channel. I thought it was really interesting that Amatil, I guess, over the last two years or so—I'm losing track with COVID, but let's call it two years or so had restructured to move from a regional model to focus more on channel, and I couldn't help but, in reviewing that, think about many of the things that you guys have talked about with a channel-driven approach. So, it would be great if you could talk a little bit about maybe similarities and differences in how you approached channel, and learnings that—I know it's early, but that you think you can see from both businesses in how to go further and faster. Thanks.

## **Damian Gammell**

Thanks, Lauren, and, yes, I mean, it is early days and we'll learn a lot more as we enter into more dialogue with our colleagues at the right time, but just looking at a macro level, a couple of things obviously excite us.

One is there is a more favourable GDP and demographic outlook, even if you exclude Indonesia, which obviously sets that metric even higher. So, we are seeing a more robust category outlook as we look particularly at Australia, New Zealand and Indonesia, and so that on a macro level gets us excited. Then, within that, obviously, Amatil has built strong leadership positions across a lot of the categories. Clearly, the trade structure and customer structure and consumer structure is very similar in Australia and New Zealand to what's in Europe. So, taking the segmentation work that we've doing, the RGM work that we've been doing, the portal, our digital online capabilities, all will complement similar work that Amatil have been doing, but obviously by combining both together—and I think different backgrounds and cultures always add value to a business, right? So, I think we're going to get a whole lot of new thinking, new energy in our organization, new energy in their organization, and that will flow through to, I think, even stronger commercial execution at a channel level, at a segmented level, and as we mentioned in our remarks, also at a category level. I think their insights around alcohol, ready-to-drink alcohol, beer and spirits, coffee—they've been big there in coffee and will complement the work we're just kicking off with Costa. I think our ability to continuously drive revenue per case year-on-year in Europe is something that we would like to bring to the table and see could we work in achieving the same in Australia with our revenue growth strategy. So, there's really a very exciting, I suppose, collage of opportunities that we see, and that's something we're excited about getting into dialogue with them on.

Then, obviously, Indonesia is truly exciting. Honestly, I mean, if you look at the size of that market, the consumers, it's situated in a fantastic, long-term growth space in Southeast Asia. I've enjoyed successful years in similar markets, as have Nik and a number of our executives. While it's not currently as big as maybe we would like it to be in the future, in terms of the current value, I think there's a lot of excitement there, and so looking forward to that, also.

**Nik Jhangiani**

Yes, can I just build on that one, because there's an important fact there that Damian and I talked about with the Board and The Coca-Cola Company, is, obviously, we're making a foray as CCEP into emerging markets, and that's great optionality for us going forward, because Damian's talked about experience that we have through prior work-related experiences in emerging markets and we truly feel that that's going to be a tremendous opportunity, and the optionality that provides us going forward, if we can demonstrate success there, clearly opens up, hopefully, more inorganic opportunities in the future. I think, also, the fact that The Coca-Cola Company continues to stay in as JV partner with us—if you recall, they made a direct investment of about US\$500 million in 2014. They will retain that and work with us as we jointly rethink about the approach there. So, a small part of the transaction, a great way for us to get into an emerging market, and, as I said, great optionality going forward.

**Damian Gammell**

I think we've seen, and they've commented on it, that a lot of that investment has already gone in.

**Lauren Lieberman**

Yes, and that's one of—one of my follow-ups was going to be, when you think about capital, where you think—let's just go Australia and Indonesia. My sense is these businesses are well invested, well funded, and so there's not a dramatic incremental Capex need in either of them. Is that a fair statement at this point?

**Damian Gammell**

Yes, absolutely, that's exactly the way we're thinking, as well, and I think we will get some capital synergies, particularly in the area of technology. As you know, when we build out, it's deployable across more markets, so we get leverage there, and if you think about the future being clearly digital, we would certainly reflect that in our Capex estimations going forward.

**Nik Jhangiani**

Yes, sorry. Just on the Indonesia one, as Damian said, there's been a lot of investment made, but remember, some of that cash that was put in continues to be available, and obviously if it's not utilized, it would be dividended out, as appropriate, but clearly the access is there to continue investing if we get the requisite returns. Thanks, Lauren.

**Lauren Lieberman**

Okay, thank you so much.

**Operator**



Thank you. Our next question is going to come from the line Fintan Ryan with JPMorgan.

**Fintan Ryan**

Good evening, gentlemen, and thanks for the questions. Actually, following on the Indonesia points. What do you actually think you can bring to the table in terms of actually getting performance in Indonesia sustainably better, because Amatil itself has also impaired Indonesia holding over the last few—over the last period, and so, like, beyond sort of just GDP plus x, hopefully, what can you bring to the table that Amatil hasn't been able to do there so far?

Actually, just on that, as well, I think you alluded to that you look at further inorganic opportunities. Would that be other markets in Southeast Asia, or what—clearly, you need to get Amatil over the line first, but what would be the ambition, I guess, on a five-year-plus view in terms of further inorganic opportunities?

**Damian Gammell**

Thanks, Fintan. I think your last point, I think your comment let's get Amatil over the line is probably the best way to answer that question. I mean, I think there is—it certainly gives optionality, you know, if you take a five- to 10-year view on our acquisition potential, but clearly that's something that will only be achievable if we do what we need to do with Amatil in the next number of years, because that's our priority. But, clearly, you could imagine us being extremely successful in Indonesia and then what opportunities that may unlock in the future, but I think that's probably the next step beyond this transaction. Obviously, it does strategically put us in a different place, and we're excited about that, although we recognize the priority for our shareholders is going to be to create as much value as quickly as we can with this transaction, so that's going to be our main focus.

On Indonesia, I mean, again, I think a lot of good work has gone into that market. Certainly, there's been a lot of investment made, and we feel good that that's already happened, and so we certainly believe we're getting a business that's been well invested in. Clearly, with The Coke Company, we will look at how do we accelerate the work that's being done and how do we focus on obviously growth and margins and cash. We're all experienced in what it's like to operate in those markets. Obviously, anybody who has experience in emerging markets, it's truly exciting. You've got to be very disciplined, you've got to watch your cash, but the consumer opportunity is immense. I mean, that's an amazing market. The business there, the system there has a strong share in sparkling, but clearly we have an opportunity to look at that again, and also at our portfolio. We'll take time to learn. We have some, obviously, initial views on why we think that's a fantastic part of this transaction, but that's something we'll share with you probably at a later date when we can give a bit more specifically around it, but there's a lot there to get excited about at the moment.

**Fintan Ryan**

Great, and just as a follow-on question, I guess, a bit more sort of mundane, European taking scale in the complex, but clearly, very simply, a very strong Q3 delivery, though you mentioned that the volumes in Q4 so far are likely to be below September, which I think you disclosed as minus two. In terms of the moving parts, would you be able to quantify how much of sort of the sell-in benefit you got from the resolution of the trade dispute with France and Germany, and I guess, clearly, it's still the end of October, but would this sort of band, low- to mid-single-digit, probably be a reasonable assumption for Q4 at this point?

**Nik Jhangiani**

Firstly, on your question in relation to the sell-in and the, as you call, resolution, we wouldn't go into details of quantifying that, but clearly there's a benefit, in the same way we weren't able to quite quantify the exact impact in Q2, but largely that's a positive, as was the weather, but also just the reopening of a number of outlets. So, we're very pleased with the uptick that we've seen, and this came through, obviously, from a much improved performance in away-from-home, as well as the Home channel. We won't guide towards Q4, and we've been very clear on that. I would say to you, as Damian has rightfully said, a couple of factors to keep in mind. This is not a large quarter for the away-from-home market, it's much more of a Home market quarter, anyway, and I think the way we continue to read it, in the sense that we're getting from some of the wholesalers and the retailers, in particular, given the Home market and the fatigue that people are feeling, we're hoping that Christmas will continue to be very solid.

Having said that, we'll be watchful, but I think, if nothing else, the fact that we've gone ahead and declared a dividend today continues to lead us to have much better visibility and confidence on a mid-term basis, and obviously we've done that in line with what we've seen is the consensus numbers, that you have access to on our website.

Hopefully, that helps you.

**Fintan Ryan**

Great. Thanks, Damian. Thanks, Nik.

**Damian Gammell**

Thanks, Fintan.

**Operator**

Our next question is going to come from the line of Bryan Spillane with Bank of America.

**Bryan Spillane**

Hey, I guess good evening, good morning and good afternoon, depending on where you are. I've got a couple of questions. I guess the first one—you made a mention in

the prepared remarks about accretion, so I just want to make sure I understand, is the baseline in terms of accretion just simply the mechanical math of the deal, so what you're financing is what the price is? Like, you're not building in any like synergy or cost saving expectations into accretion? That's the first question.

**Nik Jhangiani**

Yes. So, clearly, as I've indicated, if we were to be able to do an all cash deal upfront, depending on our levels of leverage, and obviously the debt environment being as favourable as it is, clearly, the economics would work well and be accretive in the first year at quite a significant level. Any kind of cost synergies, etc., would really not come right away, and as I said, are not really the basis of this transaction. So, the way you're thinking about it is the right way, yes.

**Bryan Spillane**

So, is it fair to say we're just assuming this happens and nothing changes in terms of the Amatil trajectory at the starting point for accretion?

**Nik Jhangiani**

Well, I mean, clearly, we see that. If you're looking at a starting point, yes, it's not like we can get into day one and suddenly make a huge, tremendous change, it will take some time to get that trajectory moving in a different direction, and we'll continue to update that as we go along.

**Bryan Spillane**

Okay, and then maybe, Nik, as a follow-up to that, just as we're all plugging in acquisition models, what's a good interest rate that we should be thinking about?

**Nik Jhangiani**

I've got really numbers of what I would be thinking about, so hard for me to guide you on anything, but I would say to you, if you look at the market and what we have been able to realize, if you look at the recent re-tap, for instance, that we did, which actually if you look at that effective coupon, it was about 65 basis points. That's a good starting to point to use. Obviously, the size and quantum of what we're doing is significantly higher, but I would definitely say to you, versus what we see as our weighted average cost of debt today, on a pre-tax basis, we would see that in current interest rate environment being significantly better.

**Bryan Spillane**

Okay, and then maybe a second question, and this is for both you, Damian and for Nik. The history of transcontinental, you know, kind of—or pancontinental Coca-Cola bottling franchises and their ability to deliver value to shareholders has been probably mixed. I've been around long enough to remember when Amatil was a bottler in Eastern Europe. Since, they had difficult times in the Philippines. Even CC, the legacy, you can argue that it got better in Europe when they didn't have to

start—when they had to stop worrying about North America. So, I guess—and you guys have been around this long enough and you both know the history much better than I do, but just like why would CCEP be able to succeed with a kind of a pancontinental, across-hemispheres, coke bottling franchise, where other attempts at that maybe haven't been as successful for investment?

**Damian Gammell**

Yes, it's a good question, Bryan, and clearly we've reflected on that as we've looked at what we think is a fantastic transaction. I mean, I think if you look at a number of other bottlers, Swire, Hellenic, CCI, I think they've all demonstrated that they can run a lot of large geographies extremely well. I think if you go back to the pre—well, just after the Wall fell in Europe and Amatil came to Europe, that was a very different time, and that was mainly Eastern European markets and it was very much a startup cycle environment. I mean, clearly, what we're doing is looking at markets with very similar characteristics, language, culture, consumer, customer, there's a lot more in common between our markets, and certainly Australia and New Zealand, than there is difference. So, I think that's a big, big difference to where we are today.

Also, I believe the world has changed, technology, digital. I mean, probably most of us have been working slightly remote, anyway, so I think people's ability to work across time zones has changed. Certainly, in the Coke system, I think some of the examples you gave, I don't, candidly, think that the geography or distance was the Achilles' heel. I think if you look back—and I won't go through them, to be fair to predecessors, but I think if you go back and look at why the examples you mentioned that didn't work, I don't think any of them were due to geography, I think they were due to other issues, candidly, and the ones that are working today are not being hindered by geography. So, we're very comfortable that with the talent that we, hopefully, will bring in with Amatil, that businesses will continue to be successful, and let's be honest, Australia, New Zealand, particularly, are great Coke markets, they have been for decades, and that's why we're excited about combining Western Europe.

So, we've given that a lot of thought, we clearly understood that would be a question, but as I said, there's a lot of bottlers that have been mixed, but there's a lot of bottlers who have made their shareholders a lot of money by being bold and brave at the right time, and taking on franchises, and, as you know, you've been around, Bryan, long enough, you don't get the opportunity to get bottling franchises in the Coke system too often.

**Bryan Spillane**

Yes, exactly, you've got to jump on it when the timing happens. I appreciate that, Damian and Nik. Thank you.

**Damien Gammell**

Thank you.

**Operator**

Once again, to ask a question, please press star, then one on your telephone keypad. Again, star, one to queue for a question.

Our next question will come from the line of Rob Ottenstein, Evercore.

### **Robert Ottenstein**

Great, thank you very much, and my apologies if you've covered this already, I'm coming onto this slightly late. When you—for those of us who don't actively follow Amatil, can you maybe give us a little bit of a sense of what their historical top line growth has been in terms of volume, price mix and operating profit, and what is kind of like the most representative or fair best years to look at? Would it be three years prior to 2019, or five years? I'm just trying to get a sense of how the business has done on a way that fairly reflects the business. That would be my first question. Thank you.

### **Nik Jhangiani**

Sure, I'll give you some sense of that, but obviously I think we can help you deep-dive a little bit more into some of the history.

I think, starting with Australia, I would say to you, if you looked at '14 through '16, you know, were probably some of the solid years that Amatil was continuing to experience strong growth in that market, and then I think they continued to look at several restructuring opportunities, and several investment opportunities, particularly with feet on the street and looking at that whole channel strategy, that Damian was referring to, where we still see a lot more opportunity, and I think that's kind of been evident in what you've seen in their second half results of 2019, and in some ways what's supporting, probably, a better top line growth even through the pandemic. So, I think you can look at some different metrics there, but clearly top line has been the right way with those periods that I mentioned.

New Zealand has just been an outstanding performance through the years, and also evident as you even look through '19, and even '20. I mean, even their third quarter performance has just been outstanding, when you look at it, and particularly in the way they've managed the crisis.

A little more of a challenge in Indonesia, and I think that's where Damian and I have talked a lot about that optionality and that ability to kind of come in and rebase that and relook at a growth plan with The Coca-Cola Company broadly across every area from portfolio to route-to-market to channel structures, trade structures, etc., so a lot more to come there, so I wouldn't really be able to point you to something that is a good period to look at.

Then, Papua New Guinea, interestingly enough, has also been a very strong business performance and a very strong cash generator, as well.

That's just a quick run-through, rather, just to give you some sense, and happy to pick up on more of that as we go through in the next weeks.

**Robert Ottenstein**

Great, that's very helpful, and again apologies if you went through it, but once the transaction is done, can you give us your sense of what the pro forma amount of gross that will be and what the leverage will be, please?

**Nik Jhangiani**

I can't give you that right now, because it all depends on how we structure it. If you might recall, as I said in the opening comments, our preference would be to do an all debt financed transaction, including buying out the balance 20% stake of The Coca-Cola Company. Having said that, we would probably be working through a RES/RAS process with the rating agencies. We want to manage the appropriate levels of debt. We will give you some more indications of that as we go through the next weeks, and how we're thinking about the debt structure, how we might think about that over the next three years, how we might think about the issuance of equity in line with the put option that we have granted to The Coca-Cola Company, so a lot of things still moving there. What I would say to you is we're committed to an investment grade rating and we will continue to maximize our borrowings to be able to obviously do what's right for all our shareholders. So, more to come on that, Robert.

**Robert Ottenstein**

I just want to make sure I'm clear on this. The limiting factor, then, in terms of how much debt you're going to raise, is what the rating agencies will let you raise in terms of investment grade. Is that the way to think about it, or are there other considerations?

**Nik Jhangiani**

No, we want to maintain our investment grade and we want to look at the leverage levels that we'd be comfortable with, as well. We want to look at our deleveraging path with the free cash flow generation that we believe this business will bring through, which will be strong. We want to look at that and balance of continuing to be shown friendly in terms of our progressive dividend policy. So, I think all that comes into effect as we think about the right debt structures going forward.

**Robert Ottenstein**

Then, just finally, do you have a sense of what the combined Capex would likely be?

**Nik Jhangiani**

No, it's too early to tell you that, but I would say to you, as Damian said, we truly believe that the businesses are very well invested in, and I think, as we have continued to look through the pandemic, as well, there will be some opportunities to rationalize some of our Capex investments going forward, but, importantly, also, leverage on some combined spend, particularly in areas such as technology, maybe even equipment and line purchases with vendors, etc., so there'll probably be some synergies there, but too early to give you a number on that. I think we'll provide you

more colour on how we think about the growth algorithm, how we think about the cash flow generation, Capex, investment, dividend policy, etc., as we get closer to closing the transaction.

**Robert Ottenstein**

Terrific, very exciting. Thank you.

**Nik Jhangiani**

Thank you.

**Operator**

Thank you. Our next question is going to come from the line of Carlos Laboy with HSBC.

**Carlos Laboy**

Yes, hello, everyone. Maybe you can help us understand Australia a little bit better. It looks like that business hadn't grown revenues in about seven years, until last year, and EBIT was still down last year. What can you do differently to secure stable growth, that they weren't doing, and maybe you can speak to some of the work that can be done there on digital platforms?

**Damian Gammell**

Hi, Carlos. Yes, I think, if you look at what they've talked about in their announcement today, they're also seeing—obviously, with COVID being a factor, they're seeing a brighter outlook, as well, and I think, as Nik mentioned, their New Zealand business has been a stellar performer. In some ways, it reminds me a little bit of the timing around when we created CCEP, with Western Europe with a few years, if not more, of no growth. But, I think the playbook we've talked about, coupled with the work that's already being done by Amatil in the last couple of years to, in some ways, reset that market, you know, they've put more feet in the street, they've talked about a more focused alignment with The Coke Company, we believe that will start to pay dividends, and we can add to that trajectory. So, quite a similar story as we talked about four years ago.

I think on the digital side, we've, obviously, along with them, got a great customer portal where we're looking at B2C direct, as well, so we can bring that to the table. We certainly have got a great global salesforce.com platform for all our sales reps. So, right across the value chain, I think there's areas that we can bring together, and I would say the timing for us is important. We've seen what they've put in place and it's starting to pay out, and we believe we can accelerate that as we join forces with Amatil going forward.

**Carlos Laboy**

Thank you, and is there any insight you can give us on the ROIC/WACC spread you think maybe you can get out of Indonesia, given the challenges in emerging markets?

**Damian Gammell**

Sorry, Carlos, was that ROIC?

**Carlos Laboy**

The ROIC to WACC spread that you think you can get out of Indonesia.

**Nik Jhangiani**

Yes, I think we're working through with The Coca-Cola Company jointly relooking at plans and how we want to think about the next three to five years, so I think we'll provide you more colour on that in the upcoming months, so early days.

**Carlos Laboy**

Thank you.

**Damian Gammell**

Thanks, Carlos.

**Operator**

Our final question for today will come from the line of Charlie Higgs, Redburn.

**Charlie Higgs**

Hi, Damian and Nik. Thanks for the question, just one on timing for this. And no it's— and about the fact that it's 11:00 p.m. on a Sunday evening in the U.K., but in the midst of COVID-19 and with the positive returns gains coming in Europe, and potentially in Australia a sugar tax has been on the radar for a few years now, I was just wondering if you could talk about the timing now and the support from Coca-Cola in that, and also how you plan on mitigating, potentially, some of this management stretch that you might have. Thanks.

**Damian Gammell**

Yes, I suppose, Charlie, any time you get the opportunity to go and manage another business, like Amatil, is a great time, and even if some of the external factors, like COVID, will bring its own challenges in the near term, we think, on a long-term shareholder value creation perspective, and particularly I refer back to the detail of the proposed deal that Nik laid out, and the value for our shareholders, we think it is obviously a good time.



I don't really see a management stretch issue. I think they've got great people. I think, with this transaction, we bring in a diverse culture and people who know the business and know the system, so I don't see a stretch issue. For sure, if I look back over the last four years, and I can even go back to conversations when we created CCEP, we got the same questions, like why do it now, you've got sugar tax coming into Europe, you've got Brexit, which is still with us, we know, and so I think all of those factors—and DRS, we see as a positive, so I would never kind of put that in the same category. While there may be short-term disruption in the quarter or half year, we believe DRS will be good for the category and good for our business, and actually, in Australia, they're near completing a DRS rollout. We'll also look at sugar tax. Their business is moving much more to sugar-free, just like ours has, so there's more learning there. So, I think all those factors, we're very cognizant of, but, ultimately, we feel more than capable to manage them. I think Amatil are managing them, anyway. We can enhance that. Ultimately, if you look at the proposed price for our shareholders of this deal, which, along with our growth objectives—and I come back to I'm excited about the call space, and when I look at the call space, I still get excited that we can do more work there—we think the timing is great. We've been looking at it for a while. None of us predicted COVID, but clearly we'll manage through that and focus on the medium to long term, and that's what excites us.

**Charlie Higgs**

Thank you very much.

**Operator**

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

**Damian Gammell**

So, again, from our side, a big, big thank you for joining us at such short notice, but I think if there's ever a good reason to join a call on a Sunday at short notice, this is it. I mean, we're truly excited about it. We believe it's great for our people, and I say that also in terms of the people at Amatil. We believe it'll be great for our customers and our consumers long term. We can create more value for our customers, as well. It's clearly, we believe, a great milestone for the system and gives us a great platform to continue to leverage our great relationship with our franchise partners, but, obviously, particularly with Coca-Cola. We are excited. We truly see this as a deal that will bring long-term sustainable value for all our shareholders, and we look forward to sharing more with you as we learn more and firm up our plans on making this a reality and really starting to deliver even more great value for our shareholders.

So, thank you, and enjoy the rest of your Sunday night, if you've got a little bit left, or your Sunday afternoon, or your Monday. Thank you very much.

**Operator**

Thank you for participating in today's conference call. We do appreciate your participation. You may now disconnect.

END OF CALL