

COCA-COLA EUROPACIFIC PARTNERS
H1 2025 Trading Update
Analyst Call Transcript
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CORPORATE PARTICIPANTS OF PREPARED REMARKS

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PREPARED REMARKS

Sarah Willett: Introduction

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

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

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

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

Damian Gammell: Executing on our growth strategy

Thank you, Sarah, and many thanks to everyone for joining us today.

I'm really pleased that we continue to execute on growth strategy.

I'd like to start by thanking all of my great colleagues for their energy, hard work and continued dedication to our customers and to our business. As always, this is supported by our strong aligned relationships with The Coca-Cola Company, Monster and our other brand partners.

In short, our value creation is clearly evidenced by our impressive TSR of around 235% since 2016. We continue to deliver solid top and bottom-line growth. Our cash returns are accelerating, having now completed around €460 million of share buybacks this year alongside paying a dividend in line with our annualised payout policy of around 50%, both within our disciplined capital allocation framework.

Beyond today's results, we will also circle back to a few of the areas we covered in detail at our recent investor event in Manila, to provide an update on progress made since then with a little bit more detail on what is coming around the corner.

Damian Gammell: Addressable markets

At that investor event, we talked in detail about our resilient categories so a brief reminder of one of the key slides we shared.

Simply put, we are in the right categories, including ARTD and hot coffee, that are structurally growing, are profitable and diverse.

We've got relevant share in our core NARTD category which grew by more than 5% in the last 12 months.

We have unmatched scale and localness in our supply chain and in our front-line sales force, and we're investing more than ever before in our key capabilities, while accelerating productivity through technology and digital. We are well positioned, from both a portfolio & geographical perspective, with a material presence now across our 31 markets.

In short. The fundamentals of our business are strong & we operate in resilient & innovative consumer categories which are healthy and growing.

Damian Gammell: H1 Key messages

I'd now like to turn to our performance. We're pleased to have delivered a solid first half. We've continued to grow share ahead of the market and create value for our customers.

Given our year-to-date performance, strong commercial plans for the balance of the year, FY25 pricing in place, continued focus on productivity and a good start to the second half, we are pleased to be reaffirming our full-year profit and cash guidance. We have updated by providing a range on full year revenue growth of 3-4% rather than approximately 4%, this is driven by a slower than expected trajectory in Indonesia which in Q2 alone impacted group volumes by around 1%, but of course we will update as the year progresses.

Our first half interim dividend and ongoing share buybacks, demonstrate the strength of our business and our ability to deliver continued shareholder value. So, we are winning today but we're also focused on creating tomorrow.

Strong cash generation is supporting record investment in future growth with multi-year plans in place. And we are really starting to unlock more value from tech and AI where we have been investing for many years.

So, we're confident we have the right strategy, all done sustainably to deliver on our mid-term growth objectives.

Damian Gammell: H1 25 Key metrics

I would now like to turn to some of our key performance highlights.

Our solid top-line performance reflects underlying volume growth, best in class execution and solid gains in revenue per unit case. This was driven by sustainable revenue and margin growth management, including our continued focus on price and promotional strategies.

In Europe, Easter timing and better weather supported a return to volume growth in Q2, crucially with a better performance in our away from home business. Total first half volumes were however impacted by a weaker consumer backdrop in Indonesia though we continue to remain excited about the long-term opportunity and continue to focus on our transformation journey. We will touch on that more a bit later. Our other APS markets performed really well, including the Philippines, despite cycling strong comparables of nearly 20% last year.

We grew our overall value share by 10 basis points year to date in a category which grew in volume and value both in Europe and APS. The market remains as competitive as ever. As we've said before, we continue to take a multi-year view on our promotional and pricing strategies. We remain focused on driving profitable revenue growth and creating value for the category whilst remaining affordable and relevant for all consumers.

Our strong top-line performance, together with the delivery on our efficiency programmes drove solid operating profit growth of 7.2%, with operating margin expansion both in Europe and APS.

We generated solid comparable free cash flow after investing in capacity, more coolers, technology and digital. And we delivered cash returns to shareholders of over €800 million. Ed will go into more detail on our financials shortly.

Damian Gammell: Great people

As ever, our business performance reflects our great people, great brands, great execution, all done sustainably.

A few brief highlights on our first half - starting with people.

We continue to build the capabilities of our teams, for example our partnership with the London Business School has upskilled over 500 of our top leaders and is now being extended to another 3,500 colleagues.

We continued to be recognised internally and externally. In 2025 the Top Employers Institute recognised CCEP across all of our major markets.

And we are really excited to welcome around 60 colleagues into our new integrated shared service centre in Manila which Ed will also touch on a bit later.

Damian Gammell: Great brands

On our brands, we are extremely privileged to make, move and sell some of the world's most loved brands, in which we continue to invest, and drive appeal to even more consumers.

Category highlights are included in today's release.

The return of the global iconic Share a Coke campaign was well executed and well received by customers and consumers. And the launch of the This is My Taste campaign for Diet Coke is gaining traction by providing a fresh look and identity. Overall, it is fantastic that in Europe, for example, Coca-Cola Trademark remains the biggest FMCG brand.

Monster had a phenomenal first half with volumes up nearly 15% fuelled by great innovation. This is especially the case with Ultra and zero variants, where volumes were up over 20%, alongside ongoing distribution gains. We grew retail value share in energy by around 140 basis points during the period.

In Flavours, as we highlighted at our investor event, we are increasingly focusing on winning with flavour extensions and zeros across Fanta, including Raspberry and Apple, and of course in Sprite. Excluding Indonesia, these brands are a bigger part of the mix, Fanta zero volumes grew by around 7% and Sprite zero by around 13%.

The transition from Nestea to Fuze tea in Iberia is ahead of plan and we continue to expand in the exciting ARTD category with total volumes up around 9%, supported by new flavour variants for Absolut & Sprite alongside the launch of Bacardi & Coke.

And finally, the sports category continues to perform well supported by the new red peach Aquarius variant in Spain as well as larger pack sizes including one litre Powerade alongside our cans.

So, as you can see, we delivered innovation across the board through packaging, flavour extensions, special collaborations and more. A bit later I will share with you some of the brand plans in place for this year and beyond.

Damian Gammell: Great execution

We have said this before but we at CCEP are fanatical about delivering best in class execution and activation whether that's in store, online or in outlet. All done locally to drive distribution and visibility every day. We continued to create leading value for our category, adding nearly 450 million euros of value to our retail customers. And here I am anchoring back to what we shared with you at our investor event and our four MOREs strategy.

We love creating engaging displays, especially around key holiday events with the cornerstone in H1 being the Share A Coke campaign I referred to earlier. This is all driven by the largest sales force in FMCG, over 12,000 in total, powered by technology. And when our customers are buying more often, what we want is more volume. And when you get more volume, we leverage our revenue management capability to create more value, sustainably.

These examples show how we're bringing this to life.

We've launched an 850 ml PET for smaller households in Germany, one of our biggest markets. In markets like GB, Spain and others, extra free and extra fill is a great way to manage affordability given ongoing cost of living challenges. We continue to focus on premiumization whether it be with multipack mini cans in France, multipack mini-PET in Australia or more returnable glass.

We're increasing our share of cold drinks space by investing in more coolers, across Coke Trademark and Monster. We have new customer wins including Kinopolis in Spain and Costco Wholesale in Australia. All helping our brands to reach more households. And we continue to accelerate our digital capabilities to reach more people, like working even more with The Coca-Cola Company on social media campaigns and by adding even better functionality to our B2B portal, myCCEP.com. Having delivered a record €2.3 billion in revenue in Europe last year, we have grown again by almost 10% in H1.

Damian Gammell: Done sustainably

And now onto our sustainability highlights, before handing over to Ed. We continued to be recognised externally, including retaining our inclusion on CDP's A List for Climate, now for the 9th year.

Ongoing progress in the area of packaging collection remains a core focus including new recycling partnerships in our Pacific region. And we continue to invest in sustainability focused technology through our ventures arm, across ingredients, manufacturing, and packaging to support our decarbonisation journey. For example, we have invested in a climate tech company that can convert wastewater into a source of renewable electricity. We're currently trialling this technology at one of our sites in GB.

Just one example of how we are making CCEP a more sustainable and better business.

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

Ed Walker: H1 25 Financial Summary

Thanks Damian and thank you all for joining us today.

So for half 1 we delivered revenue of €10.3bn which was up 2.5%.

Comparable volumes selling days adjusted were marginally ahead, up 0.3% despite the challenging backdrop in Indonesia. Excluding Indonesia, volumes were up around 1%, supported by Europe returning to volume growth in Q2.

We delivered strong revenue per unit case growth of 3.8% reflecting positive headline pricing and promotional optimisation, with a continued focus on consumer price relevance, all built on data and insights.

We benefitted from slightly earlier headline pricing in GB, and we had favourable pack mix, supported by the growth of Monster, favourable pack

mix driven by the growth of smaller formats such as mini-cans and a favourable geographic mix benefit, as a result of the volume decline in Indonesia which is at a lower revenue per unit case.

Cost of sales per unit case increased by 3.6%. This reflects our increased revenue per unit case, driving higher concentrate costs through the incidence pricing model, and the increase in soft drinks taxes. While a little higher than our guidance for the full year, this is mostly phasing related given our exit from the Beam Suntory relationship in Australia which will generate a mix benefit during H2.

Opex as a percentage of revenue was 21.8%, an improvement of 50 basis points. I will touch more on that a bit more on the coming slides.

These elements combined to drive operating profit of €1.4bn, up 7.2%, and an operating margin of 13.5%, an expansion of around 60 basis points including a modest basis point improvement in our gross margin percentage.

We delivered comparable diluted earnings per share of €2.02, up 3.1% on an FX neutral basis, lower than the 7.2% growth in operating profit, driven by our previously guided increase in our effective tax rate to 26%. This impact is most significant for H1 than it will be at the full year, due to the phasing of last year's tax expense.

Comparable free cash flow generation continues to be a core priority for CCEP and we delivered 425 million euros in H1. This was after investing in key projects such as the addition of new aseptic lines in France and Australia, expanded ARTD capacity for Jack Daniels & Coke and of course more coolers which Damian referenced earlier. We remain on track to deliver comparable free cash flow of at least 1.7 billion euros for the year.

And finally on shareholder returns, our first half dividend was €0.79 cents per share, with around €460 million of our €1 billion share buyback now completed.

Ed Walker: Next phase of efficiencies delivering earlier than plan

Now onto efficiency and productivity where, as you know, we have a proven track record of delivery. Our current programme aims to deliver between 350 and 400 million euros of savings by 2028, and it is firmly on track, delivering slightly earlier than our original plan.

We continue to optimise our network in market to strengthen our local operating model such as the rationalisation of distribution sites in Germany, the consolidation of production into fewer, bigger, more efficient plants like at Grigny in Paris, which will end up serving nearly half of the French market. And, in Indonesia we recently announced the closure of 3 single-line production sites.

In May, I spoke in detail about the development of our leading shared service capabilities which until now, have focused on Bulgaria. In July, as Damian mentioned earlier, I attended the opening of our new integrated shared service centre in Manila, which will continue to ramp up as the year progresses. And I know, having also visited Bulgaria only last week, that the growing capabilities of our shared services will continue to be a significant source of value creation and competitive advantage, all enabled by technology.

Ed Walker: FY25 Updated guidance

Before I hand back to Damian, let me update you on our FY25 guidance which reflects our current view of market conditions.

Our profit and cash flow guidance remain unchanged.

From a revenue perspective, we're pleased to have delivered a solid first half performance driven by consistent revenue per unit case growth and supported by a return to volume growth in Europe in Q2.

We've had a strong start to the second half and are encouraged to have seen European volume growth continue, more than offsetting a slowdown in Indonesia and the recent impact of flooding in the Philippines.

With 5 months of the year still to go, including the key European summer, we're now indicating a range on revenue for the full year of 3 to 4%, with the upper end remaining in line with our previous guidance, supported by our very strong commercial plans.

We expect to see volume growth for the full year, with growth in Europe and in APS, despite the weakness in Indonesia.

On cost of sales per case, as I mentioned earlier, we still expect this to grow by around 2% for the year, with the second half benefiting from the exit of the Beam Suntory relationship in Australia.

While our guidance for full year operating profit remains at around 7% on an FX neutral basis, we are impacted by a higher effective tax rate, at 26% versus 25% last year, growth in non-controlling interest given the positive outlook in the Philippines and a slightly higher finance.

And then finally on FX, although our guidance is provided on an FX neutral basis, based on current spot rates, we do anticipate a full year FX headwind of around 150 basis points to revenue and almost 200 basis points to operating profit.

Thank you and now back to Damian.

Damian Gammell: Mid-term objectives

Thanks Ed

Just a reminder of our mid-term objectives which we reaffirmed in May.

Damian Gammell: Focus areas to accelerate growth in CCEP's next phase

This was a slide that we also talked to in May covering our focus areas that you can expect us to keep revisiting as we look to our next phase of growth. So, I'd like to touch on a few of these now.

Damian Gammell: Bolder moves on Coke

I've already mentioned the fantastic execution we've seen in both the Share A Coke campaign and on This is My Taste, our campaign to reinvigorate Diet Coke which has supported an improved performance in both GB & Australia during the half.

But there's much more to come, across Original Taste and lights, starting with the terrific Star Wars collaboration, a favourite of mine, on limited edition cans, a new "Time for a Coke" campaign and another favourite of mine, the exciting new tie up with the English Premier League, which will see packs in your team's colours during the upcoming season.

Damian Gammell: Energy – accelerating growth

I referenced earlier the phenomenal performance in Energy during the half, with strong share gains and volume growth.

There remains plenty of headroom for growth in this category given lower per caps relative to the US as we highlighted in May. Our step up in cooler placements is supporting wider distribution in AFH helping to close the gap relative to Coke. And its working, with Monster growth in AFH of 20% during H1.

Damian Gammell: Stronger portfolio – evolving RTD Tea & ARTD

Early days in our exciting journey in the fast-growing Alcohol Ready to Drink category. In Australia however, we are already a solid number 2 with around a 20% share in a category that's over 15% of total alcohol. Now is the time to further leverage that expertise we've built up over nearly 20 years in the market, by aligning our portfolio with The Coca-Cola Company.

With that in mind and as previously discussed, the relationship with Beam Suntory came to an end at the end of June. While this creates a near-term headwind reflecting its higher revenue per unit case, as you will see detailed on the slide, this is the right decision for the long-term. We are now able to build an even stronger brand platform, starting with Billson's & the launch of Bacardi & Coca-Cola which comes to the Australian market in the next few months.

Another area of alignment has been in Spain in RTD Tea where we are transitioning away from Nestea to the stronger Fuze Tea platform. Brilliant execution and marketing are delivering both distribution and performance ahead of plan. Demonstrated by our number 1 year to date category value share with Fuze Tea.

We've also recently reformulated and relaunched our RTD Tea in Indonesia, Frestea. This will be rolling out in a variety of new flavours including Passion fruit and Apple with lemongrass, and with a new look over the coming months.

Damian Gammell: Indonesia – short-term impacted by weaker macro

Touching now on Indonesia. As highlighted at our investor event, the macroeconomic slowdown is impacting household consumption which has affected local, regional and international brands alike. As Ed said earlier, excluding Indonesia, volumes were up around 1% in the first half.

Putting aside the near-term headwinds, we remain excited about the long-term and significant opportunity in a market of close to 300 million people, half of whom are under 30, very few of whom drink alcohol. So we are pushing on at pace, particularly with the transformation of our network and route to market. Ed mentioned earlier the closure of three single line plants to make us more efficient.

We've also taken a further step towards completing our move away from direct delivery to a partner distributor model, with Bali now underway and Java set to complete during H2. This will give us the ability to effectively grow distribution and availability as we continue to develop the sparkling category and the reach of our brands, supported by The Coca-Cola Company, to what we see is a very exciting consumer landscape of the future.

Damian Gammell: Unlocking more value with tech & AI

The last area I wanted to touch on ahead of taking your questions, and arguably one of the most important, is around digital and technology.

We've talked before about operating from multiple platforms, our legacy as a business of mergers. The alignment of those systems, as we move to our new technology platform S/4/HANA, is progressing to plan with our first market, Germany, starting to go live in H2.

Whilst nobody could ever describe SAP transitions as exciting, the unification of our data under one platform & the simplification of process is enabling us

to start unlocking more value through our multi-year investments in tech and AI, leveraging solutions & insights to drive topline growth & productivity – and that IS exciting!

We continue to evolve and improve Red One, our proprietary data-driven field sales tool which gives every rep all of the information and analytics they need to help optimise routes, prioritise visits, review performance and tailor our actions to each specific customer. We recently introduced an AI based tool which through image recognition, enables them to dynamically track & record key store measurements like share of visible inventory.

KAM 360 is now used by our 850 key account managers to effectively partner with their customers, enabling the creation of joint plans & effective trade investments. It supports areas such as pack price and promo simulations, price elasticity modelling, all of which are a critical part of our market leading revenue and margin growth management capabilities.

And, we've recently begun piloting a new eB2B platform in Spain, Up We Go, which greatly simplifies the ordering process & strengthens our relationship with partner distributors in what remains a highly fragmented market.

A lot more to come in this space!

Damian Gammell: Key Messages

So, back to where I started. We're pleased to have delivered a solid first half performance. Given our year-to-date performance, strong commercial plans for the balance of the year, FY25 pricing in place, continued focus on productivity and a good start to the second half, we are pleased to be reaffirming our full-year profit and cash guidance.

Its an honour of leading a great business with strong fundamentals in place, operating in categories that are healthy and growing.

Damian Gammell: Delivering future shareholder returns

So, finally, to a quick reminder of our investment story on a page as we shared in May. We're confident we have the right strategy, done sustainably

to deliver on our mid-term growth objectives. We are winning today but we're also focusing on creating tomorrow.

Thank you all for joining us – I'll now hand back to the operator to facilitate your questions.

Q&A

Operator

Bonnie Herzog, Goldman Sachs.

I had a question on your guidance. I mean you touched on this. You did lower the top line slightly, but it does still imply an acceleration of growth on the top line in the back half, but essentially stable growth on the bottom line in 2H versus 1H, I guess, suggesting higher expected OpEx. So hoping to get a little bit more color on the drivers of this and maybe a sense of the drivers in terms of contribution you're expecting from price/mix versus volume growth in the second half?

Damian Gammell

Bonnie, I'll take the first part and then hand to Ed. So we have seen our business accelerate coming out of Q1. We had a very strong Q2, both in Europe and APS and we see that continuing. So you're absolutely correct. Even with the slight change on the revenue top line, we do see acceleration because we're through the second half of the year. And then obviously, our focus will turn into 2026.

As I mentioned in the comments, a big part of that is obviously mean volume growth coming back in our business in Q2, we see that continuing.

It's also a reflection of the price/mix. Our price/mix per case, I think, was excellent in the first half of the year. And again, that reflects pricing being

in place right the way through to the end of the year. So that gives us confidence in our top-line number.

And then I'll pass on to Ed just to kind of talk to the bottom line changes between half one and half two.

Edward Walker

Yes. Thanks, Damian, and thanks, Bonnie. So yes, I mean, we're very pleased with H1. 2.5% revenue, very well leveraged to a 7.2% profit. For H2, although the volume is greater, we see more of that coming from volume itself and a bit less from revenue per case.

And as Damian mentioned, the geographical mix will not be as much of a benefit in the second half. And we -- as I said, we expect more from volume. We also have some OpEx phasing between the half. So that's why we're assuming a similar 7% profit delivery for the second half.

Simon Hales, Citi.

So, Damian, I wonder if you could just sort of touch a little bit more on your comments around the stronger Q3 trading or the good Q3 trading you've seen to date. What have you been seeing a little bit more regionally, particularly perhaps in Europe as the better weather through July and hopefully into early August, been helping? Maybe a little bit of color as to the continuation perhaps you're seeing of a wait on home growth in Europe and the drivers around that, how broadly spread is that across different markets?

And then associated with the APS performance into Q3 given the flooding you called out in the Philippines. How should we think about the scale of the impact that may have on the Philippines business to the rates for the second half?

Damian Gammell

Thanks, Simon. So maybe I'll touch on the second part and then come back to the more European summer question. So obviously, we've reflected in our guidance some of the tougher weather comps in the Philippines. So that's obviously reflected on what we shared today. I'm also pleased that we've seen a stabilization in Indonesia particularly in July and through August.

So I think that's great for our teams to start seeing some reward for a lot of efforts. So that's certainly something we're looking to continue into the second half and more importantly, into 2026.

So, all of that's reflected in the outlook for APS. And just to call it out, again, our business is in Australia, New Zealand and the Pacific Islands also had a really, really strong performance as well year-to-date. In Europe, you're quite right. As we sit in London today, I'm happy looking at the window to see the sun shining, we have had some really good weather across Europe. That really came in end of June, definitely had a big impact on our July business, which was great.

And clearly, we're looking forward to seeing that continue through August it's pretty broad across all of our markets.

I'd say if you look at the first half numbers, GB is a standout. And again, obviously, that reflected the strong performance to June. But then also, we've seen the benefit of that warmer weather in July in GB as well. So yes, long it may continue. It's great for the category, and it's something that we're definitely enjoying and it's definitely helping.

Edward Mundy, Jefferies.

So just coming back to Europe and the volume inflection you've seen, I think it was pretty important to get volume growth back into Europe this

year after the difficult year last year. And I did take a step back on what you've seen year-to-date within Europe, I think it's fair to say the revenue per case has probably been quite a bit stronger than what would be modeling medium term as part of that model. But does this give you confidence putting weather to one side and the ability of the business to grow volumes within Europe over the medium term in terms of what you're seeing there?

Damian Gammell

Yes, absolutely, Ed. I mean I think volume growth is a key focus for us in Europe but across all of our markets. But as you rightly pointed out, particularly in Europe. We've seen that in Q2. We'll see that in the second half of the year as well.

Clearly, our priority is to try and get that volume accelerated. I think some of the campaigns that we have coming, whether it's Star Wars, whether it's EPL in the UK, whether it's some of the innovation around Fanta and Sprite. And a lot of this will roll into 2026, certainly provides us with the consumer excitement to drive volume.

We have seen volume growth in Q2. As I said, we'd like to see that accelerate as we go through the year. Our price mix has over-delivered. And we've made some, I think, sensible choices around price promo in some of our markets and that's reflected in certainly a higher price mix in the P&L. So as I look midterm to kind of come back to your question, I see volume growth in Europe.

I see away-from-home growing again. That's a different narrative than we've had for quite a while. That's exciting. We're committed to driving away-from-home. We're taking a very active role in that through cooler placements, Share a Coke was a great example of trying to excite consumers in the away-from-home.

Also Monster and away-from-home is becoming a bigger part of our narrative as we place coolers, but also secure listings of our energy portfolio in probably not your typical energy outlets like QSR and FSR but obviously, that works. And then if I move beyond that, you kind of get into some probably more medium-term initiatives around ARTD, which certainly on the revenue side, contribute obviously a bit less on volume. But putting all that together, I think, to me gives us a lot of confidence in midterm volume growth.

A couple of passion points that I think are worth calling out. Certainly Coke Classic, we're launching a 0.5 liter can in some of our markets. We're bringing more innovation around Coke Classic. And then for all of us who live in the UK, I think it's fantastic to see Diet Coke back as a focus for the system. This is My Taste campaign that's starting to work.

And clearly, again, that's another initiative that would support volume growth in what is the most competitive segment of soft drinks, but also the fastest growing.

Yes. So all of that together gives us confidence in midterm volume growth. That starts in Q2. It's going to continue in Q3 and into Q4, and that gives us confidence for the full year.

Lauren Lieberman, Barclays.

First, I have to comment on the Q&A slide in the deck, very cute guys. I like it. If anyone hasn't noticed you got to check it out. Question is, Damian, I felt like you had gave pretty pointed commentary on the competitiveness in the market and emphasizing that you take a multiyear view on the approach. So just kind of wondering what beneath that? Are you seeing particular flare-ups in given markets, given categories that feels a bit different than maybe what we would have been talking about a couple of months back?

Damian Gammell

Thanks, Lauren.

Not significantly different, I would say, to what's been really part of our story in Europe. I mean it's a very exciting high-growth, profitable category.

So it always remains competitive, whether you look at soft drinks or energy. I don't see a massive change in that space.

I do see in some of our markets, we have had maybe a little bit less promo intensity as we haven't quite landed some of our commercial agreements with some of our bigger customers hasn't got to the point of a lot of delistings, as you may have seen in other industries. But clearly, that's something that we continue to manage. And when that comes back to Ed's point in terms of really managing the category for sustainable value creation. So we'll continue to make decisions beyond the calendar year to make sure that we maintain solid profitable growth for us and our customers, and we continue to do that.

So it's not, I would say, more challenging than other years. It just remains part of the ongoing doing business in Europe. We have seen some aggressive promo pricing from some of our competitors, particularly in GB. Again, that's not a new dynamic, and it's something that we're responding to. But again, we've got a very profitable business in Away-from-home.

And as we've talked about before, we look at our pricing and promo decisions through that lens to make sure we continue to protect and grow that Away-from-home business. So Yes, it's a good competition, I'd say, particularly in energy. Yes, but I wouldn't say it's much different than previous years, Lauren.

Richard Withagen, Kepler Cheuvreux.

One question on the Share a Coke campaign. It's been launched earlier this year and Damian, you mentioned it has been well received. So what are some of the metrics that you track to analyze the success of the Share a Coke campaign? And what are the pros and cons of a global campaign compared to a more local oriented campaign?

Damian Gammell

Thanks, Richard.

Well, I mean, I think with our brand portfolio and with a full calendar, we will continue to have global and local and both of them, I think, play a great role in our growth story. I think Share a Coke was particularly impactful because it's a great example, I think, of going above the line, whether that's on social media all the way through to packaging in store. It's obviously something that excites consumers. So we've seen that on our customers.

So when we think about metrics that we would look at, we clearly look at our way to display share of shelf distribution and obviously, campaigns like that allow us to drive more of that. We'd look at weekly and monthly drinking consumption, and we see that improving. And then obviously, over time, it will reflect in brand health metrics that we look at with the Coke Company. But it's clearly innovative across our Cola portfolio.

A lot of focus on single-serve, that really helps our price mix, as you've seen in our results. So we were particularly happy and it kind of goes back to what I talked about in terms of getting behind that away-from-home growth. We talked about it in Q1, that Share a coke would be more skewed towards single-serve, and that would definitely help support growth in Away-from-home, and we're seeing that. So still early days in some of the metrics, but overall, really positive. And very well received.

I think it was eight years since we last did it. So a lot of people were really happy to see it come back. And certainly, we're happy to see it coming through in our volume and price mix numbers.

Eric Serotta, Morgan Stanley.

Can you talk a bit about the acceleration that you've seen in away from home this year? And any read into the state of the consumer from that?

And then, Damian, you talked in Manila about the -- I think your your language was sparkling growth in Europe represents one of the biggest midterm opportunities for CCEP, just when you look at the scale of that business. So maybe you could revisit or talk about some recent initiatives to reinvigorate that Sparkling growth in Europe?

Damian Gammell

Yes. Thanks, Eric. I mean sparkling has been grown in Europe, pretty consistently in revenue. I think where we've been more focused on is driving, as we mentioned earlier, more volume within that revenue price mix. We're definitely seeing that in Q2.

So as a category in Europe, it's very healthy. It's quite dynamic. There's a lot of innovation, both from us from others. And that's really been a consistent theme in revenue growth.

I think what we've recognized is that as volume becomes part of that, it's a more sustainable outlook, and that's really what we're focused on. So we've seen that in Q2. Obviously, we benefited from Easter. So that definitely helped our Q2 number, but we expect to see it in Q3 and Q4.

So overall, it's really maintaining that revenue growth but bringing volume as a bigger part of the mix. And that's our priority for the rest of this

year. It's our priority for '26 and I think into '27. So we certainly see that opportunity. And then for CCEP, particularly, we see that in the like Colas

on the back of particularly a stronger Zero platform and Diet Coke.

And as we talk to Manila, we under-index in our flavor share. And I think we see the opportunity to grow volume and flavors to support that revenue growth.

Just coming back to Away-from-Home, we do see more people out and about. Obviously, weather helps. So clearly, terraces are full, people are out enjoying what has been a good period of weather in Europe. We are seeing more people returning to the office. So that has been a drag, particularly in our large cities.

So I think companies and employees are back in the office more than they ever were. That certainly helps our away-from-home business. And then

I think our sales on a number of orders have been supporting that part of the market over a number of quarters. Whether that's cooler placements, consumer innovation, investment in signage menus.

And ultimately, it takes a bit of time, but that starts to feed through into footfall and incidents, and we're definitely seeing that. And then also some of our bigger customers like McDonald's are also pivoting their menu offerings and that seems to also be driving a bit more traffic.

So yes, it's great to see it returning to growth. It's obviously something we want to see on a multiyear basis. As I talked about in Manila, we've got to be a key contributor and driver of that. So I come back to those elements that we can control, so better consumer engagement like Share a Coke, better cold drink availability and presence in store with more coolers, better execution on menus and incidents through better price mix but also common meals and activation.

So, again, that will continue through the summer and then into next year. But all of that gives us confidence that the consumer is in a slightly better position away from home in Europe than we've seen previously. Having said that, we're (technical difficulty) that in retail, maintaining that affordability

offering at the lower end is going to be a key part of our offering.

And as we've talked to before, I think it's important that, that also goes hand in hand with that premiumization that we've done a good job on over a number of years. So whether it's mini cans, glass, small PET because all consumers are not equal, and we see an opportunity to drive an offering across all of those price points, and that's what we're doing.

Nadine Sarwat, Bernstein.

One question from me coming back to the medium-term guidance. So I hear you a lot Sarah, on Indonesia being a headwind that was large enough to -- at least you have the full-year guidance now is a range versus a previous more specific number. But if we turn our attention to the medium-term

growth algo, does Indonesia impact your view? I get that you've reiterated that algo, but are you assuming that Indonesia then subsequently accelerates or do you feel like you have enough levers elsewhere to offset the weakness?

Edward Walker

I think, Nadine, when we look at Indonesia, so we're not assuming that there's a significant turnaround in the medium term that drives our 4% on the top line. We've talked before about high single digit, which I still think is the right longer-term plan for Indonesia.

Whilst it's disappointing that the changes that have been made haven't had more of an impact and the macro effect is clearly playing on the numbers, we should keep in mind as well, though, it's a relatively small part of our business. So it's a big opportunity going forward, but it doesn't have a very material effect on our numbers year in, year out. So the long-term opportunity still remains, but no, we're not dependent on a very

significant turnaround to deliver our midterm objectives.

Damian Gammell

Yes. And just to build on what Ed said, Nadine and to give some credit to our team in Indonesia. We have seen a slight improvement in our performance coming out of July and into August. And again, we believe in the long-term opportunity of that market. But to Ed's point, has more of an impact on revenue and cases but less on the bottom line, which is really reflected in our guidance today.

Matt Ford, BNP.

Just a question on COGS actually, just if you can update us on the situation for '25. Where are you in terms of hedging? And then I suppose, more interestingly, in '26, if you can comment at all on any of the major moving parts that you're expecting for '26 without perhaps committing to a number, but an update on where you are hedging wise for that year as well?

Edward Walker

Yes. Thanks, Matt. So yes, we continue to be very pleased with the cost evolution and COGS in general. So we've been enjoying basically flat commodities for this

year and we anticipate that will roll into 2026. As you'd expect, at this point, we're very well hedged now for this year.

So in all the main commodity types were over 90% hedged. We're around 60% at this stage for 2026, which is roughly where we would like to be at this stage of the year. So leaving some room still to take advantage of any favorable movements in the market.

And actually, some of the volatility that we've seen on the forward rates during 2025 has actually worked to our advantage. So we've actually

secured some nice forward prices on a number of our commodities. So the outlook is still good with relatively flat commodities in '26, which certainly makes life a bit easier in some parts of the P&L as we look forward.

Charlie Higgs, Rothschild & Co, Redburn.

My question is on Australia, where Q2 marked the four-year anniversary of the Amatil Deal. And if you go back in time, that Australia business earned a very healthy margin, but perhaps it wasn't being run quite effectively as it could have been. You then came in and trimmed the promotions, trimmed bulk water, realigned cuts, et cetera. And as Ed was saying, we still got the Manila shared service center potentially in the background. So, can you just provide a bit of an update on where we are on the Australian margin turnaround story and whether you think it could perhaps get back to the very high teens, low 20s level that it previously earned?

Damian Gammell

Thanks, Charlie.

Yes, obviously, we're really pleased with our Australian business and the changes that have been made over a number of years. It's far from over in terms of the opportunity from our perspective. We're going through quite a big change and probably from a structural portfolio realignment, the last big one, which has there been some to change. That's going to allow us to become a bit more efficient, but also align our brand portfolio more to our global footprint.

And I think that's a positive. And in some ways, that was a bit of the unlocked with the Kirk deal as well was to just line up with the Coca-Cola Company, and we've seen the benefits of that. And we will see that also on alcohol.

It will probably take a bit more time but we're excited about that change. That will allow us also to look at our cost base. We have invested some good capital into Australia to become more efficient. So all of that will support margin expansion. We're not guiding to a target on a market-specific number.

But if I look at the macros in Australia, whether it's GDP, population growth, some of the great commercial work that we're leading down there, obviously, margin expansion due to the top line is definitely something we're excited about.

And maybe I'll pass to Ed, who will talk a little bit more about the shared services opportunity as well that we see coming to play.

Edward Walker

Yes. Thanks, Damian.

Yes, Charles, I mean, we're very pleased with the progress. I mean we don't give a specific Australia profit numbers. But what I can tell you is that our revenue from '21 has grown at a CAGR if you look until the end of '24 by 8% per year, so a fantastic revenue performance. And we've done better than that on the bottom line. So we have had operating profit margin accretion over that time period.

And as you called out, I think it's due to the investments we've made in capacity, which have helped reduce the cost to serve. Promo, RGM capabilities

that we've leveraged in the market and then some portfolio rationalization, both in terms of focusing on the core parts of the portfolio that add value, but also to work with the Coke Company in terms of aligning the roles to different brands within the portfolio.

And last but certainly not least, we've taken advantage of our shared services capabilities. Some activities out of Australia already moved to Bulgaria,

and we're looking forward to moving more stuff to Manila with the opening of our new centers. So great progress, really pleased and more to come there.

Robert Ottenstein, Evercore.

Damian, it's been about two years, I think, since you rolled out Jack and Coke in Europe. I was just wondering if you could maybe stand back and give an assessment of how that and other ARTD initiatives have gone? Any surprises disappointments? What have you had to change and how you see that developing over time?

Damian Gammell

Thanks, Robert.

I mean, overall, really pleased with where we are, particularly in a big market like I think some of the learnings that we've taken on board from our experience in Australia is it's got to be a portfolio play. So I talked about the BACARDÍ and Coke, I talked about Sprite and Absolute. So we certainly see a stronger performance across all of those brands, including Jack and Coke when we go to the market with a category play. And that takes a bit of time.

But clearly, we're seeing the benefits of that quarter by quarter and year on year. So along with Energy in terms of Absolute volume growth, versus prior year. It's up there in revenue growth, it's even higher just given that it's all single-serve. And it's something that we're looking to expand across all of our markets in Europe. So yes, it's been a quick two years. But I think the capability and the brand offering that we have now sets us up for many more years of exciting growth.

And obviously, when you talk about Europe, the changes that I referenced in Australia are also very exciting because acquiring a brand like Bilson's,

I think, demonstrates that we will be opportunistic with the Coke Company in a category like this where maybe having local brands from time to time plays a bigger role. But the bulk of the growth will come from those global brand partnerships. Yes, overall, really good, Robert. And yes, more to come.

Edward Walker

I think what's particularly pleasing as well is we're really gaining momentum. So these things don't happen overnight. So it takes a while to get to know the category. So the retail to better understand the category, but we've certainly seen an acceleration in the last six months to a year in ARTD, particularly in Europe.

Mitch Collett, Deutsche Bank.

I think the tagline from the CMD was 4% and more. Clearly, fiscal '25 has been impacted by a few factors outside of your control. But, how do you feel about that ambition for 4% or more beyond fiscal '25? Do you think fiscal '26 is getting to be at that range or above [4%]? I appreciate you're probably not that likely to guide now, but can you talk about how you think about fiscal '26 and the steps that are going to take you there? Perhaps it's what you put on slide 15, but I'd be interested to know what you're expecting to do to be able to accelerate to 4% or more?

Damian Gammell

Yes. Thanks, Mitch.

I mean, there's no change in our conviction around top-line growth at CCP. I think Q2 was a solid quarter, demonstrated that. And I think if you look at what we've guided for the full year, you'll see that growth continuing in Q3 and Q4.

We have had a couple of drags on revenue, certainly in the first half of this year. Some of that may continue into the second half, which is why we've updated today as we have. We've had the Tea transition in Spain. Obviously, we've got Suntori out of Australia. We've had Indonesia, although as I said, that is starting to show signs of improvement.

So some of those are 2025 events. So 2026 and beyond, I think you'll expect us to stick with our 4% revenue guidance as we continue to build out our portfolio and get smarter at some of the things that we're doing, -- our ambition for growth is only, in my view, is only going to get higher. But I think a 4% guidance is a pretty good number, particularly with a 7% bottom line and that free cash flow. So, yes, to answer your question, no change from Manila.

It doesn't feel that long ago. And certainly, a good Q2 and a good start to Q3, continues to support that midterm outlook on growth.

Sanjeet Aujla, UBS.

Most mine been asked already. But just a point of clarification on some of the commercial agreements you missed out in Europe. Is that something that's impacting through the course of the rest of the year or some of that been resolved? And on which markets in particular were impacted, please?

Damian Gammell

Yes. No. So I mean these are quite typical, Sanjeet. As you know, as we try and land pricing and commercial terms for a year. We don't always land them in the time frame that we'd like to.

But again, nothing out of the ordinary. The result was mainly in Q2, mainly a little bit in Germany and a little bit in Sweden were the two markets

that I think were most impacted, but now in a good place for certainly the rest of this year. So no lingering effects from those as we go into the second half of the year.

Sanjeet Aujla - UBS AG

Got it.

And just a quick follow-up on Indonesia, Damian, you're talking about some sequential improvement and stabilization. I'm assuming that means stabilization in the rate of decline, as opposed to getting back to growth.

Damian Gammell

Depends on what period you pick to compare to.

I'd say, genuinely on our Sparkling portfolio, we start to see stabilization which is really encouraging. I think on Tea, we're probably a bit off that.

We're launching a new Tea format and a new Tea pack and vis. That's only going to come in, in Q3. So I'd say I'm Sparkling, yes, Tea, we have a bit of a way to go. But on a combined level, it certainly feels better than it has been feeling, which is great.

On a consolidated level, it's important for us, but it's really important for the team locally to start to see some early wins and also for our customers as well because it's still a very valuable category for them in Indonesia. So yes, more to come on that as we go through the second half of the year.

But yes, Sparkling, leading Tea still to come, Sanjeet would be the way I think about it.

Carlos Laboy, HSBC.

Damien, can you expand on your -- give us a view on your trade management outlook in Europe given where you are on your digital capabilities

and the implementation of your digital capabilities. There's usually a low-hanging fruit there. Have you captured most of that already, you think or is there a little bit more to go there?

Damian Gammell

Thanks, Carlos.

It's certainly an area that we're very passionate and excited about, and we've invested quite a bit in terms of our tech capabilities. I kind of look at it through two lenses. So in the more organized segment of -- particularly in Europe, Australia and New Zealand, our myccep.com platform is managing and capturing a lot of value in terms of information revenue and also driving good customer engagement. So we're on our way to a EUR3 billion revenue through that platform.

So I think on a consolidated trade level, always more to do but a great foundation. I think where we've been making the most progress is in fragmented. So as you know, a lot of our markets in Europe, a lot of the away-from-home is fragmented goes through wholesale. It goes through a more diverse route to market, let's put it that way. So currently, we're at 70% plus of the revenue in that part of the trade that we get visibility on at an outlet level, so that's a big improvement from a few years ago.

And then we're overlaying that with our broader eB2B play in Spain, which mirrors some of the work you would have seen in Latin America and from Hellenic around a broader category platform for our distributors, which will allow them to digitize their route to market and allow us to get access to information. And as you know, typically, the size of our partners in that part of the market, they don't have the balance sheet capability to build these platforms.

So I think we're bringing tool that they need. It gives us transparency and it will allow us, I think, to accelerate some of that market development

capability in the fragmented trade, particularly in Europe. Clearly, it could have a bigger role in Philippines and Indonesia, and that's certainly where we're going next.

So we'll continue the journey in Europe. We are already rolling out our myccep.com platform, and then the next one will be that more fragmented trade tool. But yes. So a lot of has happened, but it's a super exciting part of the business.

We'll continue to invest in it, and we'll continue to learn from other bottlers. I think one of the benefits of where we are now as part of the Coke system is there's a lot of sharing going on particularly in this space. So we're definitely moving a bit faster, thanks to kind of lifting and shifting some capabilities from elsewhere.

Usama Tariq, ABN AMRO - ODDO BHF.

I just have a quick question with regards to the comparable free cash flows. So correct me if I'm wrong, they're down year on year. Am I correct in to assume that this is more working capital related? And then going into H2, I do understand that H2 is very stronger on a comparable basis. But do you see some risk there with regards to your comparable free cash flow guidance, especially if Indonesia remains weak?

Edward Walker

Thank you for the question. So yes, I mean, our comparable free cash flow at the first half is slightly below last year, but that is really working capital related and is purely phasing. So actually, when you look at the calendar, the half ended a little bit earlier than last year ended on the June 27, I believe. So it's purely a phasing item.

If you look at previous years, we always do more free cash flow in the second half of the year than the first half of the year given the big summer

selling period in Europe. And as we sit here today, no, we're confident to reaffirm the guidance for the year. Indonesia is, as I said earlier, a small part of our business and not a heavy drain from a free cash flow perspective. So we're confident in delivering at least EUR1.7 billion for 2025.

Operator

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

Damian Gammell

Thank you, operator. And again, a big thank you to everybody for joining us today. So we're really happy. We continue to execute on our growth strategy and are excited about the midterm outlook for CCEP. Very solid first half.

I'm pleased that we reaffirmed our full year profit and free cash flow guidance today. Europe's returned to growth in Q2, and we see a better performance in away-from-home.

Indonesia is a bit slower. However, we continue to be excited and make the changes necessary to unlock what we believe is a great longer-term opportunity for the group. Full year, we expect volume growth in Europe and in APS despite Indonesia. And fundamentally, we continue to generate a lot of value for our customers on the back of being a great business with very strong brands, solid route to market and a very exciting commercial calendar between now and the end of the year. So again, thank you for joining us.

We look forward to updating you on our Q3 in November. Thank you.

Operator

That concludes our conference for today. Thank you for participating. You may all disconnect.