

**COCA-COLA EUROPACIFIC PARTNERS**  
**Q3 2021 Trading Update**  
**Analyst Call Transcript**  
**9 November 2021**

**CORPORATE PARTICIPANTS OF PREPARED REMARKS**

Damian Gammell - CEO  
Nik Jhangiani - CFO  
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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 Nik Jhangiani, our CFO.*

*Before we begin with our opening remarks on our third-quarter trading update, 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](http://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 a pro forma basis, thus reflecting the results of CCEP and our Australian, Pacific & Indonesian business unit (API) as if the Coca-Cola Amatil transaction had occurred at the beginning of this year, rather than in May 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: Prepared remarks*

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

*I will keep my comments brief given that the key geography and category highlights are well detailed in today's release.*

*As you will have seen, I am really very pleased to report that we are raising our full-year guidance for 2021, reflecting a solid third quarter's performance.*

*This translates into year to date revenue growth of 7.5 percent, driven by solid growth in revenue per unit case, ahead of 2019, as we continued to drive price and mix through our smart revenue growth management initiatives. Our continued focus on our core brands and execution continues to serve us well. Year to date comparable volumes grew by approximately 3 ½ percent.*

*According to Nielsen, we've also solidified our position as the largest FMCG value creator for our retail customers. And I'm very pleased we have gained both value and volume share in what has been a very robust category, growing in value terms by approximately 3 percent in Europe and over 8 percent in API.*

*Now looking at the third quarter specifically, we delivered solid revenue per unit case growth of 2 percent, up 2 ½ percent versus 2019.*

*Our European volumes declined by 1 percent impacted primarily by a relatively cold and rainy summer, however with modest revenue growth of 1 percent. Volumes were down 2 percent in API, though despite renewed restrictions, revenue for the quarter was flat, demonstrating the ongoing resilience of our business.*

*Vaccination rates are improving with many of the restrictions being lifted during October. API has real momentum going into its key 4th quarter. Year to date revenues in Australia and New Zealand are both ahead of 2019, and Indonesia importantly grew revenues ahead of volumes.*

*From a channel perspective, although we're not yet back to 2019 levels, we did see sequential improvement in away-from-home volumes on a 2-year basis reflecting improved mobility. The number of outlet closures is relatively contained, so we expect footfall and momentum in this channel to continue to recover.*

*Now turning to our brands, several of which I am pleased are growing ahead of 2019. So, to share with you a couple of highlights.*

*Coca-Cola Zero Sugar is benefitting from its recent new formulation & look, now including Australia, up 4 percent in Q3 versus the prior year and up double digits year to date versus 2019.*

*Our Monster brand continues to perform strongly with overall volume growth in Energy up 8.5 percent in Q3. This drove year-to-date value share gains of 160 basis points. This means that versus 2019 our Energy portfolio has grown 36 percent year to date.*

*Fuze Tea volumes were up 9.5 percent year to date in Europe versus 2019, reflecting new pack offerings and flavour rotations.*

*Q3 trading aside, we continued to invest for long-term growth particularly in our people, our portfolio, our sustainability agenda and our digital framework.*

*You may have seen some great Fanta Halloween activation across our markets. The popular Fuze Tea Apple Cinnamon flavour is returning for the festive season, and we are extending our Monster Ultra portfolio with the addition of a new Watermelon flavour.*

*Now to sustainability. Even more front of mind given COP26, where we are actively participating in events in Glasgow to continue the call for action. We committed a year ago to ambitiously reducing our absolute GHG emissions across our entire value chain by 2030, also embedded in our long-term incentive plans, on our roadmap to reaching net zero emissions by 2040. But these dates are not set in stone. We continue to challenge our commitments and will go faster where possible.*

*We are taking action where it matters most - through our first carbon neutral manufacturing sites, the work we are doing with our suppliers to reduce their emissions and reducing the impact our packaging has on the environment.*

*France will soon follow Germany who recently transitioned all their on-the go packs to 100 percent recycled PET. And via our CCEP ventures arm, our first pilots of self-pay, self-pour drink dispense technology have now been launched in Spain.*

*In the digital space, our transformation journey continues. Our B2B portal, MyCCEP.com, remains on track to deliver a record year of over 1 billion euros in revenue. And, in partnership with The Coca Cola Company, we are extending the recent launch of the eB2B platform, Wabi, in Portugal, from Lisbon to Porto.*

*In online grocery, we continued to see share gains and strong performance with NARTD revenue up 23 percent and our online grocery share up by 130 basis points year to date across our European and API markets. And, if you are looking for Christmas present ideas, our D2C platform, your Coca-Cola, which celebrated its first birthday last week, has recently extended its personalised cans with Christmas themes. So please check it out.*

*And finally, we continue to make excellent progress on the integration of API. We continue to bring our people, processes and systems together, and in line with our aim to simplify our portfolio, we recently announced plans in Australia to exit beer and apple cider, including the proposed sale of the craft beer, Feral. We will, of course, update more on this in due course.*

*So, now onto the full year. Reflecting our solid Q3 performance and more recent trading momentum, I am very pleased to be raising full year 2021 guidance.*

*This is all detailed in the release, but the key highlights are that we have increased our expectations on comparable revenue growth to a range of 29 to 30 percent up from 26 to 28 percent previously. This results in new comparable EPS guidance growth of between 54 and 57 percent compared to last year. These growth rates are on a comparable only basis, reflecting the timing impact of the acquisition of API in May this year and are based on actual FX rates. Clearly, this will also flow through to an even stronger free cash flow generation for the full year.*

*We continue to be very pleased with our performance and in particular, we are pleased that our operating margins in the second half of this year continue to approach the pro forma second half operating margin of 2019. This not only demonstrates the resilience of this business but also puts us in a solid position as we head into 2022.*

*So, looking now to next year. We continue to focus on protecting our margins, while managing the business for the long term to deliver value creation for our shareholders and our customers.*

*This alongside protecting the health and affordability of the robust and growing NARTD category.*

*We are clearly however not immune to the volatile macro and uncertain inflationary environment. Whilst we do intend to provide more detailed full-year 22 guidance at our results in February, we do expect elevated commodity inflation, as we talked to at the half this year, based on current rates and our latest hedge position of 45 percent, up from 40 percent in September. This is weighted and therefore higher in the first quarter, so we continue to closely monitor the appropriate trigger levels to lock in more of our unhedged exposures depending on the market conditions. As a reminder to what we said at the half year, we continue to expect commodity inflation to be in the mid-to-high single-digit range for full-year 22. This we currently expect to translate into a range of 4 to 5 percent in overall pro forma COGS per unit case growth.*

*We are confident in our ability to mitigate these inflationary pressures and to navigate global supply chain challenges as we head into the new year.*

*As we look to full-year 22, we have a number of levers we can pull across headline price, mix, procurement initiatives and efficiency programmes to again manage our business for the long-term health of the category.*

*Coming from our position of strength as I called out earlier, having delivered more growth in revenues for our retail customers than any of our FMCG peers, we will continue to work with our customers to optimise our recommended price, range and package architecture. And we will continue to leverage data analytics, customer and consumer insights to drive smart RGM initiatives to expand the category and create value. However, given the backdrop, as we head into full-year 22 and the upcoming cycle of joint business plan creation with customers, pricing will clearly need to take a bigger role compared to previous years. And we have been able to achieve net pricing increases in previous years, typically representing at least half of our revenue per unit case growth, across headline price and optimising our promotional spend.*

*And then to our wider cost base. Optimising our discretionary spend is very much business as usual. Our volumes will continue to recover, driving favourable fixed cost absorption. And, we are focused on delivering and accelerating our transformational efficiency programmes, which will ensure that we are fit and competitive for the longer term. We remain on track for our previously announced efficiency savings and API combination benefits, equating to €350 to €395 million in total.*

*Now finally, to our goal of driving sustainable shareholder value.*

*Today, we are raising our full year 2021 guidance and we are declaring our full year dividend of 1 euro 40 cents per share. This level of dividend maintains an annualised payout ratio of approximately 50 percent and is progressive given it represents a 13 percent absolute increase versus its pre-pandemic 2019 base. Collectively, this combination demonstrates our confidence in the future of our business and our ability to deliver on our goal.*

*So that is it, our update for today and I wholeheartedly would like to thank our customers and, in particular, our colleagues for their ongoing support, dedication and hard work. We continue to focus on our colleagues' safety and wellbeing, to ensure we protect them while local vaccination efforts progress at different paces across our markets.*

*For the remainder of the year, we are all now focused on executing our exciting plans as we head towards Christmas, from the summer season in API to the winter season in Western Europe.*

*Thank you for your time. Nik and I will now be happy to take your questions.*

*Over to you operator.*

### **Question & Answers**

- Operator - -

*A. (Operator Instructions) And your first question comes from the line of Lauren Lieberman of Barclays.*

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

*Q. I was curious, though it was a little short term, but I know that you raised the revenue guidance and outlook and momentum sounds quite good. But I was curious if you could talk a bit about visibility for in-stock levels for the fourth quarter. There's just been so many headlines over the last 2 months about various supply chain bottlenecks, packaging issues, and so on -- haulage. So if you could talk about what you've done to be able to manage through that and what that in-stock position looks like for 4Q, knowing how important the holiday season is particularly across Europe.*

- **Damain Gammell**

*A. Yes, I suppose there's a couple of different perspectives to that question. I think across API, we're in great shape from a supply chain perspective, heading into our summer there. So no significant challenges. In Europe, it's really a tail between GB and the other markets. So I think we're in good shape across all of Europe. It's been more challenging in GB for a couple of reasons. One, as you've seen in the numbers, we've had a number of fantastic months in GB, so exceeding our expectations in terms of volume. And then secondly, we've had probably more constraints in GB around haulage than we've seen in other markets. So our team has done an excellent job with our customers. And really, the way we're navigating it is, obviously, we've got good inventory levels. All our plants are running well, and we're doing kind of weekly allocations with our customers to make sure we've minimized any out-of-stocks on the shelf. And we've been working in that way really since we came out of the summer. So it's something that I think will remain a challenge as we look into '22. But with that approach with our customers, we're navigating it extremely well. So really, supply chain is in good shape as we look towards Christmas across all of our markets. It's in good shape for the summer season in API. And we don't see any challenges coming through December in Europe. So little bit of extra work, but I think it's all working out very well.*

- **Nik Jhangiani**

A. And just some color to add to Damian's comment around GB in particular. What we've done is we've actually looked at a rolling 16- to 12-week type of position with each of our customers. And what we've tried to make sure we do is actually smooth out that curve so that we're actually delivering in October and November as opposed to everything coming in December as well. So that will help in terms of ensuring shelf availability.

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

Q. Okay. Great. And then I was also wondering if on the packaging side, if there has been constraints, which then in the name of turning lemons into lemonade creates more opportunity with migrating package architecture on the shelf in a way that's beneficial to revenue per case over time.

- **Damain Gammell**

A. We had some -- earlier in the year, we talked to some can constraints in particular. That challenged us as we came into the summer, and it's getting better as we come out of the summer into Christmas and into next year. Beyond that, we've been really focused on our RGM strategy, Lauren, to optimize our retailers' revenue and profitability and ours on shelf. And so when you look at what's driving that small glass, premium 1 liter glass, our multipack can strategy, we've changed a number of our PET formats. So all of that has kind of been happening as we've gone through 2021 and sets us up well for '22. And kind of reading through, I'm sure a question we'll get later, obviously, that's one of the levers we've been putting in place now to navigate some of those COGS headwinds that I called out in my prepared remarks. So there's certainly no supply chain issues behind that, and we can use all of those tools as we look forward to December and then into next year. So no real constraints from that perspective.

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

Q. Okay. Great. And then if I can squeeze in one more. The portfolio decisions on Australia were -- great to see some news on that front. And I was just curious if you could add a little more color on the decision to exit beer and cider but continue in the RTD, alcohols, and spirits. If you can offer any color on that or maybe it's more still to come on the portfolio front?

- **Damain Gammell**

A. No. I mean, we've spent a lot of time pre-acquisition looking at where we felt we could create more value for our shareholders. And when we looked at alcohol, in particular, it became quite apparent that we had, despite the best efforts of a number of years of the team in Australia, in particular, not achieved a scalable position in beer and cider. And as you know, in that market, there's some formidable competitors. So we found it very challenging to see a way to create sustainable shareholder value in that category. We just -- the scale and the efficiencies, particularly in the market like Australia, they were just not coming.

So we felt that was a good decision to give us one leaner business, but also to allow us to focus on where we really make a good return for our shareholders, which is obviously within sparkling, but also, we have a great relationship with Suntory on the ready-to-drink side. And that is a segment where we've got a scalable share and we generate great returns for our customers and for our shareholders. So it was really a clear decision that when we just look through that business, we didn't really see a path to sustainable returns. And we're happy we could move quick. And clearly, tying up our portfolio with the Coca-Cola Company on the sparkling side is the next step. And both myself and Nik are very pleased with the progress in that, and we can update you on that as we get to a decision point. But probably moving a bit faster than we expected, which is great.

- Operator - -

A. And your next question comes from the line of Simon Hales from Citi.

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

Q. A couple for me. Just shorter term, again, Damian, can you just talk a little bit more about what's driving your confidence in Q4 in terms of that top line upgrade? Is it a little bit more driven by the API business and the reopening you're seeing there post restrictions? Or is it Europe? Is it both? Any more color really as we've been through October now that you could share on that would be interesting? That's my first question.

- **Damain Gammell**

A. Yes, it really is both. I think we experienced probably in API, in particular, stricter lockdowns than we had planned for. And clearly, our business remains really resilient, both in Australia, New Zealand, and in Indonesia. Those lockdowns, as I'm sure you've seen, are lifting and we're heading into summer with great momentum. So lots of confidence around our API business. And also in Europe, I think we did suffer from a little bit of a mixed August. We talked about that in September. The weather wasn't great. Reopening wasn't quite where we expected it to be. But that really changed as we came through September, and we saw a lot more momentum in our European business.

And as we look through October, November to December, with the plans we have in place with our customers, with the aforementioned stock levels, customer service levels now are back above 95% across our markets. Our promo plans are in place. If you're in the market in the U.K., in particular, you would have seen really strong Halloween activations with some really good assets. So it's a combination of that. And obviously, we have suffered a little bit from away-from-home opening probably a quarter to 6 months later than we expected. But despite that, we've been able to drive really good top line results. And as we look at Q4, although it's not the weather for sitting outside in Europe, we are seeing footfall in HoReCa continuing to improve and people going back out. And, of course, that gives us confidence not just from a revenue perspective but also helps us on mix and volume as we look at a stronger Q4 than we originally anticipated.

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

*Q. Got it. And then secondly, and maybe one for Nik. I was hoping if you can just update us on where you are overall with your input cost hedging for 2022 now and perhaps also how you're thinking about inflation in the broader cost base into next year? And maybe just associated with that, obviously, you're going through pricing renegotiations now, as you highlighted, with the big retailers. Do you think that is going to happen a little bit earlier or conclude a little bit earlier than they would do in a normal year? I mean, I think you were talking back in September of the H1 results that you were already engaging in conversations. So by the time we get to the Q4 results, would you hope to have concluded a lot of those negotiations?*

- *Nik Jhangiani*

*A. Great. So I'll pick up on that last one. Absolutely, we're in a continued dialog and we started up that process, I would say, probably a little earlier, just given what we were seeing as pressures across all our markets. To your question, I do believe that we should have a good line of sight by the time we get to our full-year results. And we'll be able to update you then. And I think as we've said, we do see pricing playing a much bigger role than what it has in the past, and we wouldn't rule out looking at a second round of price increases, too, depending on how the markets continue to fare and trend as we go into the early part of next year. So I think both those are very much on the table, and we'll definitely put some more color to that when we talk to you around the mid-February mark.*

*In terms of input costs, I think, as Damian said, we have moved up our coverage. Remember, at the half year, we were just under 40%. Today, we're at about 45%. But I would read into that from an angle of how we've looked at it in terms of each of the quarters. So as you've probably seen, aluminum prices have had some respite over the last couple of weeks, and we moved quickly. So we've actually covered close to about 80% of our exposure for Q1. So when we look at our all coverage, it's a lot more Q1 weighted. So that 45% roughly translates to about 70% for Q1, closer to about 50% for Q2, and then obviously less in Q3 and Q4. And that's intentional, right, because we want to continue looking at how the market evolves.*

*In terms of broader inflationary pressures. Clearly, you're seeing it on all angles, right? You're seeing it on haulage, transportation, labor issues, et cetera. We're obviously working through our planning assumptions. So I think we'll be able to give you a little bit more of a outlook on that in February as well. But it comes back to the point that Damian made, I think we've got multiple other levers that we will continue to manage to offset some of those pressures, including what we've announced in terms of the competitiveness program, and we're never static there. So I think we'll challenge ourselves there even more. And the other area is our procurement team continues to look at various initiatives as well to further protect us as well. So I think both in terms of the overall shape of the P&L and margin protection as well as OpEx, those are multiple levers that we will continue to manage.*

- *Operator - -*

*A. And your next question comes from the line of Sanjeet Aujla from Credit Suisse.*



- **Sanjeet Aujla - Crédit Suisse AG, Research Division - European Beverages Analyst**

Q. A couple for me, please. Firstly, just thinking about the pace of volume recovery, given the momentum you've seen in Q4, as you look out to 2022, assuming there's no further restrictions, is there any reason why you can't get back to pre-pandemic levels? And I guess slightly tied to that, given pricing is going to play a bigger role with retail negotiations next year, how are you thinking about elasticity on volumes? I think most staples companies and Coke themselves have given quite an upbeat message on that, but I'd love to get your specific thoughts on Europe.

- **Damain Gammell**

A. Yes. So I think to your first question, Sanjeet, I think there's no reason why we will not get back to the 2019. I mean, in some of our markets, we're seeing that already in 2021. So I think that is definitely, as you said, absent any further lockdowns, which we also don't expect, that's certainly the journey we're on. I think there's a couple of aspects, and it kind of goes back to the last question, that has probably been a headwind for us in '21 relative to other geographies. We've had slightly longer lockdowns in Europe, some more disruptions to our away-from-home business.

So I'm actually very pleased to be able to sit here today and talk about our results in that context because we've had to navigate that probably 6 months longer than we expected. That will be definitely a tailwind for next year. So as we come out of a strong Q4 and as we look through to next summer, particularly for markets where we've got really strong positions in France and Spain; tourism, which never really came back significantly this year, that should definitely support a faster recovery back to those 2019 levels as you spoke about. And as I said, we've seen some of our markets getting there throughout '21 in a given month or even in a given quarter, obviously, GB is going to stand out. So that certainly gives us confidence.

From an overall perspective, we're also going to be cycling slightly longer lockdowns in API than we had originally planned. And again, as we look through the second half of next year, that should support volume as well. So I suppose what kind of held us back a bit this year will be a benefit for us next year, and that will certainly support volume and getting back to that 2019 level.

- **Nik Jhangiani**

A. Yes. The only -- and that really helps our P&L as well as given the fact that, that overhead recovery should come through. The only caveat I would put on that is we still need to look at how the mix continues to evolve in terms of the away-from-home. So I think to Damian's point, we'll probably continue to see strong benefits at home today. Away-from-home is still below our '19 levels, depending on the market. But the good news there, too, is the fact that we've seen substantial reopenings compared to what we had in '19. So it's not a base issue. It's more around that continued footfall that we need to see, and that will be supported, as Damian said, hopefully, with tourism returning as well.

- **Damain Gammell**

A. And then just on the elasticity, I mean, it's certainly something we've been working on for a number of years through analytics. In a number of our markets, even back to '18 and '19, we did a reset on our promo strategy to take a longer-term view on the health of the category, and that's really come through in our results on an NSR level. Even on an NSR level per case in '21, I think it's a very strong performance. So we'll continue to use that as a tool. As Nik called out, I mean, there will be more headline pricing than in previous years. That's just the environment we're in. We're having those conversations now. We've talked openly about next year potentially being a multiple pricing year, if needed. So we've given ourselves that flexibility. I think that's only appropriate for ourselves and for our customers.

I think we're also going to be very careful. I mean, the category has been super-robust, particularly in the home market throughout COVID. We've seen a lot of people coming back into the category and enjoying Cokes at home as they were in lockdown. And we don't want to lose that habit and we don't want to lose those consumers. So as in any year, we'll continue to navigate the pressure on our cost base and our P&L but clearly make sure we don't do anything that could damage the loyalty of our consumers or our customers to our brands. And when you look at the value we're creating for our customers, clearly that's in their best interest as well. So the combination of mix, reopening being ahead of 2021, and headline price, and then balancing that with some really good procurement decisions and our ongoing competitiveness program, all of that, to me will be the tools that we can use to deliver another solid performance next year.

- Operator - -

A. And your next question comes from the line of Edward Mundy of Jefferies.

- **Edward Brampton Mundy - Jefferies LLC, Research Division - Equity Analyst**

Q. A couple of questions from this side, please. Clearly, you're not the only company facing COGS pressures within Europe. And I appreciate it's still far too early to call how the pricing discussions will turn out. But as one of the largest value drivers for your key customers, how does this help the pricing discussion perhaps today relative to history? And then my second question, I think, Damian, you mentioned in your opening remarks, historically, half of your revenue per case growth was really from headline pricing and optimizing promo spend. As you think about the balance of your revenue per case growth between that and the other levers, how do you think about the split into 2022 as the channel comes back and as you get a better mix? And then the third question, really around addressing your portfolio within Australia. Are you able to help us with what the impact to EBIT might be from some of these existing measures or other measures that might still to come?

- **Damain Gammell**

A. Thanks, Ed. So on the first question, I mean, clearly, we have generated a lot of value throughout a number of years, but particularly (inaudible) with our customers. So I suppose the benefit of that is when we go and talk to our customers about pricing for next year, we come in with a lot of credibility, a lot of scale, a lot of good tools that we share with them openly around elasticity and analytics. And I think that at least creates the right environment for the

conversation. We also have a history of taking price. So myself and Nik are kind of -- we smile sometimes with the amount of conversations that's going on now about pricing. But we've been doing that for many years at CCEP. So we have a history of taking price, and that's been in the best interest of the category, our customers, and obviously our shareholders.

And I think when we look at the mix, clearly, headline price will be a bigger part of that in 2022 that's for sure. So -- and I think that is to protect our business. And I think that's the mindset we're going in. As we look across FMCG partners, it's similar conversations. And clearly, that's creating a lot of dialog with our customers, but we will continue to do the right thing for the long term. So I think using mix, using headline price, playing with our promo investment, and you've got to remember, in Europe, depending on the market, 30% to 40% of the revenues can go through on promo. So that's a big lever for us. And managing that in a way that doesn't, as I said earlier, overly impact our consumers is really what we're focused on. So that gives us the confidence. And we'll share more of that in February.

To an earlier question, most of our pricing will be locked in by then, so we will be able to give, at least for our first price increase, a lot more clarity on that in Feb. But we have a lot of experience. We're coming off, I think, a lot of credibility and value creation. It's not easy. We know that. But we've been doing it for a number of years. And I think through our RGM strategies, we have built more tools to use in this environment than I think a lot of other suppliers. So I think that helps. I'll pass it to Nik on your last point on Australia. Maybe you could clarify that question. I didn't..

- **Nik Jhangiani**

A. No, I got that. So I think what you're trying to just understand is how would we give you what that EBIT base is. So keep in mind a couple of things. One, obviously, Damian touched upon both the fact that we will be exiting the beer and cider portfolio, but also looking to sell some of our flavors and our water brands to the Coca-Cola Company. On the latter, I'm hoping that we will have that completed before the end of the year. As Damian said, we're progressing well. And it's important that we move so that we have clarity in terms of how we think about portfolio choices across NARTD with the Coca-Cola Company.

So the beer and cider sale might take a little bit longer, but I think what we will probably do by February is use the API base as we exit 2021 and give you a clear indication of what that impact would have been had we sold those businesses in '21, so you have a clean base to go off of for 2022. And we'll probably give you that, including what our position is for beer and cider, even though that might not happen, like I said, until the latter part of half one, but it should be a good base for you to model growth from.

- **Edward Brampton Mundy - Jefferies LLC, Research Division - Equity Analyst**

Q. But at this stage, it's probably a little bit too early to share what the overall impact might be from an EBIT standpoint?

- **Nik Jhangiani**

A. Probably too early right now because I think you've got to balance out also from an angle of the cash that we'll be receiving upfront, particularly as we sell brand to the Coca-Cola Company and then obviously give up potentially around that half of that value stream. Having said that, remember, this is not going to be a big, big number given the fact that these businesses have been small, and I think there's an opportunity, particularly on the flavors and water to scale up as we partner with the Coca-Cola Company going forward.

- **Damain Gammell**

A. Yes.

- **Nik Jhangiani**

A. There's more growth going forward as opposed to that rebasing.

- **Damain Gammell**

A. Yes. I think that's an important point. It's a small part of our business, and one of the reasons that we're looking to do this is to make it a bigger part of our business. If you look at our share within Australia, we dramatically underperformed in flavors. And I don't think it's a coincidence that when the bottler owns flavors and is competing against Fanta and Sprite, it's not the most optimal portfolio strategy. So the reason we want to execute it and tidy it up now is that we do see that as supporting our longer-term growth agenda in sparkling in Australia. So a small part of our business today, but it's the right thing to do to set it up for the long term. And clearly, we'll share more about the financial impact of it. But again, as Nik said, it's quite small today. And that's the reason really we want to tidy it up. It should be a lot bigger.

- **Operator - -**

A. And your next question comes from the line of Mitch Collett from Deutsche Bank.

- **Mitchell John Collett - Deutsche Bank AG, Research Division - Research Analyst**

Q. My first question is on GB, which is I think up 9% versus 2019 in Q3 and up 5% over the 9 months. Can you just comment on where away-from-home is in GB? Is it pretty close to back to normal? And to what extent are you seeing that the gains you made in at-home have proved sticky even when away-from-home has begun to recover? And if that is what you're seeing, are there any signs that, that could be repeated in other markets?

- **Damain Gammell**

A. Yes. I mean, GB has been a great performer throughout this year for us and the team led by Stephen Moorhouse have really done a great job. The growth that we're seeing is on the back of a number of initiatives that we were taking coming out of 2019, into '20, and into '21. Very strong retail performance and that's continuing. So our at-home business is performing well,

*both in-store and online, and we're very pleased with that. And we've been a early participant in our customers' online platforms in GB. And as cold hit, that certainly served us well, and we continue to trade ahead online versus in-store.*

*In GB away-from-home, it's a little bit more mixed. We saw outlets reopening a little bit faster in the U.K. as the vaccination levels were ahead of Europe. So that's given us a benefit. We've had some good customer wins. So we've taken back business in away-from-home, and that's supporting our growth. We're still seeing, obviously, and if you're in London, clearly, the city centers, the financial district is coming back slower, 2, 3 days a week. We're seeing that. But if you're on the tube or any train around London, it doesn't feel like that most days. So certainly the U.K. is ahead on the reopening path.*

*And to your last point, obviously, that's something we're leveraging that learning back into our other markets and that's been very helpful. Since the pandemic hit, we've been doing a good job sharing what's working, what's supporting profit and revenue across our markets. Certainly our pack pricing strategy in GB has held up extremely well in retail, and their away-from-home business is coming back. But I'd certainly want us to hold on to the gains we've made in retail as we move into '22, and I think that's what we're seeing at the moment.*

- **Nik Jhangiani**

*A. I think just to add some numbers to that in terms of GB. For third quarter, we clearly were seeing mid-single-digit growth versus our '19 levels in the away-from-home, and obviously strong performance in the home channel. Obviously, year to date that is still down given the fact that we were pretty much in lockdowns for the majority of the first half. But that gives us good comfort, as Damian said, in terms of the pace of recovery once those reopenings happen.*

- **Mitchell John Collett - Deutsche Bank AG, Research Division - Research Analyst**

*Q. And then unrelated follow-up. Can you comment on where you expect to be with regard to cost savings by the end of '21 and, therefore, what's baked into your updated guidance today?*

- **Nik Jhangiani**

*A. Very much, I would say to you, at the top end of what we provided in terms of the ranges for '21, both in terms of Europe, in terms of our mitigation and competitiveness program, as well as the Fighting Fit. So that will be baked into our base as we go into 2022. And we'll obviously provide some color as we close the year out.*

- **Operator - -**

*A. And your next question comes from the line of Fintan Ryan from JPMorgan.*

- **Fintan Ryan - JPMorgan Chase & Co, Research Division - Analyst**

*Q. Just some questions for me, please, more around the portfolio. In particular, how has Topo Chico performed within the -- in the European markets since its launch of the summer? And so you're now launching that in Australia. How would you see that progressing going forward,*

*particularly with your relationship with Suntory in the Australian market? And then secondly, if you could give some detail in terms of how the Costa Coffee out-of-home business is now trading and your ambitions for that as you go into Q4 and into 2022?*

- **Damain Gammell**

*A. Thank you, Fintan. On portfolio, to your question first on Topo Chico, it was probably a difficult year for us to launch the brand in most of our markets, given away-from-home was closed or restricted throughout most of certainly continental Europe. And then also, we -- clearly, the brand positioning fits really well, we believe, in markets for tourism summer events, and they just didn't really happen. So I think we will look forward to next year and giving Topo Chico more space and focus, particularly in Continental Europe.*

*In GB it's quite different. The brand has done better. And we're pleased with how it's performed in GB. It's a category that was further developed in GB than in Continental Europe. So clearly we were coming in after White Claw, and we've seen good rates of sale, good performance of our multi-packs. And again, it's a brand that we'll look at with the Coke company, particularly for the summer season. I think it really fits well in that summer season, and we're all looking forward to a more open summer in 2022. So more to come on Topo Chico, but overall doing well in GB, didn't really get a fair chance in Continental Europe because of lockdown, but we'll keep it there.*

*And then on Costa Coffee, again, our away-from-home ambition in Costa had to take a little bit of a pause as clearly a lot of those outlets weren't open particularly in the first half of the year. As we've come out of it, we're continuing to build our business both in retail with our away-from-home innovation and packaging, and then also in away-from-home with Express machines and building out a vending platform. So we're now up and running in Spain, Germany, BeLux, obviously GB, and we're also now moving into Norway. So our footprint on Costa, despite COVID has moved quite quickly, both in retail, in particular away-from-home and that's clearly an area that we feel will contribute to growth beyond '22 for a number of years as we build up that capability.*

- **Nik Jhangiani**

*A. And just on your question on Australia, I mean, we announced in September that the Coca-Cola Company have elected to bring Topo Chico through a different distribution model in that market. And obviously, we're working with, as Damian said, Suntory, and we have good scale and a good business, but we'll continue to evaluate and assess that with the company going forward.*

- **Fintan Ryan - JPMorgan Chase & Co, Research Division - Analyst**

*Q. And maybe also just some comments on Indonesia, and I appreciate it wasn't front and center in terms of the statement this morning, but like how has that business performed during the quarter, and particularly as you sort of -- what are your plans for 2022 and Ramadan next year, current (inaudible)?*

- **Damain Gammell**

A. Yes. So Indonesia has performed well, particularly sparkling categories. So as we look at our business and we look at the opportunity in the midterm, we continue to believe it's got to be built off a more profitable and healthier sparkling platform, and that's what we've been working with the Coke company. That's actually what we're seeing in the results already that our business has been really supported by a much healthier sparkling performance. Indonesia has been obviously challenged with vaccination rates, and we've got to continue to see the vaccination rates go up and the market reopened. They have reduced the quarantine time. So there is positive moves coming. And they feel, obviously, at the government level, that they're getting it under more control. So that's good to see.

As we look through to Ramadan in April-May next year, which will be the key selling period, again, it's going to be very much focused on sparkling. With the Coke company we believe, that's a sparkling occasion that we can bring our brands to more consumers, bring them into the category, and really what we're focused on now is how do we retain them in the categories. So through our price packaging architecture, now as we recruit new users into the category, how do we retain them as we move into a post-Ramadan period. So overall, quite positive. We announced a new CEO who's gone in there, Jorge. He's certainly building solid plans, both on a route-to-market level, on a portfolio level with the Coke company, and clearly early signs of sparkling strength are encouraging despite the COVID challenges. So certainly more to come on that as we get into 2022.

- Operator - -

A. And your next question comes from the line of Bryan Spillane of Bank of America.

- **Bryan Douglass Spillane - BofA Securities, Research Division - MD of Equity Research**

Q. Just 2 quick ones for me. Nik, as we're looking at the COGS per unit case outlook for next year, does that include any changes in concentrate prices? So I guess to the extent that you're contemplating price increases or have been planning on price increases, and that will drive higher concentrate. Does 4.5% to 5% also include whatever effect that will have on concentrate?

- **Nik Jhangiani**

A. Yes. That's based on our best estimates of what we will get in terms of top line growth, including mix, absolutely. And we'll update that as we get into February once we know where we're landing on some of those discussions as well.

- **Bryan Douglass Spillane - BofA Securities, Research Division - MD of Equity Research**

Q. Okay. And then just the second one is just kind of related to the whole topic around pricing and inflation and elasticity. And I guess my question is just as you're looking at the potential to raise prices or the variables, I guess, associated with it. What we've seen here, right, in the states is, generally, elasticities have been better than expected, I guess. And I think some of that is just against the backdrop of they're just being broad-based inflation here, probably more

so than we've seen in a long time. You've also got a lot of pent-up demand, I guess, household budgets are pretty good. So I guess I'm trying to get at -- what I really wanted was trying to get underneath was just as you look across your markets, does the inflation backdrop kind of favor at all or make it different in terms of the way you're approaching price increases now than maybe you would have in the last 5 or 10 years just simply because this is such an unusual environment.

- **Damain Gammell**

A. Yes, Bryan, I think the dynamics that you've laid out are very similar in Europe. So traditionally, we've seen the elasticity of our category being stronger than we've probably realized. And I think a lot of the pent-up demand issues are very common in Europe as well as Australia as they had a long lockdown. And certainly, if you try and find a restaurant in London or across Europe at the moment, it's a challenge. So we are seeing a lot of the dynamics that you're talking about in North America. From a pricing perspective, it definitely supports us being a bit more ambitious on our pricing than we would have been in previous years. I mean we were taking pricing in pretty benign inflationary environments because we felt the category was somewhat undervalued, that it had been overly promoted for a number of years, and that we weren't really generating the value for our customers or for our shareholders. And that kind of goes back to the genesis of CCEP. So that was in a pretty, I suppose, flat environment. Now that we're seeing inflation, clearly, it pushes us even further. So that does help. And when you've got all the suppliers and all the customers talking about inflation, it's certainly a different environment than we've been going into pricing discussions previously, and I think that can only help.

- **Nik Jhangiani**

A. And I think just keep in mind, too, when you talk to our customers and they have own brands and private labels, relative to price on shelf, the increases that they're going to see are going to be even higher. So it supports us in terms of what they're seeing as they go into those environments as well for their own brands and own labels, too.

- **Bryan Douglass Spillane - BofA Securities, Research Division - MD of Equity Research**

Q. Yeah. Thanks for bringing that up, Nik, because that was going to be I guess my follow-up on that whole point is just retailers are also needing some price, right? They've got their own cost they're trying to absorb. So it's almost like you're both going in the same direction versus maybe in the past where a pricing conversation might have been a little bit more, I don't know, conflicted.

- **Nik Jhangiani**

A. Yeah. I think, as Damian said, I think, Bryan, just to add to that, I think Damian said earlier, we have continued to drive significant value for all our customers over the last 4 years and even during COVID. So I think we come in with a position of credibility, strength in terms of what we've done for their margins on our category as well as free cash flow, et cetera. So we need to continue leveraging that for them and for us going forward, but also maintaining that balance of t



*the health of the category, affordability, et cetera. So I think the backdrop is definitely favorable as you said.*

- Operator - -

*A. And your next question comes from the line of Robert Ottenstein from Evercore.*

- *Robert Edward Ottenstein - Evercore ISI Institutional Equities, Research Division - Senior MD & Head of Global Beverages Research*

*Q. Great. And congratulations on terrific execution in very challenging conditions. I think you mentioned in the preamble that your value share in Australia was up 8% year-to-date. Is that correct?*

- *Damain Gammell*

*A. Correct.*

- *Robert Edward Ottenstein - Evercore ISI Institutional Equities, Research Division - Senior MD & Head of Global Beverages Research*

*Q. Can you -- that's an incredible performance. Can you give us a little bit more background on that and how that was achieved?*

- *Damain Gammell*

*A. Hi, Robert. Thank you for your comments. The category was up 8%, and we gained share in the category. So we were not quite up 8% in revenue or in share, but we have continued to gain share in a very dynamic category, and I suppose that comes back to some of the comments that we've seen that Peter and the team in Australia have done an incredible job through COVID in making sure -- building on the learnings we shared from Europe that the sparkling category within retail continues to perform well and that 8% is a great number for a market like Australia and then to gain share in that environment I think is great and really it was driven by our cola category performance, Coke Zero continues to do really well in Australia. It's a brand that's doing really well across all our markets. We've reformulated. We've launched a new visual identity. That's certainly giving us a lot of momentum. So it's been a good performance, and I think Australia as it heads into summer will continue to be strong as also it reopens. And I think let's not forget that certainly Victoria's had I think one of the world's longest lockdowns. That's coming out of it. Sydney had a lockdown for longer than we all would have liked. That's now reopened and, clearly, as we're looking at gray skies in London today, they're looking at bright blue skies as they head into summer. So, yes, it's been a good performance.*

- *Robert Edward Ottenstein - Evercore ISI Institutional Equities, Research Division - Senior MD & Head of Global Beverages Research*

*Q. Great. And if we could talk about Energy for a moment. I think you said your energy was up 8.5%. That's a little bit of a slowdown. Is that disappointing in the U.S. at least there are*

significant issues in terms of getting cans for Monster, and also a lot of debate on pricing where Red Bull doesn't seem to want to take pricing, or has been unwilling to, and that's clogged up the whole system in the U.S. on the energy drink side. Would love to get your thoughts in terms of what's going on in Europe with energy.

- **Damain Gammell**

A. Yes. I think energy has been, Robert, the standout category in some ways since 2019. It's certainly been the one that's performed strongest throughout COVID. I mean, the quarter -- I wouldn't look too much at the quarter. I'll just look at our year-to-date sales. Over 30%, again, it's been great -- led by Monster, it's been a great brand performance for us. So we don't see the energy category slowing down in Europe in particular. We see a great pipeline of innovation coming in the category as we look into 2022. We had some supply chain challenges earlier in the year on energy, which the team did a good job to navigate, but despite that we could deliver that 30 percent plus growth. So I wouldn't really -- look, the quarter number to me isn't a reflection of where the category is. I think it's still the fastest-growing, most dynamic category in Europe, and across all of our markets, including API. And it doesn't seem to be slowing down at all, and those supply chain's challenges are more or less behind us now, and we're clearly planning for a stronger 2022.

- **Robert Edward Ottenstein - Evercore ISI Institutional Equities, Research Division - Senior MD & Head of Global Beverages Research**

Q. And how is the pricing environment for energy drinks?

- **Damain Gammell**

A. Well, we took a pricing on energy back Jan, Feb, and we were pleased with the price realization. It'll fit into the broader conversations that we're having on pricing as we look into 2022. We generally have had on a per liter level quite a competitive price versus our biggest competitors, and I think we'll remain very competitive on energy as we look at 2022. Despite our great growth, it's still a category we can take a lot more share in. So pricing will probably be in line with the rest of the soft drinks and NARTD category as we look to '22.

- **Operator - -**

A. And your next question comes from the line of Richard Withagen from Kepler.

- **Richard Withagen - Kepler Cheuvreux, Research Division - Research Analyst**

Q. I have 2, please. First of all, can you update us on the customer focus in Australia. I think that was an area where you saw opportunities for major improvement and to increase penetration in certain channels. So what have you done so far? And how does this translate into growth or market share gains? And then the second question I have is maybe for Nik. Is there any reason to believe that the upgraded operating profit guidance for this year does not filter through to cash flow?

- **Nik Jhangiani**

A. So on the second one, absolutely, it will flow through to cash flow. I'd be very disappointed if it didn't. So I hope my team is all listening that it will definitely come through to cash flow as well.

- **Richard Withagen - Kepler Cheuvreux, Research Division - Research Analyst**

Q. Well, that was good to hear, Nik.

- **Damain Gammell**

A. And just to the first question, Richard, on Australia, as I kind of talked to Robert in the previous answer, I mean, clearly, we have a lot of good momentum and all driven by great retail performance with our biggest customers in Australia. So we're very pleased with what the team have been doing down there. We've been learning from them back in Europe and sharing learnings with Europe back to Australia. I think as we come out of '21, as I mentioned earlier, tidying up the flavors portfolio was something that we talked about being a good initiative for our customers, and we're starting that process already. And so overall a very strong key account performance in Australia in '21, and we look for the same in '22.

- **Operator - -**

A. And your next question comes from the line of Charlie Higgs from Redburn.

- **Charlie Higgs - Redburn (Europe) Limited, Research Division - Research Analyst**

Q. The first one is just on your plans in API and the pace of that. Just with API going back into lockdown in Q3, would you say you've been able to keep your plans going as planned using Zoom and other tools like that? Or just some color on kind of the pace if your plans down in API? And have you actually managed to fly out there yet to kick the tires? And then the second one on the Coca-Cola Company's acquisition of Bodyarmor, just if you had any early thoughts on where that brand could be most exciting across any of your territories, please?

- **Damain Gammell**

A. Hi, Charlie. So yes, I mean, we were all hoping to be doing this call from Australia. That hasn't been possible yet, but at least there's light at the end of the tunnel in terms of it's reopened for Australian citizens and clearly there's some indications that business travel will be the next. I think they're reopening to Singapore completely on the 28th of November. That's like a test for them. So I think we're optimistic that we could escape the European winter and go down and kick the tires again. Nik and I have been down there to kick the tires pre-acquisition. But clearly, we're very anxious to get back.

It hasn't really at all slowed down our momentum or our progress in API. In fact, myself and Nik are really pleased we're ahead of where we thought we'd be at this stage on the acquisition. And that's really on the back of great leadership. With Peter and his team, Chris in New Zealand, Jorge now in Indonesia, we've really been able to accelerate momentum on the

*integration, on best practice sharing, but also on the business results. And I think you've seen that. So maybe they would say it's better we don't get down there because things are going okay. But certainly, we'll be there in the near term. But despite that, and I suppose we all learn to live and work virtually, so if there was ever a time to acquire a business with such a time difference and to be able to use technology, it's really been in the last 12 months. So that's definitely stood to us. But fundamentally, it's down to the leadership of Chris, Peter, and Jorge. And yes, as I said, we're ahead of where we thought we'd be by now despite it being a longer lockdown.*

- **Nik Jhangiani**

A. Yes. We're just used to 7 a.m. and 10:00 p.m. calls on a lot of days, but that's okay.

- Operator - -

A. Your next question comes from the line of Carlos Laboy from HSBC.

- **Carlos Alberto Laboy - HSBC, Research Division - MD, Global Head of Beverages Research, and Senior Analyst, Global Beverages**

Q. Can you update us on your digital transformation, your B2B progress? And are these tools kicking in already in terms of helping you manage your trade discounts and your pricing? Or is this really more of a 2022-type of a benefit that you see ahead? We've noticed in other bottlers, the early phases of these tools kicking in can be really powerful, particularly in terms of managing trade discounts and helping in inflationary periods like these.

- **Damain Gammell**

A. Yes, we're very pleased on 2 fronts with our digital performance so far year-to-date. I think on our own platform, myccep.com, clearly, delivering over \$1 billion of revenue is a great milestone for the business. And that's driving not just efficiencies in our order management process, but clearly, it gives us a lot of data as we continue to collect all the order information. And then we're adding on continued benefits to that platform. We're looking at fintech, we're looking at a number of other tools that we can build out based on the loyalty we have from our customers on that platform. So that will continue. And that business will continue to grow ahead of our core business, clearly, as we look into 2022.

*On the other side, we spent a lot of money back in '18, '19, and '20 as we created CCEP to build an enterprise-wide system that would allow us to kind of really apply better data analytics to our business. And we've recently made a move with Laia to consolidate our analytics capabilities. And that's really in the space you're talking about. So that's allowing us to look at promo efficiency, promo spend, return on investment on promos, and we're also looking at how it drives market share, shopper basket penetration. So I think that's a muscle that we've really developed, but clearly, it's something that's going to continue to grow as we get a lot more data insights from our customers and our consumers, putting it through that process is giving us much better insights on how to spend our money.*

*I'd also have to say that the Australian team have been doing a lot of great work on data analytics, and we're now building that into our kind of broader company approach. That's something that we weren't that clear on as we looked at the CCA, but as we got into the conversations with Peter, they've been doing a really good job, particularly in segmented analytics. So looking at store-by-store behavior and how you can really change your relevance in that particular store. So very, very [mature on] micro-segmentation. And that's something that we're now bringing back to Europe. So I think we'll be having lots of great conversations around the power of digital analytics of CCEP for many years to come. And clearly, as you called out, our challenge is to get it scaled as quickly as we can across our markets, and that's what we're focused on. And in the last 18 months, we've really become a retail business with the lockdowns in away-from-home. And that's given us even more impetus to drive this even faster. And you see that in our NSR per case being ahead in '19, and that's really on the back of some of those smart decisions driven by analytics. So a very exciting space for us at the moment.*

- Operator - -

*A. And your last question comes from the line of Eric Wilmer from ABN-ODDO.*

- *Eric Wilmer - ODDO BHF Corporate & Markets, Research Division - Analyst*

*Q. I have one question on recycled PET. I believe you have committed yourself to sourcing half of your total PET needs from recycled PET by 2023. There appears to be quite some demand for this commodity, which I believe you cannot hedge. So I was wondering, could there be a scenario that this 2023 commitment could be at risk should inflation persist for rPET and you want to protect your margins?*

- *Damain Gammell*

*A. We're very much on track to meet that commitment, and that remains our focus. There has been some short-term challenges around supply, which has driven up the price, but that's reflected in our results here to date and how we've talked about COGS for next year. So we're very much committed to meeting that goal. In some ways, as the market hopefully rebounds in terms of supply of rPET, we could even get ahead of it because, clearly, 50% was the first milestone. We want to get there, but we believe we need to go further and faster. So no change in our commitment. It has challenged us a little bit given the price inflation, but we've been managing that in our results. Nik, do you want to...*

- *Nik Jhangiani*

*A. No, no. I think that's very much factored into how we're thinking around '22. And I would almost say to you, we're actually even ahead of where we are in terms of what we've committed for 2023. And very importantly, to Damian's point, I think we will continue to see more capacity for that feedstock collection and then processing to actually then probably bring down some of those prices 2023 onwards. So I think '22 is probably hopefully the last of those crunch years, but unwavering and unchanged in terms of our commitments of what we've laid out.*

- Operator - -

A. There are no further questions. I'll hand the call back over to Damian Gammell for closing remarks.

- **Damain Gammell**

A. So once again, thank you, everybody, for joining us and for your questions today. We are obviously very pleased with our Q3 performance and the ongoing successful integration of API. I'm very pleased that we could raise our full-year '21 guidance today and declaring our dividend ahead of 2019 in absolute terms. Just to come back to the last question, I'd also -- we are in the weeks of COP26. Our teams are actively engaged in Glasgow. We've been spending a lot of time there. And clearly, as we talk about our business, our sustainability objectives remain core to what we're doing at CCEP. We want to get to our net zero ambition faster. To Eric's question, we are committed to our rPET 50% by '23 or going faster. We were, I believe, the first bottler and one of the first CPG companies to put our net zero ambition into our LTIP.

So as we move into '22, we look forward to sharing more with you on how we're making CCEP the leader in terms of being a sustainable partner for our customers and our consumers. As we sit here today, we're now very much focused on executing the plans for the rest of the year. Obviously, Christmas in Europe, summer in API gives us 2 great platforms to finish the year strongly and to build momentum as we head into 2022. As we look into next year, a lot of conversations around protecting our margins while managing the business for the long-term and to continue to deliver that value creation for our customers and obviously for our shareholders.

So myself and Nik and Sarah and the team really look forward to updating you again in February. And again, thank you for joining us. Stay safe and stay well. And that concludes the call, operator. Thank you.

**End**