CORPORATE PARTICIPANTS OF PREPARED REMARKS
Damian Gammell - CEO
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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 first-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. 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 the prior 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.

Before I begin, I would like to acknowledge the millions of people affected by the conflict and suffering in the Ukraine. CCEP continues to work closely with partners across the Coca-Cola system to provide humanitarian relief, and we join others across the world in calling for a return to peace in the region.

So now to today’s call, as you will have seen, despite accelerating inflationary pressures, we are reaffirming our full-year profit guidance for 2022. This reflects strong top-line growth, driven by the reopening of the Away From Home channel, especially in Europe, and solid trading in API, and an on-going resilient demand in the Home channel across our markets.

This translates into strong revenue growth of 18.5 percent driven by volume growth of 16 percent, up 3.5 percent versus 2019. And our continued focus on driving price and mix delivered revenue per unit case growth of 3.5 percent, up 4.5 percent versus 2019. We drove positive revenue per unit case growth in all markets, however in our API segment overall revenue per case ended broadly flat, and this is due to the volume outperformance of our Indonesian business.

Volumes in Europe reflected a strong recovery in the Away from Home channel as easing restrictions enabled our consumers to enjoy our great beverages with friends and family in HoReCa. Indeed, a number of our markets reached or exceeded our 2019 volume levels in this channel. As we now head into Europe’s key summer selling season, we are optimistic given that we are serving roughly the same number of outlets as compared to 2019, in the mid to high 90s, and we are seeing encouraging hotel and airline bookings coming through.

We saw great momentum in our API business unit led by solid in-market execution in Australia and New Zealand, and increased mobility in Indonesia. Nik and I recently visited Australia, and it was great to get out into the market and see some of the initiatives we have already rolled out in action, as well as some excellent Easter activation. We are now actually currently in Indonesia, so we are seeing for ourselves our biggest ever
Ramadan activation, which also contributed to volume growth in the first-quarter.

Overall, we gained value share, according to Nielsen, both in-store and online in the NARTD category, including critically in Sparkling. The NARTD category continues to be robust, growing in value terms by approximately 2 percent in Europe and nearly 16 percent in API. And, mindful of the inflationary backdrop, we are watching closely, but so far, we have not seen any significant behavioural changes in consumption, whether by brand or indeed by pack.

Trading aside, we continued to make disciplined investments for long-term growth, particularly in our people, our portfolio, our digital capabilities and our sustainability agenda.

We recently marked World Health Day and World Safety Day across our business, as we continue to focus on our colleagues’ safety and wellbeing.

In our portfolio, several of our great beverages are growing ahead of pre-pandemic levels and we continue to focus on choiceful innovation.

Coca-Cola Zero Sugar continued to benefit from its new look and formulation, and more recently, new flavour extensions, up 12.5 percent versus the prior year and up 22 percent versus 2019. In GB, we saw the ‘lift-off’ of the first Coca-Cola Creation, Coca-Cola Intergalactic; a playful Zero Sugar proposition that tastes like space and provides access to the world’s first ‘Concert on a Coca-Cola can’. We invite you all to try it.

Our Monster brand continued to outperform driving overall Energy volume growth up 19 percent versus the prior year, and a truly phenomenal 72.5 percent versus 2019. Fantastic innovation, including new juice variants such as Monster Khaotic, continue to help build excitement and drive brand leadership within the category. We are also marking this year as the 20th anniversary of Monster in our markets with extensive activation and distribution plans.
Fanta also performed well, with volume ahead of 2019. The new pink What The Fanta launched during the quarter, with new mystery flavours, supported by solid execution.

And finally, as we see at-home occasion trends continuing, we launched a new Schweppes flavour variant in GB, Schweppes Slim-line Grapefruit, and new larger glass formats for more premium home-based mixing.

On digital, our journey to becoming the world’s most digitised bottler continues. In online grocery, we continued to see share gains, up 20 basis points. In Europe, our B2B portal, MyCCEP.com, continues to grow, making it easier for our away from home customers to do business with us - it is now on track to represent around 30 percent of our away from home business this year, up from around 20 percent last year. And finally, our personalised cans for Valentine’s & Mother’s Day were well received by consumers on our direct to consumer platform, your Coca-Cola.co.uk.

On sustainability, we achieved carbon neutrality on a third manufacturing site, we switched to bio-fuel across our entire third party logistics fleet in the Netherlands, and we saw the opening of Australia’s largest PET recycling facility, in which we are invested via an industry wide partnership. We are proud to again be recognised amongst the Financial Times-Statista list of Europe’s Climate Leaders. We continue to challenge our commitments as we strive to make progress on our ambition to reach net zero emissions by 2040 and to invest in making our packaging more sustainable.

Now onto our outlook for the full-year.

Given the strong start to the year, continued trading momentum into the second quarter and our confidence in the continued recovery of the Away from Home channel, whilst mindful of a more uncertain outlook for consumers given inflationary pressures, we have increased our expectations on revenue growth to a range of 8 to 10 percent up from 6 to 8 percent previously.

We have successfully executed on our pricing strategies across our markets but given the uncertain inflationary backdrop, we continue to optimise our promotional spend and we are not discounting a further round of pricing in selective markets. But, done responsibly as smaller increments
over time, thus helping our customers manage consumer shelf pricing, to remain Competitive and to protect the broader health and affordability of the NARTD category.

In terms of shape, we previously guided to our revenue growth being roughly half volume and half price and mix. We now anticipate that our revenue growth will be more weighted towards volume, as evidenced in our first quarter.

As you know, we have been experiencing unprecedented levels of input cost inflation. Commodity and energy costs have accelerated since we last updated you with our full-year results in February.

We now expect commodity inflation to be in the high-teens range for FY22 up from high single digits previously. This reflects our latest hedging coverage which means approximately 70 percent of our commodity exposure for 2022 is fixed, up from 57 percent in February, though weighted towards the first half, with hedging coverage of nearly 85% for Q2 versus around 50% for the second half of the year. We continue to set and closely monitor the appropriate trigger levels in order to lock in more of our unhedged exposures depending on market conditions.

This translates to our latest view on COGS per unit case for the full-year, of an increase of around 7 percent, up from 5 percent previously. This reflects our best estimate today. For modelling purposes across the first and second half, COGS guidance is naturally weighted towards the second half of the year. Hence, we expect COGS per unit case for the first half to be up mid-single-digit versus up high-single-digit for the second half.

On OPEX, nothing has changed. We remain on track to deliver on our previously announced efficiency savings & API combination benefits and continue to focus on optimising our discretionary spend.

So, although the shape of our guidance has been modified, in terms of revenue and COGS per unit case, I am however very pleased to be reaffirming our operating profit guidance of 6 to 9 percent growth versus last year.
In addition to remaining focused on driving operating profit, we also remain laser focused on driving cash, and so we are today providing new guidance, to deliver strong free cash flow of at least 1.5 billion euros this year, well above our medium-term target of 1.25 billion.

These commitments, combined with today’s interim dividend declaration of 56 euro cents per share, demonstrate the strength and resilience of our business, as well as our ability to deliver continued shareholder value.

So, that is our update for today. On a closing note, I would wholeheartedly like to thank our customers but, in particular, our colleagues for their ongoing support and dedication to our business.

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

And it’s over to you operator.

Q&A

Bonnie Lee Herzog - Goldman Sachs Group, Inc., Research Division - Research Analyst

Q. I have a question on your pricing. Overall, you guys reported a very strong quarter, but your revenue per unit case growth came in, I guess, slightly lower. So hoping you could talk a little bit further as to why it wasn't stronger, especially in the context of improved away from home and immediate consumption? Also, Damian, you mentioned this, but specifically in API, your revenue per unit case was down. So maybe a little bit more colour on the elasticities you’re seeing in this region? And then finally, just for FY '22, I mean, you mentioned that your sales growth, your higher growth outlook will be weighted towards volume growth. So just hoping you could talk a little bit more about your pricing strategy and maybe why you aren't wanting to be a little bit more aggressive on pricing?
A. Hi Bonnie, well, I think we're really pleased with our pricing so far this year. So I think you've kind of got to look at it across 2 areas. Clearly, in Europe, again, very strong price and mix growth per unit case. And again, that's on top of 2 very strong years of delivering really good growth year-on-year. So we're very pleased with the pricing we've landed with our customers in Europe. We're pleased with the results, particularly in Q1. I think your point on away from home, I suppose you got to just remember that Q1 is quite a small quarter for the away from home market. So as we go through the year with tourism and HoReCa reopening and summer coming to Europe, we'll see a bigger impact from the away from home reopening. So it's quite a small quarter, but it was a positive for us as well in Q1.

Australia, also New Zealand, very strong performance. I think what you're seeing in API is purely a mix effect where our Indonesian business recorded really strong growth in the quarter coming into the Ramadan festive season. So that's really just a mix impact. So as we look for the rest of the year, clearly, we still have left open the opportunity to take more pricing, and that's something we'll continue to reflect on as we look through the year and as we look through our performance.

We're really pleased with the volume performance. I mean, that's coming on the back of a number of really good customer agreements. A lot of the work we did last year to set the foundation for a strong '22, great alignment with the Coke Company and Monster around marketing campaigns and innovation and obviously, reopening as well. So there's a number of factors behind that volume growth. But clearly, that gives us good leverage on our P&L going into the summer. It's leading to strong share gains across all of our markets. So we're very pleased with that.

But ultimately, given the volatility on the commodities and COGS, we will continue to look at whether it's promo, price investment or absolute real price increases as we go into the second half of the year. And that's clearly something we'll continue to monitor.

Nik, I don't know if you want to…
Nik Jhangiani - Coca-Cola Europacific Partners PLC – CFO

A. No, I would just add, I think 2 points that I would just add to give you a little more colour. If you look at it within Europe and you look at the markets that were the most impacted, even though Iberia is, for instance, still down on away from home volumes versus '19, the recovery on our price per case has been in the low teens. So when you actually dig in deeper into each market, we actually think that price/mix element, both from a mix and away from home recovery is coming back strong, a market like GB was in the high single digits. So the weighted average of that comes down to that 5. But we’re seeing where we’re seeing that rebound that mix impact on rate is coming through as well.

And as Damian said, if you look across the API markets, each one of those had strong growth. And in fact, I would call out Australia because they actually were really able to drive rate and drive down the promo floor, which typically was over 50%. And as we were out in the market, Damian and I a couple of weeks ago, the ability to take that down to 40% and continue to challenge ourselves more going forward in that market and it's sticking, and you can see the volumes coming through, we actually feel really good about it.

But again, as Damian said, this was based on everything that we knew at the time that we were negotiating this, and we’re not ruling out a second round in select markets depending on, again, getting that balance of affordability right.

Damian Gammell - Coca-Cola Europacific Partners PLC – CEO

A. And maybe, Bonnie, just to the point you mentioned, we are seeing our elasticity hold up really strong in the first quarter on the back of coming into a strong Easter, strong Ramadan. So we’re very happy also that our pricing has landed, but also we’ve seen our business continue to grow really well on the back of higher pricing. And even though you might say it's a bit lower, it's a lot more than normal for us as well. So we've taken a lot more pricing, and we've seen our volume held up.
So clearly, we don't take that elasticity for granted. And as consumers, particularly in Western Europe, come under more pressure on the back of higher costs, both in obviously, fuel, energy, but in basic commodities, we want to make sure that we keep our category relevant and particularly our brands relevant. So trying to strike that nice balance between the right level of pricing to protect our P&L and margins, strong volume momentum in the market and having a midterm view of our business, which is through into '23 and really doing what's right now for '22, but also for '23. And we -- as forever, we don't take that consumer franchise for granted, it's held up really well. We expect that to continue, but it's -- and that's really what we're going to be looking for any signals around that, that will guide us both on the commodity side, but on the consumer sentiment side and then what we do with the second price increase. And we'd be happy to update everybody on that as we go through the year.

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

Q. Just coming back to, obviously, the volume delivery in the quarter, clearly very strong, and you highlighted, Damian, that you're running ahead of 2019 levels, which is great to see. But I think still in the away from home in Q1, I think you said you're about 1.5% below 2019 levels. I mean given that there was still some out of home restrictions in place, particularly in some of the European markets in the early part of Q1. I wonder if you could sort of share any data you've got around what exit rates look like in March, perhaps early Q2 for the away from home channel in some of your key regions? Are we running ahead now of 2019 levels?

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO

A. Yes. Thanks, Simon. Yes, we're definitely seeing, as you'd expect, particularly in Europe, a direct correlation between the restrictions easing, particularly in Northern Europe. I mean if you look at our business, that was probably the most unrestricted, which was the U.K., extremely strong performance in the quarter. And that's being mirrored now as we come into the second quarter across all of our markets. The data that we're looking at as well is quite positive around tourism, hotel bookings, which will be a key driver of that number versus '19 in markets like France and Spain.
Very strong Easter home and away from home. So we're confident that as long as the regulatory environment stays where it's at, we'll continue to see that away from home number get close to and ahead of 2019 across all of our markets at the moment.

Yes. So it's purely early months Jan, Feb, if you recall, Northern Europe, particularly Belgium, Spain, we still have a lot of restrictions in away from home, mask wearing was winter. So a number of factors that really make that number versus '19 actually look quite strong when you factor all that in, to be honest. And that's what's given us confidence as we look into Q2 and the summer.

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

Q. And that's really useful. And just to clarify, obviously, the timing of Easter really fell in Q2 this year. Was there an Easter effect that we should be aware of when we think about modelling Q2 versus Q1, i.e. see some or an acceleration in April?

Nik Jhangiani - Coca-Cola Europacific Partners PLC - CFO

A. Yes. I mean I think, obviously, the timing did have an impact on the positive into Q2. We've seen that in the month of April. And I would say that without saying too much, it's a positive impact. So we're clearly seeing the benefits of that.

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

Q. Great. I just wanted to, I guess, first clarify that you're constructive on the ability to price, but that -- the reiteration of the currency-neutral operating profit guidance does not assume any incremental pricing versus what's already in the market. So it's kind of part 1. And then part 2 was, I was curious if there's any good share on what you've been doing or plan to do around package mix and assortment. KO spoke about some interesting examples in the U.S. this week about what they're doing to really focus on affordability, but still realized price/mix. And I was just curious if there are any new examples, I think you called out the large size Schweppes glass,
but anything else that's worth calling out in your markets on the price pack assortment conversation?

Nik Jhangiani - Coca-Cola Europacific Partners PLC – CFO

A. Yes. On the first question, Lauren, we have not factored in pricing, as we've indicated in select markets potentially for the second half of the year, but we have put in optimization where appropriate on some of the promo spend. Remember, we've talked about 2 buckets of where we'll continue to manage that. So we factored that in as we look at it. But again, that's a dynamic process, both in terms of how we'll continue to look at potential rate as well as what we might also want to continue pushing more on versus what we factored in on that promo spend perspective.

Damian Gammell - Coca-Cola Europacific Partners PLC – CEO

A. And then, Lauren, maybe just on your -- the second part of the question. I mean really back in 2020 and through '21, as you recall, we -- due to the restrictions and lockdowns, we became a very focused retail business in our Western European markets in particular. And that actually focused us a lot more into our promo spend efficiency, but also our packaging strategy. And you'll recall in a number of our meetings and calls, we talked about value packs and large package being a bigger part of our business in retail as 2 things were happening: one, people were not visiting stores that often because of COVID; and two, they were consuming a lot more at home. So we did a lot of work, particularly coming out of 2020 into '21 to reshape our retail package mix, both through promo and through pack size. That's really what drove that NSR per case success in '20 and '21.

And I think that's really still to as well as we come into '22. So our overall NSR per unit case in our home market, retail business is really strong now. And that's on the back of a lot of what you heard from the U.S. last week, smarter promo pricing, better pack sizes, and we've just gone into another one in Schweppes. But clearly, on our KO, and on our Monster portfolio, that's been something we've been working on really since we got hit by COVID hard in mid-2020, which seems like a long time ago now. But clearly, that's been a big part of our growth and also in Q1.
Edward Brampton Mundy - Jefferies LLC, Research Division - Equity Analyst

Q. I've got just a question on the at home volumes that have been a particularly strong still. You mentioned solid in-market execution as well as market share gains. But could you talk to the broader health of the category and sort of stickiness of consumer habits or people having to drunk more of your products at home during the pandemic. What is it that's really driving this very, very strong at home volume? Is it penetration? Or is it frequency?

Damian Gammell - Coca-Cola Europacific Partners PLC – CEO

A. Ed, it's -- I don't know you're going to hate this answer, but it's a little bit of both. We've clearly seen in Australia, New Zealand, Western Europe and Indonesia, very healthy sparkling category. So we always have enjoyed a very healthy energy category. We've had good momentum on our key business. But clearly, the last couple of years have been characterized by a very robust sparkling category, particularly driven at home. And with eating out restrictions and with overall COVID restrictions, we've seen a lot of our consumption moved back in home, people eating at home and enjoying our products at home. So we've seen an increase in penetration of the category. Clearly, that's down to the fact that people used to go out are eating at home, so that's good. We've seen a frequency increase on the back of a number of our initiatives around our pack pricing.

So both of those are driving the category to levels of growth we haven't seen for a long, long time in Western Europe, but also in Australia and New Zealand has been doing well for many years. And I think credit to both Monster, but particularly for the Coke Company in terms of some of the product innovation, the new formulation of Coke Zero and the new look has worked really well. A lot of great innovation around Fanta. So that's driving the category.

Clearly, Monster has a very dynamic pipeline in innovation. That's creating a lot of excitement in that category. So it's not just one element, which I'm actually happy with because I think that gives us sustainability the fact that's coming across a number of initiatives. And then obviously, we've worked very hard with our customers to land our pricing without disruption
to continue to drive SOVI and in-store execution. And as away from home, we opens to be the first supplier in those outlets to reconnect and to support our customers reopening. So a mix of initiatives, but overall, I would say, a very healthy NARTD category, but particularly Sparkling, which is obviously something we're very pleased with.

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

Q. Great. And I guess, on the same topic of per cap, I mean since you are in Indonesia, could you perhaps shed a bit of light on sort of what you're seeing on the opportunity, why are per caps low? And what is the opportunity? And how do you feel about that opportunity to really drive pickups in the category within that market?

Damian Gammell - Coca-Cola Europacific Partners PLC – CEO

A. It's an extremely exciting market. When you look at the overall -- and we talked about this before, the overall the size of the consumer base here, the age profile is amazing. The GDP growth, the immersion of a middle class. Our market share here in Sparkling is above 90%. So there's a lot of really strong indicators. I think the one weak one is what you call that, which is per capita, which is really a tale of the holiday festive period, Ramadan, which is now where we see really good per capita strong consumption around the holiday period and then it drops off. So what we're just working on, particularly with the Coke Company is understanding what relevance our category and our brands get in this period and how do we build that relevance through other tools, including pack pricing, but including other packs and points with consumers outside of the main festive period. That's what excites us.

It's not a quick journey if we're going to make it sustainable and if we're going to make sure it creates value for our shareholders. But clearly, if you look at the results in Indonesia, we are seeing the merits of the decisions we took last year around really going back to 2 categories to focus on and really focusing on Sparkling and on tea, and exiting a lot of the other categories and deprioritizing them, but really driving our investment in Sparkling. And that's really kicked off in the middle of last year. And I think that's definitely driving a much stronger Sparkling performance into '22.
We’ve got some new key innovation that’s coming to market in the coming months. So I think that will give us a stronger platform in tea. And then obviously, we'll come back towards the end of the year, probably around our Capital Markets Day and give you a bit more colour on how we see that per capita conversation evolving on Sparkling here because that's really the key to unlock value for our shareholders.

Then we can get into other categories, then we can look at adjacencies. But until we get that Sparkling per capita growing faster, and it's doing that already, but making it sustainable, that's going to be our #1 priority, Ed.

Eric Adam Serotta - Morgan Stanley, Research Division - Equity Analyst

Q. Great. Hoping you guys could -- now that we're approaching a year -- the 1-year anniversary of the Amatil deal, hoping we could take a step back and you could discuss a bit, any surprises, learnings about the Amatil business, reverse learnings or learnings from Amatil that you're applying to CCEP. And then just following up on the last question, any additional thoughts in terms of where you are in evaluating the route-to-market model for Indonesia?

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO

A. That's a big question for a quarterly call. So I'll try and do it justice. But obviously, we -- that's definitely something we will give a lot more colour on later in the year. I think that will be a great topic for a Capital Markets Day to really lay out for everybody what we've learned both positive and what surprises on the downside as well. But maybe I'll take the second part of that question first.

We are currently exploring the benefits and also the -- some of the opportunities within our current market, which are clear. And then we're also looking at how other successful FMCG brands get to market in Indonesia because I think that's clearly -- we want to learn from companies that are doing it differently, why they're doing it differently and what benefits it gives their business, both from a execution perspective, but also from a cost perspective.
So we've laid out about 2 or 3 different options, and we're currently working with the team around modelling what impact they would have on our business and the size of the chain. So more to come. But I think both myself and Nik are pleased with the progress the team have made locally in terms of looking at the alternatives, doing some testing and understanding the impact of that.

On your broader question, I suppose, overall, looking back nearly a year, won a fantastic deal for us to do it when we did it when we were under obviously some COVID impact in Western Europe. Obviously, the integration has gone extremely well. We operate as one company now. We've got great leadership in API with Chris, Peter and Jorge. We are particularly pleased with the results. So I think that's -- they speak for themselves.

Beyond that, there's a lot of learning that we've taken back to Europe from both New Zealand and Australia, particularly around our segmentation capability, how to use data and analytics, the power to small store business in New Zealand. And clearly, from Europe, we've been bringing down a lot of supply chain, shared services insights, our customer digital platforms, how we've managed to pack price/mix, in particular, and really how we've been very focused on cash generation in Europe.

And Nik will probably touch that a bit later. But clearly, we're seeing the benefit of that cash flow mindset coming to API as well. So as I said, it would be a really long answer. I wouldn't do it justice both on the negatives and on the positives, to be honest, because clearly, we've seen both, but that's definitely something we'll share with you in a bit more detail and colour on the Capital Markets Day. Nik, I don't know if you want to…

Nik Jhangiani - Coca-Cola Europacific Partners PLC – CFO

A. No, I would just add one point to the second part in terms of the route to market changes because I think what we've also spent some time here doing is really assessing both what we need to do in the short term. But how do we need to think about the growth opportunity and how do we position ourselves to be successful for the long term. So we don't want to go ahead and make what could be quick decisions or choices now that
result in us being regretful of those 3 or 4 years from now. So I think we've
got to get that balance right in terms of what we can do today versus what
we should be just choiceful of and just assess how the market growth and
what we can capture going forward is also reflected in our thinking around
the route to market.

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

Q. Just a question please, in terms of the updated COGS guidance. I
appreciate a lot has happened in the spot markets over the last few
months, since you provided the 5% inflation guidance for '22, now you are
up 7%, but the actual -- the amount of hedging that you've disclosed, has
only gone up from 57% to 71%. So the 7% guidance that you're looking to
now on the high teens commodity inflation, is that based on stock prices
holding for the rest of the year? Or do you expect -- or would you be
anticipating or hoping for some deflation in the stock price of commodities
by the year-end?

Nik Jhangiani - Coca-Cola Europacific Partners PLC – CFO

A. Great. So there's a thunderstorm happening here, and that's what
resulted in the line being lost. Fintan, I'm not sure where you lost us, but I'll
just start again. Clearly, our hedging profile reflects that we do expect,
hopefully, not to want to lock in at these rates, but there might be some
easing in some areas, and that's what's really helped us move from that
57% to that 71%. So our 7% right now just looks at what spots are best,
what we see today. So clearly, there could be some upward or downward
pressure. But as we've said, we have levers to continue to manage that,
but the level of what we have open, is obviously significantly lower than
where we were sitting, a couple of months ago, and we'll continue to
hopefully layer on some more hedges, as we see the right opportune
triggers being filled.

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

Q. Great. I mean, I know it's again very early in 2022, but you how -- could
you give us a sense of how might -- how hedged you are for 2023 at this
stage?
Nik Jhangiani - Coca-Cola Europacific Partners PLC - CFO

A. Well listen, we have obviously started layering on some hedges. But at this point, I would say we're probably in that circa 30% range in terms of overall hedge coverage for '23 at this point. And we'll continue to look at those. In fact, I just approved some triggers on aluminium for '23 as well yesterday, given where we saw some of that softness come in, so we wanted to make sure we put some triggers in now for '23 as well. So we'll continue to update you on that, as we go through the rest of this year as well.

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

Q. Just coming back to the COGS guidance. Can you just give us a feel for how much of the uplift in the commodity cost outlook to high teens from high single digit is driven by energy? And how well hedged are you on that specific component?

Nik Jhangiani - Coca-Cola Europacific Partners PLC – CFO

A. So obviously, we are at different levels versus where we were, and I think you know, there's elements coming from energy and there's elements that have come from aluminium as well from where we were. So it would be difficult for me to break out specifically which elements are on that. But if you look at it from a perspective of gas and power in Europe, obviously, that's where we continue to see some more volatility. We have not broken out to give you individual hedge coverages per area, but what we are doing, is also making sure where there is a reliance for instance, on gas, are there alternatives that we might be able to utilize and deploy, for instance, in a market like Germany. And we're building up that back up, to ensure that we have continuity of supply along with what is obviously the best pricing.
Q. Got it. And if you do go ahead with the second round of price increases, when would you need to announce that to your retailers, for that to be effective for the second half of the year? I mean, how far away are you from making that decision?

Nik Jhangiani - Coca-Cola Europacific Partners PLC – CFO

A. Well, typically, you're looking at anywhere between a 8 to 12-week window that we'd be working on. So it's not like we're not working on those and opportunities and options in select markets, as we've said, and it'll vary. It might not happen on August 1. It might be September or October, depending on the market. And I think the way we're looking at it, too, as we continue to see visibility into 2023, what is the right approach in terms of what we might have to do in that second half and what we might have to do in early '23, to break it up into more digestible type of self-price increases to manage sticker shock as well. So those are the things that we're looking at as we speak.

Damian Gammell - Coca-Cola Europacific Partners PLC – CEO

A. And just to build on Nik's comments, Sanjeet. I mean there's kind of 3 areas that we're looking at. You've got -- as we look at reopening of away from home, you've got 40% to 50% of our revenues in the away-from-home segment, which is more wholesale, small customer driven. So clearly a different time line around pricing there. And we've got, obviously, our promo pricing and retail, again, which we look through to the end of the year, in terms of what's the most effective use of that. And for us, obviously, there's a lot of revenue there. And then you've got the straight price increase into retail and big customers, which is the time line Nik outlined.

So -- and then not to complicate it, it is also slightly different by country. But you know, they are all the things that we're working on. But I'm quite happy because we have got a number of levers, and as away from home reopens, that brings another area of pricing leverage into our business as well, which
we haven't had for a couple of years. So we'll continue to look at it, and as Nik said, make the right call, not just for '22, but into '23 as well.

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

Q. Damian, Nik, hope you are well and enjoying the world tour. I just had a question on the sparkling category in Australia, please. Maybe -- you could maybe update on your initiatives there. Perhaps how Coke Zero Sugar -- Coke No Sugar has been doing down there, given Pepsi is winning quite a bit of share. But then also perhaps the whole Kirks versus Sprite and Fanta, how that's playing out, please?

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO

A. Charlie. So yes, you called out a good area, because we have seen our relaunch of Coke Zero, both in terms of formulation and packaging in Australia paying dividends. So we are now back gaining share in our core sparkling business and on light, Cola light. In particular. So we're pleased with that. Peter and the team have obviously put a number of initiatives in place, going back pre-deal to be fair, that started paying dividends coming out of 2020 into '21, and that's continued into '22. And clearly, we're looking at what we can learn from Australia and Europe around our Coke Zero initiatives, whether it's flavors, package sizes, and that's paying out. So we are seeing some good share gains.

On flavors, we're currently working through what that means for Fanta, Kirks and Sprite. A number of those initiatives haven't hit the market yet, because clearly, we're just closing that deal with the company. But we've aligned very clearly on what role each brand will play in our portfolio. We're looking at some new initiatives with the company around better zero sugar-free variants on the Kirks brand, in particular, that hasn't enjoyed that previously. And we're also looking at some of the formulations on some of our flavors down there, because we have -- we've got, I think, and we've looked at slightly stronger flavors in Europe, and we have a stronger flavor business. So we're also examining whether that's something we can bring to Australia.
So more to come in flavours. The alignment's done. We've laid out the strategy. We've taken some initiatives already on formulation and on zero, and clearly, that's something that will pay dividends into 2023 in particular.

Nik Jhangiani - Coca-Cola Europacific Partners PLC - CFO

A. And just on that share piece, in particular, just to give you a number, we've actually gained about 80 basis points with Coke Zero, within the light segment. So it's actually a very strong performance the team has been driving, based on what Damian has just given you in terms of the colour.

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

Q. I wanted to ask about cash, if that's okay. So you've given free cash flow guidance for EUR 1.5 billion this year. And that's obviously a step-up on last year and on the years before. I appreciate higher EBITDA will be a contributor to that higher cash flow, but could you perhaps give us a bit of colour on the other moving parts like CapEx, working capital, restructuring, et cetera? And is there any impact at all on your de-gearing target?

Nik Jhangiani - Coca-Cola Europacific Partners PLC - CFO

A. Yes. So listen, I would say to you, if you're looking at it from an angle of what's driving that, it's 2 main factors; it's improved EBITDA, as you rightfully said. And as Damian highlighted earlier, we have done a lot of work around transferring some of the best practices on working capital into API and have also challenged the Europe team to look deeper and harder on some of the areas. So improved EBITDA, as well as working capital focus. CapEx will actually be probably in line, if not slightly higher, because we're continuing to invest. And you've also got the fact that our restructuring, and you've seen some of the announcements that we just made recently in Germany as well, that will continue to be a little bit higher. But then you've also got the benefit of some of the deal costs that we had last year. So I think gives and takes on each of those, but obviously much higher solid performance for the Group, with that EUR 1.5 billion that we've committed to.
Damian Gammell - Coca-Cola Europacific Partners PLC - CEO

A. And it won't affect our de-gearing.

Nik Jhangiani - Coca-Cola Europacific Partners PLC - CFO

A. Actually, it will support and help us continue to drive the deleveraging, but in line with our previously communicated target, of getting towards that top end of that range by the end of '24.

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

Q. Understood. An unrelated follow-up, if I can. Is any of the increase in your COGS guidance related to indirect costs, so suppliers passing on higher costs that they're facing?

Nik Jhangiani - Coca-Cola Europacific Partners PLC - CFO

A. Well, clearly, that has an impact as well, and we factored in some level of that. But obviously, clearly, we will continue to negotiate, work with our suppliers, because this is about a long-term partnership as well. And then not just passing on anything on a one-off basis. So we'll continue to look and work on that, but we factored in where it makes sense, because it is also linked sometimes to indices, as opposed to just a fixed price contract.

Brett Young Cooper - Consumer Edge Research, LLC - Senior Analyst & Co-Head of Global Consumer Staples

Q. I was hoping you can provide us a couple of numbers, that would help us understand competitive advantages that might accrue to your business from returnables? So what percent of your business is in addressable channels? I would imagine that's HoReCa, but correct me if I'm wrong. And then can you just provide share differential versus the #2 player? I realize that might differ by market, but just trying to frame that up?

Damian Gammell - Coca-Cola Europacific Partners PLC - CEO

A. Sorry, Brett, could you repeat that? We missed the first part, sorry.

Brett Young Cooper - Consumer Edge Research, LLC - Senior Analyst & Co-Head of Global Consumer Staples
Q. Sure. I'm trying to understand the opportunity in returnables? So I would imagine the channel where that's most likely, is HoReCa, but if that's wrong, please correct me? So I'm wondering what percent of your business is there? And then just your share differential versus the #2 in those channels?

Damian Gammell - Coca-Cola Europacific Partners PLC – CEO

A. Yes. So maybe when we look at our packaging today that is reusable or refillable, including returnables, we're at about 18% of our mix. So it's quite a big part of our business already. If you look at -- clearly where we've got returnable glass as a strength, it is in HoReCa, and that really goes to markets like Germany, Belgium, Spain and France. Most of our other markets, we've got a one-way glass proposition in HoReCa. So that's something we'll continue to evaluate. We have got a sizable refillable PET business in Germany, in retail. So that goes beyond HoReCa, but that's really a standalone. But as we look at our long-term sustainability objectives, we're looking at the role that all of those packs could play, in making our business more sustainable.

From a leadership ratio, we clearly enjoy across all of our markets, but particularly in Western Europe, very strong leadership ratios in HoReCa and away from home, and you're talking high single digits to double digits. So we can give you the exact numbers, but it's very, very strong. It's a part of our business that we've done really well in over a number of years, and that's been supported by some of our package mix. So we'll keep looking at it, but we're about 18% at the moment, I think, Nik, that's the...

Nik Jhangiani - Coca-Cola Europacific Partners PLC - CFO

A. 18% in total, yes. And just to your point, also in Germany, I think we have a big advantage there, because we stayed in that 1 litre, which has become a preferred pack and a lot of what was in refillables has moved out, due to competition. So we're in a good position there as well.
A. I hope that answered that question, Brett. I'm not sure we got it all for you, but...

A. Thank you, operator. And once again, thank you, everybody, for taking the time to join us today. Obviously, we're very pleased to reaffirm our profit guidance for 2022. We are now focused on delivering a great summer in Europe and continuing that really strong momentum across our API markets. As you'd expect, our focus remains not just on the top line, but also on our profit and cash delivery through the rest of 2022.

As Nik highlighted, we're doing all of that and delivering that strong free cash flow, while we continue to invest in our business, particularly in our people, our sustainability agenda and in our capabilities, particularly across the supply chain and across our digital platforms to drive a better customer experience and to continue to make CCEP a more productive and efficient business.

And we do look forward to updating you in early August on our half year results. As I've spoken about today, we are planning our Capital Markets Day in early November. We got some good questions today that we can give you a bit more colour on during that meeting. And obviously, we'll come back and share a bit more of a wider perspective on our Indonesian business.

So thank you again, and we're very pleased that you could join us as we continue to focus on creating sustainable value for our customers, and, of course, for our shareholders at CCEP. So thank you, and have a great rest of the day, everybody.