COCA-COLA EUROPACIFIC PARTNERS
Q1 2024 Trading Update
Analyst Call Transcript
25 April 2024

CORPORATE PARTICIPANTS OF PREPARED REMARKS
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PREPARED REMARKS

Sarah Willett: Introduction

Thank you all for joining us today. I’m here with Damian Gammell, our CEO, and 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 an adjusted comparable basis, thus reflecting the results of CCEP and our Australia, Pacific & Southeast Asia business unit (APS) as if the Coca-Cola Philippines transaction had occurred at the beginning of this year, rather than in February when the acquisition completed.

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

Damian Gammell: Prepared remarks

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

So, to our first quarter. I am pleased with how the year has started reflecting our great brands and great in-market execution. All delivered by our great people at CCEP.

I would therefore like to start by thanking everyone at CCEP for their continued hard work and commitment to our business, also our customers and brand partners who support CCEP.

Back to Q1. We achieved solid top-line growth of 5.3 percent, with volume growth of 2.0 percent and revenue per unit case of 3.4 percent. This reflects a more balanced revenue growth, compared to last year, through volume and ofcourse price/mix. Our volumes reflect strategic choices we have made in our portfolio, the cycling of strong volume growth in Europe and a great start to the year in APS, especially in the Philippines, our newest market.

Our diversity today truly makes us a stronger and more robust business, with around 30 percent delivered by our APS operating unit.

So, given our good start to the year and our confidence in the balance of year, we are also today reaffirming our guidance for full year 2024 which I will touch on a bit more later.

First on volumes, up versus last year and versus 2022.

Volume growth versus last year was driven by APS, up 8.1 percent. Given its size in the context of CCEP, we are now providing a bit more disclosure of Australia/Pacific versus Southeast Asia, as you will have seen in today's release.

The strong momentum in Australia and New Zealand continued over the summer period despite tough comparables, cycling a strong Q1 last year, benefitting from industry wide supply constraints as well as the last quarter of strategic bulk water exit in Australia, effective from Q2 last year. Excluding the impact of this strategic exit, underlying volume for Australia

Pacific would have been broadly flat. And from a brand perspective, we saw good volume growth in Coca-Cola TM, Fanta and Monster.

I'll turn to Southeast Asia. The Philippines had a strong start to the year, delivering double-digit volume growth with solid share gains. Although we were cycling our softest quarter of last year, underlying market demand remains strong. And, given our proven track record of integrating new markets, you will not be surprised that the Philippines has transitioned seamlessly into the CCEP family since the deal closed in late February. From a brand perspective, we saw double-digit volume growth in our Coke TM, and solid growth in Fanta and Sprite. And we also launched Monster and Predator in the Energy category.

Indonesia also delivered good volume growth, with the SKU rationalisation now complete, delivering encouraging sparkling volume growth of over 10 percent alongside transaction growth, albeit supported by an earlier Ramadan festive period. The recent launch of Coca-Cola Zero Sugar and Sprite Zero also remains encouraging. And alongside sparkling, we continue to look at the RTD tea opportunity as part of our long term transformation journey with The Coca-Cola Company.

Whilst Europe volumes were down 1.4 percent, we were cycling our toughest comparable of last year. If you recall, we delivered 5 percent volume benefitting from the tail end of covid recovery in Northern Europe, Germany and Iberia. We did see a slower start in what is typically the smallest quarter for our away from home channel, but we were cycling volume growth of 8.5 percent and of course the weather also played a part. In contrast, our home channel volumes grew versus last year. On a two year view total volumes for Europe were up 3.4 percent. And, from a brand perspective, we saw volume growth in Coca-Cola Zero Sugar, Sprite, Powerade & Fuze tea.

Alongside Australia as I mentioned just now, volumes in Europe also reflect our strategic portfolio choices, including our transition out of the Capri-sun brand which started in March this year. These are the right decisions as we continue to be more choiceful on where we want to play for the long-term, to ensure we continue to grow our business both profitably and sustainably.

Excluding the impact of these exits, underlying volume for Europe was up on a two year basis up around 4.1 percent versus 2022.

Consumer spending has held up reasonably well, we fully understand that some of our consumers continue to feel the squeeze. We continue to focus on the needs of our consumers, driving great execution both in the Home and away from home channels, and working closely with our customers to remain affordable and relevant for all of our consumers.

We have great brands across a broad price pack architecture, which enables shoppers to access our products across a wide spectrum of price points. It is essential now more than ever that we continue to balance premiumisation for those that seek it, with a more affordable offerings for those that need it.

One example is in Spain, we activated a popular and affordable price point on the iconic 2 litre pack in the Home channel to continue to drive frequency and household penetration and address some of those cost of living pressures. And in GB we worked in partnership with Domino's to activate a 'with pizza' promotion, driving positive results thereby supporting value share gains within the away from home channel.

So, our top-line performance demonstrates the strength of our brands and the resilience of our category. In fact, the NARTD category continues to be one of the best performing categories across FMCG, growing in value terms over 6 percent in Europe and 18.5 percent in APS.

I did mention earlier that I am confident about the rest of the year and beyond. We are building on our momentum as we head into Europe's key summer selling season, including many great opportunities, as you know, to engage and excite our consumers. Our plans are fully in place to leverage the Euros in Germany, the Paris Olympic and Paralympic Games and the 37th America's Cup in Barcelona! So lots of excitement ahead for our consumers in Europe.

Moving now to revenue per unit case which was up 3.4 percent, this reflects our continued focus on revenue growth management, positive headline price and promotional spend optimisation through data and *analytics. Favourable pack mix also contributed to the growth, led by the outperformance of Monster.*

In Europe, our revenue per unit case was up 5.6 percent. We continued to benefit from the pricing we took in the second half of last year in GB and Germany and have already successfully executed pricing across most of our other markets.

In APS, revenue per unit case was up 0.2 percent reflecting headline price increases but offset by geographic mix. This was driven by our strong volume growth in the Philippines, which is at a lower revenue per unit case. For Australia/Pacific, revenue per unit case grew more in line with Europe.

We continue to believe that with our great brands and best in class capabilities, we will continue to at least maintain or grow our share of the category. Overall, we gained value share both in-store and online in NARTD. And we continued to create value for our retail channel customers within FMCG and NARTD. For example, we have delivered over 2.6 billion euros of value growth over the last 3 years in Europe.

On our portfolio, we continued to invest in our core brands, and launched focused innovation. All in line with our expanding portfolio by focusing in on where we want to play for the long term.

Our Coca-Cola trademark performed well, up 2.4 percent. In Europe we launched our lemon flavour extension, available in both regular and zero variants.

Monster outperformed driving overall Energy volume growth up 7.5 percent, on top of the impressive 15 percent growth it delivered last year. Fantastic innovation continues to drive recruitment and distribution, building on the launch of Monster Green Zero and the launch of Monster Bad Apple and Reign Storm.

Our Sports volumes grew 4.3 percent despite strong growth last year, led by Powerade across all European markets, this was supported by great activation and continued favourable consumer trends in this category. We will continue to build on this momentum with the exciting pipeline of sporting events in the coming months.

And finally, in ARTD, as we diversify our business to address different need states, we are building on the excitement and encouraging results of Jack Daniel's and Coca-Cola, having now launched Absolut & Sprite in GB with further markets planned over the coming quarters.

So back briefly to our full year outlook.

Given our good start to the year delivering volume and revenue per unit case growth, and our confidence in the balance of year, we are today reaffirming our guidance for the full year 2024.

We continue to anticipate full year revenue growth of around 4 percent, again more balanced between volume and price/mix compared to last year. Operating profit growth of around 7 percent, supported by our ongoing efficiency programmes, and our strong free cash flow generation of around 1.7 billion euros.

Our guidance, combined with today's interim dividend declaration of 74 euro cents per share, clearly demonstrates the strength and resilience of our business, as well as our confidence in delivering shareholder value.

We are well placed for the full year 2024 and beyond, continuing to invest for the long-term. Our disciplined investments in our people, our portfolio, our digital capabilities and of course our sustainability agenda. You will see a few sustainability highlights in today's release.

To close, I would again like to thank our customers, our brand partners, and our great people, whose hard work and commitment mean we are able to go further together to deliver for all our stakeholders.

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

Over to you operator.