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CORPORATE PARTICIPANTS

Manik H. Jhangiani *Coca-Cola Europacific Partners PLC - CFO*

CONFERENCE CALL PARTICIPANTS

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

PRESENTATION

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

For our next presentation, we're pleased to welcome the newly named Coca-Cola Europacific Partners -- I already stumbled on that. But we're really happy to have the company's CFO, Nik Jhangiani, with us today. So Nik, thanks so much for doing this. I definitely have questions about the longer-term vision as you'd expect, but I did want to start off with some near-term topics.

QUESTIONS AND ANSWERS

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

I think it would be great if you could just give us an overview of how your markets performed during Q2, the sense of current trading conditions between the various geographies and just how the different restrictions across markets are currently affecting CCEP.

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

Sure. Sure. And good morning and good afternoon to everybody. And Lauren, great to see you albeit still virtual. So hopefully, we'll be soon in person together. You did make it to Spain. You didn't make it to the U.K. or to GB. So hopefully, we'll get you back here soon.

Listen, Q2 has been a strong recovery quarter for us when we look across our markets. And obviously, at varied stages, depending on when things opened up and how comfortable the government was easing restrictions with vaccination rates, et cetera. So clearly, if you look at that, GB is the furthest along, where if you walk around today, and I'm talking about London, it's pretty much normal. No one's wearing a mask. There's full -- there's no social distancing required in restaurants. It's back to normal. And that's really been evident when you look at those growth figures that we put out for Q2, with the recovery very strong in the away-from-home versus 2020, but we're also seeing strong results versus our 2019. So that's clearly the lead market when we look across Europe.

I would say Spain, and you've just come back from Spain, but I mean, clearly, things have started to ease up in Spain as well. And yes, there's restrictions in Europe that does require vaccine passports for people to get in and there's a little more restriction versus what I just described in GB. But clearly, things are opening up, and we're starting to see that traction come back. Versus 2020, strong, strong growth. If you look at a market like Spain, you're looking at growth that was over 60% right in the quarter. But again, that was the worst-hit market last year, for instance, right? But we think that will continue to get better.

Obviously, a market like Spain, parts of France, have suffered a little bit more as we've gone into Q3, weather-related across all our markets, but then also the impact of tourism, right, because they're still net importers of tourists. So even though they've got people on staycations there, and it's great that you came in and helped our economy, but we need more people coming in, right? So the recovery is definitely on the right track.

And if you then turn to API, clearly, the half 2 performance -- the half 1 and Q2 performance was very strong because they didn't have much of the lockdowns during the entire first half of the year, right? So clearly, our half 1 was impacted by the Q1 performance. But then you see Australia, Indonesia and New Zealand all having gone into lockdowns. The good news, if you look at Australia, for instance, is it's not been nationwide, and it's been state by state. And today, it's Victoria and New South Wales, but I think that will probably start opening up in the next weeks. And Indonesia

is looking on a better trajectory. And then New Zealand, a little more in Level 4 lockdowns, but things are open, and the business continues to perform very strongly despite that, as you even saw during the height of COVID in 2020. So that's a quick walk around our markets, Lauren.

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

That's great. And as you're seeing away-from-home come back, I mean, are you seeing any indication that this elevated at-home consumption could stick? And I was also curious about kind of structural changes to revenue mix that could impact the business in the medium term.

Manik H. Jhangiani - Coca-Cola Europacific Partners PLC - CFO

Yes. It's interesting because the home business continues to be quite robust. And I guess it just depends on how we need to see those trends play out. I think there's a lot of pent-up demand. So people want to go out, right? But they've also gotten used to replicating some of those experiences at home. And now they're still doing some of that home replication with a smaller group of family, with friends and family coming across as well, right? And remember, the piece from home that we still need to see how that continues to recover as things fully open up. As you remember, our Home Channel in some of the markets has a strong front-of-store sales and on-the-go activity that is really led by the economy opening up, people going back to work, dropping kids off to school, running in to get a drink, a quick shop.

So it's hard to give you a clear indication of where that is going to come out. But I think with all the right things that we've done in terms of value creation with our customers, the focus that we've had, the service levels that we've had with them through the pandemic should continue to help our building of that relationship.

And the big piece, obviously, that we know is a trend that's here to stay is online and everything that's happening on the digital side. So that's clearly a trend that is leveraging and supporting both the home and what is the away-from-home business when we think about some of our platforms that we've been utilizing.

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

Okay. Great. And I wanted to focus on online as well. So e-grocery and also for your e-B2B platform, which I think is really interesting. So maybe talk a little bit of what CCEP is doing differently to capture and maximize this opportunity, both the e-grocery piece, but again, that e-B2B and opportunities that, that may well be opening up for you in terms of new outlets for better coverage.

Manik H. Jhangiani - Coca-Cola Europacific Partners PLC - CFO

For sure. So I think Damian and I have said very clearly that when we think about this pandemic, it's caused us to accelerate some of our work really around cost base, but the things that we were very focused in on was the recovery will be digitally and green-led, right? And so if you think about the investments that we've been making in really getting the basics, the hardware, everything right, it actually was superb in terms of the fact that we started that journey in 2017 and actually had those platforms, and we've continued to invest in several of those platforms going forward through our ventures arm.

So to give you some examples, when you think about our whole myccep.com, right, we now have over 55,000 customers on that platform, right? And they have everything from automated welcome e-mails to inviting them to place the first order if they're coming on, if there's order reminders that need to go after them, if we think they should have now been placing another order, back in stock notifications. So it just makes life just amazing in terms of how you can communicate with them.

And even if there's a new product, there's a notification that goes out to them, they can already start thinking about that when the salesperson is able to go in and talk to them, there's a lot of prework in some ways or education that they've already had and if they can then really look at how

do that relationship -- think about what do we need to do from a pricing perspective? Where do we place? How do we think about the cooler, et cetera, right?

So the engagement is very high. Interestingly enough, I was looking at one of the stats from one of our reports, about 40% of our e-mails are open, okay, versus the industry average benchmark, which is around 20%. So that's indicating that we've got that connect with that customer base that's on there. And I think we anticipate that we'll get to over 90,000 customers by the end of the year, and we're well on track to be able to hit that EUR 1 billion of retail sales value this year. So that's been really great, right?

Then what we've done is not stand still and say that's the only opportunity. So we've said, "How do we look at other opportunities?" If you remember a couple of years ago, we invested in Germany in a venture called Kollex with a couple of the brewers to really make that ordering platform not just unique to us, but a combination of 3 or 4 companies, right?

We launched StarStock, which is an online marketplace in Great Britain, right? And then we're just about launching Wabi, which is obviously the B2B ecosystem platform in Portugal, and both of these are by our ventures arm. And what it's really trying to do is how can we find multiple ways for our customers to do business with us and makes it easier for them right? So that's another example of where we're trying to build on that digital platform for our customers.

And then obviously, e-commerce, we touched upon that very briefly, right? But that increased by about 45% in terms of online grocery purchases in 2020, right? And NARTD grew by 30% through that piece. So we are really seeing great traction, particularly in markets like GB, France, even Spain, where we're seeing a lot more of that move to online.

And then the last piece I would say to you, Lauren, that we're excited about is working with the food aggregators, right? So some great stats. If you look at GB, for instance, Just Eat, we sold about 50 million CCEP products during 2020 through Just Eat, and there were 37,000 restaurants that were on that platform, right? Spain had about 15,000 restaurants on that platform, which is a huge way for us to get our product out to the consumer's hands through obviously partnering up and getting on to these other platforms as well.

So I think we continue to look at various opportunities. I think one last thing I should mention is we also are piloting in GB, a direct-to-consumer platform, right? And I think we realize that we just need to make sure that we are -- are we platform-agnostic and do we want to be where we can be? Or do we want to create our own platforms? And we're testing that across on both sides because ultimately, do we want to be the platform or do we just want to be on the platform, right? And that's what's really important for us to think about with our consumers and our customers.

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

How much of that work also overlaps with The Coca-Cola Company? I know Wabi is a platform, but my conversation with John and Brian yesterday, one of the things we talked about was this notion of not reinventing the wheel across the geographic operating units and then by virtue, the bottlers by extension. So these platforms, I know about Wabi, the other ones, do any of them have overlap with The Coca-Cola Company, with other markets? Or is this an example of CCEP kind of doing its own thing and experimenting?

Manik H. Jhangiani - Coca-Cola Europacific Partners PLC - CFO

Well, remember, I think the opportunity is great here because every -- at least, I can talk about Amatil pre becoming a part of Europacific and us, had set up our own ventures arm or what Amatil call Amatil X, that they were making investments in these areas and spaces, right? And one of the things that John and the CFOs have talked about is how do we leverage and think about, instead of each bottler going out and doing their thing, how do we work together and one company and bottler work together in a particular territory? But then how do we leverage and scale that up very quickly, not just across our territories, but across multiple bottlers, right? And that's something that we're trying to build into place right now. And there's some great discussions going on around that.

There's a lot of work that we're doing when we're thinking about really packageless solutions and how do we work as a system. So that work is really being led jointly and KO is taking the lead on that because, remember, if you think about that links to our ESG agenda as well, right, clearly, we have to do a lot on packaging. We have a lot of opportunity on packageless as well.

And the technologies, right, of what was post-mix, pre-mix, obviously, we need to find things that are more affordable if you think about a Freestyle, for instance, and how can we place more and how do we drive better revenue realization through some of those as well. So great work happening across the system, and in some areas, more opportunities to leverage, as I said, with like ventures, et cetera.

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

Okay. Great. A bit shorter term, rising costs, have to get this one in before I get too excited about the strategic, sorry. But input cost inflation, clearly a pressure for the industry, beverages and household food, everything. Just if you could remind people, I think, what your policies and strategy with regard to hedging. How you think about pricing and other levers to manage through these pressures, both within a given year and on a multiyear basis?

Manik H. Jhangiani - Coca-Cola Europacific Partners PLC - CFO

Sure. So our hedging policy has always been to look at things on a 3-year rolling basis. So typically, I would be exiting this year for 2022 with circa 80% coverage, right? And then we look at that, the following year would be a circa 40% to 50% and then 20% to 30%. And clearly, if you look at where we are today, we're about 40% hedge coverage. Now that's not to say we couldn't get up to 80% before the end of the year, we just have to make the right choices in terms of what are we doing to lock in certainty for planning or what do we want to make sure that we're not locking ourselves into too early, where we see potentially commodity moves happening in a certain direction and downward pressure, hopefully, on some of those areas.

So that's our hedging policy, and I think probably a little different this year, potentially, as we see some of those potential pressures easing and where we might be at the end of the year versus what we might be doing into 2022. Again, just to remind everybody, our COGS, 25% of that is commodities, right? And again, keep in mind, when you look at that 25%, roughly half of that is pure commodity costs and about half of that is conversion cost, right, in terms of you buy aluminum sheets, but then it has to be converted into a can or can body so that we can utilize. Or you buy the vPET, but then that has to be made into a preform and blown into a bottle, right? So there's that element. So keep that in mind when you think about the number that I guided towards in terms of mid-to high single digits on commodities year-on-year.

And then obviously, the other element is concentrate, which is very much linked to our incidence model and will go up in line with what we see being the right way to pass on price. And obviously, benefits of mix will clearly be there, both from a channel perspective as away-from-home continues to reopen and grow versus 2021. And then from a pack perspective as well, right, because to that point, when I talked about Home Channel, for instance, if you can get better mix through and front-of-store coming back, small packs coming back, that's all great for our margin as well, right? So that mix element will start coming back.

And then obviously, with the volumes coming back, that would be offset by better margin manufacturing overhead recovery. So there's lots of puts and takes that we feel we can manage through.

When you talk about next year and multiyear view, clearly, we want -- we have been very disciplined with price. And I think we've demonstrated that since we've formed European partners. And I think that's one of the big things that we are proud about in terms of that value creation that we've had for our customer base, right?

So that discipline of taking price each year is very much there. We need to continue taking price, but not always look to offset what is the inflation -- commodities inflation that given year because we need to manage affordability and relevance of our products as well.

All I would say to you is, Lauren, if we look at this on a multiyear basis, we've always said our price mix should outpace inflation, and we should have margin expansion, along with everything that we're doing on our cost-save program. So -- and I think we've demonstrated again prepandemic how well we were able to grow margins during that time. And I think that will continue for the midterm.

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

Okay. And also, when I think about the revenue mix piece of it, if I go back to the conversation on myccep.com, for example, and going from 55,000 to 90,000 customers and so on. I mean I get those are primarily smaller format stores and away-from-home outlets, I would think, with more immediate consumption packages. So I would think that there's also something -- I don't want to call it structural, the business mix that's also going to be -- could be materially beneficial over a multiyear period with broader account coverage, more assortment, more immediate consumption with this broader and higher-quality coverage, it was all manual before.

Manik H. Jhangiani - Coca-Cola Europacific Partners PLC - CFO

Absolutely. Remember, we had always talked about the fact that we needed to increase our coverage, right? What this is doing for us is allowing us to have a digital way to increase that coverage. But that's never going to fully replace what we want in terms of that face to face, right? But it allows us to leverage, if you remember, when we first formed European partners, we have taken in some markets what was 6, 7 visits a day to 12, 13, 14 visits a day, right? So the productivity of the sales force is there, given the tools that we gave them, we can now reallocate where they need to go because it's much more about selling, right, as in not taking a sales order, but talking to them about the beverage category. What are the opportunities? What are they missing in terms of potentially a new pack or a new product, et cetera?

So you can supplement that really well with what's already available on the digital piece, like I talked about, and new products coming up. They get all the information, they can do the research. You can then go in and tell them a little bit more when you see them in person. So it's a great complementary asset for us to have that really helps coverage, which ultimately is the most important piece that the bottler needs to do, right? That's what we need to be focused in on, the execution that comes from great coverage.

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

So if we take that as -- I have different questions on Amatil, but thinking about this as an opportunity across API and maybe just focus on Australia for the moment, I mean, how big is the channel coverage opportunity in Australia as a growth accelerator and through a MyCCEP platform?

Manik H. Jhangiani - Coca-Cola Europacific Partners PLC - CFO

Yes. Both great questions. So in all fairness to the Australia team led by Peter, when he came in, one of the things if you recall that they had started doing was making a multiyear investment in terms of feet on the street. And that's great news for us because we acquired this business with a lot of that investment being made, and we're already seeing some of those green shoots of recovery.

I think all the work that we have set out and what we want to do on digital going forward, and I've laid out, obviously, some of the stuff that we're doing on these platforms, but remember, our digital strategy goes further, and it's trying to now build on some of those basics and also do a lot in terms of data, analytics and insights, right? And all the investments that we have made so far and will be making, I think we can leverage API very quickly onto those platforms. So there's a huge scale benefit that they can get in learnings to be able to drive that piece, and then again, it will be complemented by the feet on the street that they've put on. And again, we can look at coverage in a very different way, given that you can have the complementarity of the platform as well as physical.

So I think it's a big opportunity, and part of it also comes back to how do we think about what we need to reset in the Home Channel, both in terms of pack, price, promo efficiency, promo frequency, depth of promotions, because if you remember, that was something that we did back in Europe

early in 2017 and '18, and that's what's allowed us to accelerate some of that away-from-home, right? Because we were actually shooting ourselves in the foot by not allowing that to be able to grow. So those are some of the things that can accelerate for Australia in particular.

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

Okay. How would moving Australia onto an incidence model accelerate this work or not? Because I mean, frankly, I feel like I know how, I think, how you and Damian think -- I'll get to know how Peter thinks, right? I know how KO is thinking about this. So it feels like all the pieces are there that you're effectively already going to be operating and setting a strategy that -- as if incidence existed in that market. So is that an unlock? Does it change anything? Or is it frankly more of a formality to get there?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

I think -- well, so firstly, just to be clear, when we look at the markets, Australia is on a form of incidence already across the core. I think what we're trying to do right now in conjunction with the company is twofold. One, I think they had some overly complex models that we can simplify based on our own learnings and that is linked very much also to some of the brand sales, right? And those models have come about because of that ownership of those brands, some of the water brands, some of the flavor brands that are held by Amatil as opposed to the company. So I think both those pieces of work are happening today as we speak, and I'd like to get that done before the end of the year, so we have a good clean start as we go into 2022.

But remember, Lauren, a big piece of what we had always talked about was when we moved to an incidence model with the company across our markets, we looked at each market and separated out, based on pack price, clusters of -- groupings of countries that fell into certain levels of incidence, it had a huge culture-shift in terms of how the organization was focused around risk and reward. It wasn't about us versus them. It was always about, okay, how are we going to grow this business the best into the system, right? And it takes away some of that conflict between the company and the bottler around, you're focused on the wrong packs because you make more money there or vice versa, right? So it has a huge shift in terms of really educating the sales force, the commercial teams in terms of how do we jointly win in the marketplace. And that's what I'm most excited about.

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

Okay. And could that be in '22? Or you really need to kind of complete some of this portfolio reorientation first?

Manik H. Jhangiani - *Coca-Cola Europacific Partners PLC - CFO*

I would like to get -- I think they both are very interlinked. And I'd like for that to happen during the next months so that we can get that done and put into place for January 1, 2022. That's the intention. But again, some of these take a little more time, but we'll see. But that is clearly the direction of travel.

New Zealand, obviously, is working extremely well. I want to address that as well, but it's working great, but that's probably more a '23 issue. And then Indonesia, we're looking at joint plans with the company as we step back and reassess how do we win in that marketplace. And there are some great bit of work that's been done jointly by us along with some consulting teams coming in. And we've really done an outside-in view that says, "How do we think about the competitive landscape, and what are they doing and what have they done and what is that success formula to win," right? And we want to build from there as opposed to looking back and saying, "What have we not done? What have we done wrong?" Let's look at what's working today and let's think about how do we replicate that. So lots of great work happening ever since we've -- sometimes Damian and I step back and say, "This has only been 100-plus days."

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

That's crazy. Yes. Okay. ESG, I just want to make sure -- sorry, because you can't -- it's such a big part of your story and what's been central to CCEP since its formation. So last year, you announced the ambitious -- the 2040 net zero target that's across your entire value chain. So what can you tell us kind of immediate actions you're taking on both your own operations and how you're working across that wider value chain to work on this emissions question?

Manik H. Jhangiani - Coca-Cola Europacific Partners PLC - CFO

Yes. So I mean, obviously, if you look at that, the biggest impact that we could have is from packaging, right, in terms of that. But then you've got manufacturing footprint, you've got transportation, you've got refrigeration with our coolers, et cetera. And then if you work down that chain, we've got to look at ingredients as well with our suppliers, right?

So if you look at packaging, I think our journey on rPET continues to be very impressive in what we're doing across our markets as we get into more replacement of vPET with rPET. Clearly, that's coming with an on-cost today, but it's the right thing for us to do. And I think we have to step back always and not be looking at this as a cost, but an investment for the future and what will be the brand health and equity of those brands that hopefully will drive consumers and more customers to want to do business with us.

We are, through ventures, also looking at various alternative mechanisms for recycling. So that would not -- all roads don't lead in one direction. So that's an area that we're investing in. We're also looking, as I said, on dispensed and packageless solutions in line with that packaging piece. And then we're also looking at how can there be more recycled content in cans and glass as well because it's not just about plastic, right? It is holistic. So I think there's a lot we're doing on the packaging side.

On the manufacturing side, you might have seen that we've just been able to have 2 of our sites be carbon-neutral validated, and we're looking to 4 more during 2023. The big piece that we're also looking at is how do we continue to drive that acceleration of use of renewable energy, right? And that's where we look at transportation. What can we do with e-vehicles, e-fleets, and where can we even support in terms of technologies that might be coming out for e-trucks, heavy goods vehicles, right? Because ultimately, if we can get green energy sourcing, that's going to be a game changer, right?

And that has an implication on our fleet of coolers as well. How do we think about renewable energy that's being used in those? How do we think about that replacement of that fleet? And that marries up well with what we've been doing when we announced our new commercial policy in 2019, where we're also looking at more of the lower cost, low emission in coolers that can be placed -- that can be replaced more frequently, that don't cause the same types of issues when they have been in market for too long.

So several different fronts that we're trying to tackle. Obviously then, we'll come to the ingredient piece and how do we actually drive with our supplier base, down to sustainable agriculture as well. So listen, there's a lot of work to do there and we don't have all the answers, but I'll be trying to make the right steps in the right direction. This is going to be our biggest issue, and we need to address it. So strong, strong focus in on it. And just as you're probably aware, we are probably one of the few companies that has included an ESG metric into our long-term incentive plans for our senior leadership team as well. So we're clearly putting our money where our mouth is as well, right? So that should also always help drive. You need to measure, you need to incentivize. And those are the right things that we're doing to address the challenges in that space.

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

Okay. That's great. I'm out of time. But Nik, thank you so much. Really great to see you and just -- see you in person.

Manik H. Jhangiani - Coca-Cola Europacific Partners PLC - CFO

Absolutely. Look forward to that.

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

Hopefully soon.

Manik H. Jhangiani - Coca-Cola Europacific Partners PLC - CFO

Thanks for the opportunity, Lauren.

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

Thank you.

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