Investor Day 2023

Thursday, 25th May 2023

Welcome
Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Welcome

Good morning, everyone. I wish a very warm welcome to all of you who are with us here in Rome, to our Coca-Cola HBC Investor Day, and all of you who are with us online. We really appreciate making the time and being here with us, for what we believe is going to be a full, exciting and engaging day.

Agenda

We have a full agenda today, which we have broken into three distinct sections. Firstly, setting the scene, I am delighted that we have with us Anastassis David, who is going to also provide his thoughts on our company from his unique perspective, as the Chairman of our board. I will then take you through the building blocks of our sustainable and profitable growth theme for today's event.

We are pleased to have with us, Manolo Arroyo, who is the Chief Marketing Officer of the Coca-Cola Company. Manolo will provide us with an update on the latest thinking on marketing strategies at Coca-Cola, and its particular relevance to us at Coca-Cola HBC. There are some very interesting areas where we will be working closely together over the next couple of years.

We then turn to look in more detail on our strategies for growth and for that I will hand over to Naya, our Chief Operating Officer, who will take you through how we are growing our categories with the capabilities to win. She will introduce four breakout sessions, or growth accelerators as we like to call them. These will be a very interactive part of the day. An opportunity to meet more of the team that came here for you in Rome. For our online audience, we will bring to life this with pre-recorded films for each breakout before we then actually return to talk about how we are driving growth with our diversified country footprint.

As part of that deep dive and to showcase why we brought you here in Italy, Naya will hand over to Frank, who will take you through how we have been step-changing our growth trajectory in this critical market. It is a real case study, I believe, with a number of best practices.

To finish off the morning, we will have a Q&A session before we break for a lunch around 12.30. After lunch, we will return to talk about how we bring all these together by growing sustainably, which will be led by Katya, our Head of Sustainability. We will then be joined by our second guest today, our partner, Nikos Koumettis, President Europe of The Coca-Cola Company. He will headline a panel session with Naya and myself to discuss the partnership and opportunities that we share in this exciting industry.

I will then hand over to Ben, who will describe how this comes together in terms of, of course, financials and how we are going to grow profitably into the future. Then after final Q&A, I will return to wrap up, and conclude the presentations with a couple of final thoughts.

For all our in-person guests that are here, we look forward to visiting the market to see the execution in the market where it all happens, and this will be led with our local team, that will take us through a couple of groups that we will discuss later.

And last but not least, those of you who are staying over tonight, we will conclude with dinner and a further opportunity to have a chat and conversation with members of our team, and we are really looking forward to that. All in all, quite a packed schedule, and I really hope you will find it interesting and engaging.

Apart from team members and partners that I already mentioned, I am really delighted that we are joined here by a number of members of our senior management team that are here today with us. You will meet Ivo, our Chief Supply Chain Officer; Mourad, who is our Chief Digital and Technology Officer; Vitaliy, our Digital Commerce Director; Ruchika, Head of Data insights Analytics; Prodromos, Head of Coffee; and Kristina, our Head of Adult Sparkling. They will be leading our accelerator breakouts and joining us for dinner this evening. This is another opportunity to have time to understand from them as experts how with the areas of growth we are driving growth.

With that, I will pause and hand over to Anastassis, for his introductory remarks. Anastassis.

Welcome

Anastassis David, Chairman, Coca-Cola HBC

Introductory Remarks

Thank you, Zoran, and good morning, everyone, and welcome to Rome. This is an important day for all of us at Coca-Cola Hellenic Bottling Company. It is an opportunity to share some of the fantastic progress that has been made under Zoran and his leadership team, and an opportunity to give you further insights into what makes this company great. We have got a full agenda planned and, in the process, I am sure you will be as impressed as I am with our strong management team with all that has been achieved this year.

Ultimately, successful business is about delivering consistent results. It is about creating enduring customer relationships and driving repeat purchases. It is about the culture where people can be at their best every day. When all those factors come together, that business is truly resilient. At Hellenic, this is who we are. Our record revenue, comparable EBIT and free cash flow published at our most recent full-year results, back in February, really inspired me; not only because of the numbers, although those numbers were very nice indeed, but because the performance was delivered in a year of unprecedented disruption – a year in which our colleagues and our customers had to deal with the tragic consequences of the ongoing war in Ukraine.

I am immensely proud of the way our talented, passionate people have adapted and embraced opportunities, ensuring that our company continues to enjoy such a strong recovery in performance. The board and I would like to thank our leadership team and our colleagues for making Coca-Cola Hellenic Bottling Company a better business every day, working as a team, delivering a growth story, making impressive progress on our journey of becoming the leading 24/7 beverage partner.

As you will hear from the team over the course of today, strides have been taken to execute against the strategy over recent years. Our advances have been underpinned by a core belief in the importance of culture, the goal being to deliver long-term sustainable return to our shareholders.

In what has been and remains a volatile environment, the board has carefully sought to position our company for continued success, preparing to anticipate and seize opportunities and overcome challenges facing the business in the years ahead; in particular, reducing the environmental impact of our business and strengthening the socioeconomic role we play in the communities in which we operate; continuing, as we do, to focus on what is right over what is easy. This ethos will help shape our long-term success. In line with that view, we remain more committed than ever to achieving net zero emissions by 2040, and we are looking forward to updating you on our progress against that and our broader sustainability goals in more detail later today.

Given the macroeconomic volatility we see, the value placed on business agility and financial discipline has never been so high. In that context, the board's confidence in the durability of our business and the strength of the company's balance sheet is reflected in progressive dividend payments and a competitive pay-out ratio. I know the board and the management team remain very focused on continuing to drive long-term value for our shareholders and realising the company's full potential.

Finally, before handing back to Zoran, I would like to extend a big thank you on behalf of the board to all our stakeholders, particularly to our customers for their continued support and to all of you for joining us. I hope you find the insights you will receive today useful to your understanding of Coca-Cola Hellenic, and that you thoroughly enjoy the day.

With that, I will let Zoran kick off the main proceedings. Thank you.

Sustainable and Profitable Growth: Introduction

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Four years of significant growth since our last Capital Markets Day in 2019

Thank you, Anastassis.

Four years ago, I presented a slide, not unlike this one, highlighting our strong business with a well-balanced combination of Emerging, Developing, and Established markets, which gave us the confidence to set up the ambitious targets of Growth Story 2025; and we were clear where we were on our journey. We had been through a period of restructuring, visibly improving the efficiency of the business to deliver a period of very strong recovery in profitability and operating leverage. Then, in 2019, with a robust foundation in place, we said we expected faster top-line growth in the future as we invested behind our portfolio and capabilities while continuing to improve margins.

Over the last four years, we have achieved, I believe, a great deal. We have grown significantly, delivering on average 3% organic volume growth and 7% average organic revenue growth, taking our revenue to over €9 billion in 2022. At the same time, we delivered, organic EBIT growth of 7% on average per annum, and improved our returns on invested capital. We also added Egypt at the start of 2022, expanding our footprint in Africa to capture a leadership position in this very exciting and third most populous market in Africa.

Our business has proven resilient in a challenging macro environment

We achieved all of this, despite a challenging external environment marked by COVID-19 outbreak disproportionately affecting our industry. We also navigated a period of wider supply chain disruptions and inflation, and from early 2022, tragically a war in Ukraine. I am immensely proud of the performance of the business, what has been achieved by our passionate, talented, and resilient people, despite these challenges.

We have adapted our ways of working, strengthened our supply chains, and proven the depth and breadth of our capabilities. This is particularly the case for revenue growth management, where we have delivered robust price and mix improvements in the face of significant commodity inflation and, more recently, energy cost rises. If I would call out one of the key learnings from operating in these last couple of years, without a doubt, it would be prioritisation. We have been laser-focused and clear on the decisions we are making and what we expect them to achieve. We have honed that discipline in the organisation over the last four years as we continue working on our vision of being the leading 24/7 beverage partner.

We operate in very attractive growth categories

NARTD is a large, growing and resilient industry, and the same characteristics are present in coffee, making it an incredibly attractive opportunity for us as well. Back in 2019, we talked about operating in categories with very good growth potential, and that remains true today. In terms of the industry value, we expect further strong growth in demand both in non-alcohol ready-to-drink and coffee, and Naya is going to talk about that right after me.

We prioritise the best opportunities in our unique, 24/7 sparkling-led portfolio

Key to our success over the last four years and a foundation of our future plans is our exceptional portfolio of brands. Our 24/7 portfolio allows us to cater to meet the needs of consumers across all occasions throughout the day. At the heart of that portfolio are our pan-Hellenic priorities: Sparkling, Energy, and Coffee. They represent close to 80% of the business today and still with significant headroom for growth, driven by penetration and share, supported by continuous innovation and underpinned by our strong customer relationships and unrivalled market execution.

The close and strong partnership with The Coca-Cola Company is at the heart of this. With The Coca-Cola Company, we clearly have consumer loyalty supported by strong innovation and marketing investment. With Monster, our close partnership brings a portfolio of energy brands from premium proposition, Burn, through Monster itself, to a more affordable option with Predator. In coffee, we have a complimentary dual brand strategy with The Coca-Cola Company's own Costa Coffee in mass premium and Caffe Vergnano in super premium segment.

Beyond the top three priorities, we have a diverse offering of locally relevant brands where, together with The Coca-Cola Company team, we make a prioritisation of country category combinations based on the attractiveness of the profitable revenue pools in each market. These include important growth enablers such as juices, ready-to-drink tea, enhanced and premium water, sport brand, Powerade, as well as our premium spirits portfolio, which enhances our offering to our HORECA customers.

Pillars of our growth strategy are unchanged and have been key to our success

The consistency with which we have invested in our five growth pillars continues to underpin our success, we believe. Looking at our 24/7 portfolio, the last four years have been, all about mindful choices and prioritising the best opportunities within the business to drive growth. What especially stood out is the strength, resilience, and potentiality of Sparkling and Energy categories. Our ability to win in the marketplace is down to continuous strengthening of our customer partnerships and investment behind critical value-creating capabilities. And you will hear more about that today.

Fuelling this growth has required investment behind digital technology and new business models, blended with our continuous focus on productivity and efficiency improvement initiatives. You will see some parts of that in our digital accelerator a bit later today.

Cultivating the potential of our people has been deliberately one of our five strategic pillars, as we strongly believe that only with the strength, competence, and engagement of our people we can achieve our vision and ambitious growth agenda. This is why we treat talent development as our lighthouse capability, and I will touch on that a bit later. And finally, we have continued to play strong focus and tangible investments to support our sustainability commitments, of course, 'NetZeroby40' and others.

And over the last four years, sustainability has become deeply embedded in the way we run our business every single day. This is an important part of earning our licence to operate and lead.

Driving profitable growth through targeted innovation to enhance the portfolio

Sparkling remains fundamental to the growth of our business now and in the future. A key part of that is down to innovation coming to us through a close partnership with The Coca-Cola Company, which enables us to keep delivering growth in our core sparkling portfolio. The introduction of new 'Zero' formulations across all sparkling brands – Coca-Cola Zero Sugar, Zero Caffeine, new flavour creations within Fanta and Schweppes Brands, the relaunch of

Kinley, the recent launch of Jack Daniel's and Coca-Cola are great examples of how constant innovation is keeping us at the forefront of consumer choice and customer preference. The same is true in Energy as we work with Monster to help launch new flavours variants, both within Monster and Burn, as well as the launch of the new brand Predator. Same is valid for a number of targeted innovations across Still brands.

Invested in targeted bolt-on opportunities that will accelerate growth

We have also invested in acquiring new bolt-on and complimentary businesses to strengthen our portfolio and accelerate growth, and I want to highlight four of those.

In 2019, jointly with The Coca-Cola company we bought Lurisia, an Italian high-quality premium water and adult sparkling brand with a strong heritage. We have been able to drive scale-up in Italy quite well and introduce the brand to new geographies through targeted expansion.

In the same year, leveraging on locally relevant and specific opportunity to that market, we added in Serbia in a targeted manner, Bambi, with its high quality and high profitable snacks portfolio. This portfolio compliments very well our core beverage business across several occasions, thus creating a stronger customer leverage and impact on consumer impulse.

In 2021, we acquired a stake in Caffe Vergnano, enhancing our coffee portfolio with this high-quality and super-premium brand. Clear strategy here is to develop complimentary to Costa brand, the relevant coffee offerings across the mass premium and super premium segments. And you will hear more about our coffee strategy from Prodromos in one of the accelerators.

And in 2022, we added a super-premium Three Cents to our adults parking portfolio, as it compliments very well our existing brands with its unique product attributes and much higher price positioning. The rollout is still in the early days, but we are very pleased with how the business is developing.

Egypt acquisition adds to our growth potential

As well as brands, we have also enhanced our geographical footprint by acquiring the Coca-Cola business in Egypt at the start of 2022. This brings us enormous growth opportunities. Egypt is a large and growing population, over 100 million people with a low average age of just 24. Per-capita GDP growth is also expected to trend upwards and sparking soft drink servings per capita are well below our group average. Overall, the combination of a strong market potential with a good opportunity on market share should allow us to drive growth. We will leverage the experience and capability development, which has underpinned our success across our other emerging markets.

Behind the scenes we've delivered significant changes

Now, over the last four years, we made some significant changes to the business. Starting with a major organisational design programme we launched in 2020, which we call Dolphin, reflecting our ambition that, in the design approach, we merge scale with agility as the dolphin represents. The focus was to unlock and reallocate resources for accelerated growth by creating a future-ready organisation based on prioritised big bets. All this was led with a guiding principle of creating even stronger focus on the needs of the customer.

In terms of progress to date with Dolphin, and this is an ongoing programme, is that we have redeployed the value of approximately 1,000 full-time equivalents into new areas for growth. This has been done in a way that is effectively self-funding and directly supporting the big bets and other investments that we made into the business,

And it does not stop with structures. With Project Oxygen, we are tackling simplification, optimisation and redesign of processes throughout the enterprise. Here the focus is on creating the capacity and more time for people to collaborate efficiently on the things that matter most, which primarily starts with more focus and time on our customers. In most simple terms, this is about creating oxygen so that the dolphin can breathe.

Since we started the programme, we have identified over 200 processes that we can work on to create efficiencies. In the spirit of making sure we focus and deliver in a prioritised manner, we put in flight just over 20 for now, which on their own have the potential to unlock more than 1 million hours of people's time, the equivalent of 500 to 600 full-time equivalents. A good example of this is work we have already piloted in Poland around dynamic routing. New optimisation tools have reduced travel times by around a third, freeing up over 10% of business developers' time for our customer benefit with increased and more impactful customer visits. We are now rolling this out into the new markets, and I believe this is also great example of how we can leverage the investments that we made into Data, Insights & Analytics.

Achieving the right balance for successful change

The result of these programmes has been striking and really promising. We have diverted significant resources into areas that drive capability enhancements and future growth. And we have achieved this without destabilising our effective, efficient business. We maintain a lean, agile stable core while reinvesting in prioritised capabilities like Data, Insights & Analytics, Coffee, digital and technology platforms, digital commerce, sustainability, and new ways of working through agile cross-functional dynamic pods.

Our prioritised capabilities underpin our growth ambitions

The power of our prioritised capabilities has step-changed since our last investor day, partly because we have continued to develop each one of them, but also because of our outsized investments behind Data, Insights & Analytics, which has allowed us to strengthen our capabilities and deepen the connections between them. As a result of Dolphin, we have been able to build a world-class expertise in Data, Insights & Analytics and digital commerce, but also enhance our tools that allow us to deliver best-in-class revenue growth management, route-to-market, and customer management. Naya and the team are going to discuss that a bit later. These investments are making a real difference in our ability to execute in the market and bring us closer to our goal of achieving truly personalised execution for every single outlet.

Cultivating the talent and potential of our people

At the very heart of our business are our people. Without them, the business simply wouldn't achieve what it does. We do have great people, I strongly believe, but this is also about creating an environment and culture which cultivates the potential. Key to success as a business, as a team, as individual is creating a high-performing growth mindset rooted in a customer partnership culture, supported by an agile organisation and effective processes. Our talent development focus reinforces continuous learning and upskilling of our people while giving them the opportunities for personal growth.

The results continue to improve. As roles have changed in recent years, 86% of leaders have been appointed internally, and this is up from 70%, back in 2019. Our employee engagement scores are also very high at 85%, and now we have women in 40% of our managerial roles. Another area of continuous improvement, and we remain committed to achieving gender balance at management level. All of us, as one team, are passionate in creating and nurturing diverse, equitable and inclusive environment.

Our purpose builds on our clear vision and values

Over the last year, we took time to reflect on our wider purpose and culture, leveraging invaluable learnings that we gained over the last four years. To do this, we worked with a hand-picked cross-functional team, but with the inclusive input from many across the organisation to set out what we all see as the defining purpose of the business: to open up moments that refresh us all.

We strongly believe that while our work requires sealing refreshment in, the real magic and impact happens when each drink gets opened up. Our true purpose comes from opening up possibilities with our customers, partners, and our colleagues to create value for all we serve. It is the optimistic spirit that drives us towards new markets, new relationships, new innovations, development opportunities, and new ideas for a better future. We launched our purpose and newly defined values this March at our leadership conference in Cairo, and we are rolling it out across the business with very good feedback and engagement.

Culture completes the cycle of continuous renewal

And it is the culture that completes the circle. It works with Dolphin and Oxygen in full interconnectivity to fuel the continuous regeneration and renewal of the business to provide the resources and focus that allows us to move forward with growth mindset, agility, and efficiency to capture growth opportunities.

We put sustainability at the core of our decision-making processes

We put sustainability at the core for everyday decision-making. This is an important driver of how we earn our licence to operate and how we continue to lead the market with sustainable initiatives that make a meaningful difference to our consumers. Our ambitions are high, and as you will hear from Katya, those are very stretchy in several areas. We have a clear ambition to be net zero by 2040 and to deliver broader Mission 2025 targets which drive many other improvements along the way.

In this vein, we made significant progress on the rollout of our recycled PET, moving to a 100% in Switzerland, Italy and Austria, and investing recently €50 million in new in-house recycled PET facilities in Poland, here in Italy, and in Romania.

Strong partnerships are at the heart of our business

At the heart of our business is our strong partnership with The Coca-Cola Company. This partnership is the bedrock of our business. The way we collaborate, support each other and work together in identifying and going after prioritised opportunities is a strong source of our belief in delivering sustainable and profitable growth. We are grateful for partnerships with all our other brand owners, like Monster, with whom we are very excited in driving consistent, strong growth in the energy category as well as with Brown-Forman, Edrington and a few others. It is in our DNA to work in a collaborative way, and we continue to be grateful for our partners' trust and support as we push forward.

Key messages today

Before I hand over to Manolo to provide a perspective on the business, and our partnership opportunities, let me finish with a few key messages I want you to take away from today.

We are continuing to grow with high expectations and targets, reflecting our strong execution and attractive blend of emerging, developing and established markets. We operate in strong, growing categories with very attractive growth dynamics with prioritise strong, well-invested capabilities that will drive growth across our footprint. We do this sustainably with a clear eye on the future for our people, communities, and planet. We do it profitably, making agile and prioritised decisions that maximise returns. And of course, we will grow because of our excellent people and partners who are critical in enabling and driving our long-term success.

With that, let me now hand over to Manolo.

The Future of Marketing is Now

Manuel "Manolo" Arroyo, Global Chief Marketing Officer, The Coca-Cola Company

Morning, everyone. Thank you, Zoran, Naya, Anastassis, a privilege to be here today with all of you to share the transformation that we have undertaken in the marketing function at Coca-Cola.

Disclaimer

But first and foremost, forward-looking statements, I am not going to go through them. I can't read it without glasses, so you have them in front of you.

Delivering amidst a rapidly changing landscape

Let me start by saying that we are delivering in the middle of an accelerating environment for multiple reasons. The demographic dynamics around the world are getting more and more complex and faster. We see significant ageing of population in multiple parts of the world. At the same time, the prior dynamics to the pandemic around middle-class emergence and urbanisation continue to be a big driving force for our industry.

The digital disruption has changed dramatically how consumers consume media, actually. We come from a prior model in which we were disrupting consumers through TV advertising, but TV is not any longer. No one is watching TV. I do not know you. I have got four teenagers at-home. We have lived in four different countries. I have never seen them watch a single minute, one single minute, none of the four of traditional TV. But when you really look into the numbers around the world, Gen C today, and you add all the different types of screens that they use, not only the cell phones but all the different screens, it is anywhere between 9-13 hours per day. This is even a scary number, but that is the number, 9-13 hours per day. That has reshaped dramatically how consumers and particularly the younger generation relates and connects with brands. That required for us that we really need to reshape completely a model that was constructed on what I call a marketing factory that was traditional TV-first and moving into a digital-first ecosystem.

Third, as the world is very dynamic, the boundaries between content, creativity, media stop to exist, they are interconnected. It is about bringing those two underpinned by technology and data to really amplify the effectiveness of our marketing investments.

Our transformation is rooted in growth

Our transformation is rooted in growth. We are obviously a marketing-driven company, and therefore the role of marketing is to become and to be the major driver of the growth algorithm for The Coca-Cola Company.

In the last few years, we have taken very significant action and decisions that are clearly yielding results. The first one, we reshaped our portfolio. We come from a place where we have such a fragmented portfolio with more than 500 brands where a lot of them we did not really need, though some of those brands were eating away some of the margins and some of the resources across the system, not only on our side but obviously in our bottling partners. We scaled that down to what we call a very powerful growth portfolio; still very large because obviously, our size and scale is just phenomenal; it is around 200 brands, slightly less than 200 brands around the world. Today. We have 26 $1 billion or more brands around the world, and there is a good combination between global, regional and local brands.

We significantly re-shifted our innovation efforts. Since 2019, our innovation has been accounting for around a quarter of the incremental growth every year, and we can see that we have line-of-sight of the pipeline coming over the next few years, and that being the case moving forward – and that happens across all the different categories in which we play and across geographies.

We have been focusing a lot in driving much more effective marketing – and effective means top line and bottom line-driven marketing. We make sure that every dollar that we invest in marketing generates and drives not only gross profit but at the right margin levels. And we have got an average of around 9% on a GP per case basis.

And we come from a model where we were managing in 2019 more than 6,000 agencies around the world. You can imagine the efforts to try to connect 6,000 external agencies in a world where we need one single data and technology backbone. We move into a new agency ecosystem under a holistic partnership around the world for all the categories under WPP. WPP is the largest communication group in the world, and they have more than 200 agencies, and we are in the process of finalising the deployment, a whole ecosystem internally of technology and data that connects on real-time all our marketing efforts around the world.

We are coming across, and we see that also for this year, at the top end of our growth algorithm from our revenue growth. Now, this marketing transformation is driven by metrics, because metrics matter. Marketing is not just about storytelling; it is about driving growth.

Significant headroom to recruit consumers

And we were for decades, for a couple of decades having one metric, which is great, a lot of other FMCGs have it, which is called Brand Love. Brand Love is based on perception. However, you know, like I know that sometimes there is a significant gap between what consumers say or perceive and what they actually do, do with their pocket, which is what matters at the end of the day. Our whole transformation is trying to bridge that gap.

We have moved from Brand Love into consumer base. The consumer base measure an actual real behaviour, and that is at the essence and that is the central pillar of all of our transformation. If it does not drive profitable growth, we are not going to do it.

In the past, and this is what you see on the left of the chart, it is a real example from Italy with Hellenic, from the total addressable market in Italy, in the prior model, we would invest our marketing targeting our total population. Why? Because traditional TV would not allow you to target specific segments or specific tribes. It was a bit of a model of 'spray and pray', we call it.

You can imagine sometimes when you spray and pray, if you are lucky, one of the drops goes on the right seed and you get a plant. But there is a good probability that at least 50, if not 60, if not 80% of the drops fall in a place for someone from which our category or the beverage offering that we are offering and to get them to consume is completely irrelevant. That is what drives inefficiencies in marketing.

The shift, you see it on the right and is a real shift. We are segmenting our consumer base, in this case of Italy. We know that today from the addressable, from the total population addressable in Italy – addressable means for us 13-plus, because we do not market below 13 – from the 13-plus of age in Italy, we have a total portfolio, this is not only brand Coca-Cola, it is around 25% of the population that consumes our products regularly. However, we have identified three other groups. As you can see in the middle there is a very large group that they consume our products but with a lower frequency. They are part of the base but they are extremely occasional; maybe couple of times per year, two, three, four times a year.

From those, we have clear digital signs declared by them based on behaviour, actual behaviour, not perception. Some of them are what we call positive intenders. They are today drinking the category, and they love or like Coca-Cola, and/or they have no issues related to the consumption of any of our given categories. That number in Italy is 30% of the total addressable. It is actually larger than the consumer base that we have.

There is another group called neutrals. They can also be converted because they do not have fundamental barriers to become positive intenders. There is on the right a group that they declare themselves rejectors, they reject either the category and/or the brand. And that is a real number in Italy today only 10%.

Experiences drive consumption

Through digital media, you can now target very accurately these different segments. What are we going to say to convert them from less frequent into a more regular part of our consumer base? Those positive intenders, some of them, react very well to communication connected to consumption occasions. You are going to see examples later on of what we do with Coca-Cola and meals. Some others do not react to that, but they love football or music. They are driven more by a passion point.

Others are driven by an innovation. And there is a segment which is not as small but is also not as big as many of us think that they are really reacting to ESG commitments; we can target and measure that very specifically. We are deploying a combination, and this is where the magic of data technology and the scale of Coca-Cola as a system, but the ability to bring this at the granular level and make it locally relevant because cultures and countries are different. There will be a combination of any of those four buckets that you see to maximise one metric that we do not compromise, we do not negotiate, which is growth – growth measured by our consumer base.

Now, the marketing transformation of Coca-Cola goes first to digital. We are moving our media massively and quickly into digital-first ecosystem. Those photos that you see are real examples of photos today or activations in the Coca-Cola Hellenic territory. In digital, we include influencers. We come from a world where brand marketing companies were very scared of releasing the power and the control of what we say about our brands to influencers that unless they do it in their own words with authenticity, they are not going to have the credibility with the audience. We have today in The Coca-Cola Company around the world more than 10,000 influencers at any given point of time with different segments, with different passion points, different topics that really connect ultimately with the consumer. That is also absolutely the case in the Hellenic territories.

However, this transformation is not only from a traditional TV model into a digital-first model. Half of our marketing happens at the point of sale, and I think Hellenic is one of the most impressive partners for The Coca-Cola Company when it comes to bring this to life through what we call retail experiences. That connection with the consumer will also happen in each of the different channels where we are going to be recruiting and bringing those new consumers into the consumer base. And that is a real example, for example, of an activation of Ramadan in Egypt.

However, there is also a world, in a world where you are not having any more the ability to connect through traditional TV, what we call live experiences, the third type of experience that we are going to be leveraging to build our brands. That is the world of street marketing, is the world of events, music concerts, sports events. Around all of that, it is how we are going to bring the consumers to really experience and enjoy our phenomenal portfolio.

Significant progress to date

In just three years, we have moved 20 points of our media mix, which, as you know, it is in the billions of dollars around the world every year from traditional TV to digital. Very close last year in 2022, we hit that number 50% and growing. We got already quite a few territories around the world well above the 50%, and we are starting to see the fruits and the results of that higher level of effectiveness of our marketing. Let me give you an example. Kantar has just awarded us last week to Sprite. Not going to use the classical example of Coca-Cola because the scale of Coca-Cola. Sprite, that a lot of people forget how big it is, it is a $20 billion in retail sales value globally, got last year with this new approach, the highest amount of growth in households around the world of any FMCG. You can name it from any of our beverages, in food, in household products, number one by far, Sprite. And this transformation was at the essence of why that has happened.

We are moving through leveraging experimentation. In the past, in marketing, we used to have a lot of research methodologies that we tried to understand what we have just done, tried to understand what works, what does not work based on recent activity pass activity. We are moving to a model where 80% of the focus will be in the future. And that comes through A/B testing. This is an approach that was not natural for FMCGs, it was much more natural for technology companies. What that means is that through A/B testing in social media connected to a partnership with retailers, whether it is in hypermarket, a convenience store, we can measure multiple messages and content and ways of connecting with the consumer with actual transactions at the point of sale and with actual conversion of those less intent – those intenders into actual consumer base or not, or lack of conversion. It is allowing us to really understand how we can drive the maximum level of growth most effectively. We are talking in the dozens and dozens of experiments of that size and scale per quarter around the world, leveraging the scale of our network around the world.

Coke is cooking

I am going to give you just an example of how all of these can come together. It is coming together actually, it is a real example; and this is what we call the intersection between experiences, passion points and consumption occasions. Some humans need to understand rationally why I should drink a Coca-Cola, give me when, where, and why I should drink this. Others do not care about that. They are moved by emotions. For example, music we know is the number one passion point that has a transformative power in the heart of people. If you bridge, and you think about Oktoberfest, but in the 21st Century with digital at the core, an intersection of a massive food festival and music festival all together where you bring not hundreds but thousands and thousands of consumers, the retailers across the whole city, tourism coming from other cities because of what is going on in this festival, engaging stakeholders including authorities around our ESG and recycling activities in one big celebration with data and first-party data at the heart of it, this is what we are talking about.

We started in Saigon – Hanoi, sorry. We moved then to Kolkata, 300,000 people over a weekend, 400,000 people over a weekend. We were in Cairo together, 40,000 people in Cairo in a massive celebration, and another 40,000 ready to enter and pay. By the way, you can charge them as well to join this special experience between Coca-Cola, food and music.

Video, please.

[Video plays and ends]

Key takeaways

That is just an example driving an incredible amount of growth. We have seen them before and an after, not only among the area but across the whole city, cascading then into the rest of the country in terms of growth. Our transformation is really rooted on growth first. We are driving growth because we have a phenomenal opportunity to increase our consumer base. We think we know exactly what is going to trigger that conversion into consumption.

Our model is driven by data and technology at the heart, with actual facts and insights that allow us to segment appropriately the consumer base. And this comes to life with a phenomenal partnership that we have with Hellenic. I have been around for 27 years, and I do not say this, people know me, I do not pay lip service; it is a real pleasure because the complementarity of skills and capabilities that we have between The Coca-Cola Company and Hellenic segmentation – RGM in outlet execution is just mind-blowing. We actually, as a company, learn a lot from them, and our marketing comes as an intersection between what we do at The Coca-Cola Company and what they are capable to execute in millions of outlets every single day. Thank you.

Growing Our Categories With The Capabilities To Win

Naya Kalogeraki, Chief Operating Officer, Coca-Cola HBC

We understand where our largest opportunities are, in an advantaged industry

Thank you, Manolo.

Good morning, everyone. I am Naya. I am with Hellenic 26 years. I assumed this role in 2020. I met with some of you in 2019 in London when we presented our growth story, and it is a great pleasure to be with you today.

Let me share with you more about the first two growth pillars, our 24/7 sparkling-led portfolio, and how we are winning in the marketplace.

As you have heard from Zoran, we are lucky to operate in a really attractive industry with significant growth opportunities. The NARTD category overall is large. We estimate the whole of NARTD was worth about €68 billion in value in 2022 across our markets. It has been growing, and we expect it to continue at 4-6% over the medium term. I will talk to you later about how our growth drivers within our segments are working, but for now, I will stick to categories across the Group.

Growth in NARTD is being led by Sparkling, where we together with our partners from The Coca-Cola Company continue to see the largest opportunities across all our markets. Energy has been a great driver of growth, and we expect this to carry on, driven by Monster, fantastic business. Outside of NARTD, as you know, we are very excited about the opportunity in Coffee. In all cases, we want to continue to go ahead of the market and take share.

We prioritise the best opportunities in our unique, 24/7 portfolio

We are proud to have a truly 24/7 Sparkling-led portfolio that caters for all consumer occasions. We are prioritising categories with the highest potential and these are Sparkling, Energy, and Coffee.

In Sparkling, we see very good growth opportunities driven by ongoing demand of low/no sugar products by relevant consumer-centric campaigns across all brands, as Manolo mentioned, as well as further innovation opportunities, and also tremendous potential in Adult Sparkling. The Energy category has grown very strongly, and here we see further growth coming from innovation, growing per capita consumption, and further distribution expansion. Our opportunity in Coffee is huge, the addressable market is significant, and we are investing ahead of the curve to build our right to win to really capture this potential.

These are the three categories where we see the largest opportunities, and we are making active choices to prioritise them across our markets.

The benefit of a 24/7 Sparkling-based portfolio means that in some categories we play in a targeted locally relevant way, depending on the market opportunities with a clear view for creating value for us and for our customers. This is the case for us in hydration, in juices, in ready-to-drink tea, in premium spirits and snacks.

We couldn't mention Sparkling, premium spirits and innovation without saying how excited we are about the launch of Jack Daniel's and Coca-Cola. We launched in Ireland, Poland and Hungary last month and the initial feedback has been amazing.

It's working

We are winning in our prioritised categories and gaining share overall

Now, this strategy of prioritisation is working. We are winning in our prioritised categories and we are gaining share. In sparkling, we have gained 230bps since 2019, and are the clear number one in 23 out of our 24 measured markets. In energy, we have gained 370bps since 2019; and in Coffee, we are growing rapidly in a sizeable market. We are the leader in the fast-growing energy to the industry where we have gained 270bps of market share since 2019.

We are well-positioned to continue gaining share, driven by our advantaged portfolio momentum and capability-led share gains.

Let us dive into our priorities, our categories in a bit more detail and give you some confidence on future growth.

Driving growth in our strategic priorities: Sparkling

Key engine of growth

Sparkling is our foundation. It is so today, and it will be so in the future. Sparkling is a growing category in all our markets. We have consistently been growing volumes and revenues and see clear drivers for this to continue. You saw from Zoran the investment and innovation we are driving behind our core brands beats zero sugar formulations, new flavours, Coke Zero sugar, Zero caffeine, the recently launched Jack Daniel's and Coca-Cola or the relaunched Kinley. Our strong partnership with a company is critical here in identifying the exact innovations that-work in the exact market or channel.

We also continue to activate our drinking moment strategy to ensure we bring the right proposition for each occasion for our consumers, led by meals, snacking and socialising. Our core Coke and Meals association, which resonates with consumers, adds value to our customers and is the primary profit driver for trademark Coke. Coke and Meals has had dedicated activation plans across our markets, leveraging our in-market execution capabilities, and you will be seeing more in the market visit.

I want to call out two specific parts of Sparkling that we expect to continue to drive outsized growth. Firstly, low/no sugar sparkling variants. These have grown volumes, 22% on average since 2019, and they now represent 26% of our Sparkling portfolio. Coke Zero has played a leading role in this, driven by a successful reformulation and targeted campaigns. Contribution varies across our markets, with Ireland at 47%, but emerging markets still under penetrated. There is more to come from Zero with Coke Zero sugar, Zero caffeine being launched and accelerated. We are increasing the number of flavours with the zero option as well as Coke creations, which Zoran mentioned, and there is further opportunity to expand our distribution and increase presence in emerging markets.

Adult Sparkling is a very important business for us. Volume growth has been stronger than total Sparkling and its revenue per case accretive. All the work we are doing on mixability, which you hopefully got to experience last night, is critical here, and I am very excited for Kristina to get into more detail on our segmented offering in the adult overall Sparkling accelerator breakout later.

Driving growth in our strategic priorities: Energy

Brings significant growth

Energy is one of the fastest growing categories in non-alcoholic ready-to-drink. We have driven double-digit volume growth over the past seven years, averaging 32% in the last four years alone. This category now makes up 6% of our Group revenue.

This performance is a result of a well-defined strategy. We offer a complete brand portfolio to address various consumer needs with mainstream Monster, premium Burn, and Predator, and Fury in the affordable segment. We are using disruptive marketing platforms and offer a range of flavours to give consumers choice and entice newcomers into the category.

As you can see on the slide, we are aiming for double-digit contribution to group revenue from energy in the medium term. We are very excited about the potential of this category, and we see three clear drivers. Number one, continuous expansion in per capita consumption in our markets. Number two, further distribution expansion within the markets. And number three, broadening our reach to new markets. We added Fury into Egypt early this year. That is off to a good start. And on Monday, we also launched Monster, there.

Driving growth in our strategic priorities: Coffee

Significant revenue pool

Coffee represents a tremendous expansion opportunity with a €10 billion distributor value, and it is accretive to our core business with two times revenue per case versus core Sparkling. Here the value is the distributor value and the earlier slide you saw the total industry value.

We are continuing our journey to scale and invest into this business. We have a segmented portfolio approach that allows us to reach multiple price tiers from mass premium to super premium, thanks to our Costa Coffee and Vergnano brands.

We have steadily expanded our out-of-home distribution of Costa Coffee, doubling the number of outlets covered versus 2021; while at the same time, we have brought our distribution of Caffe Vergnano into 17 different markets. Our aim is to reach in the midterm a low- to mid-single-digit market share, and you will hear more from Prodromos later.

We have built capabilities that allow us to win in the marketplace

In 2019, at the Investor Day in London, we shared our execution capabilities that were critical in driving our growth. I am so excited to show you the progress we have made since then, which has allowed us to make a step-change in our ability to win in the marketplace. Our capabilities are critical for us to better understand the real and changing needs of our customers and consumers, drive profitable revenue growth and anticipate or react to new challenges faster and smarter than our competition. Put simply, by accelerating our core capabilities, we drive our growth algorithm. If there is one takeaway I want you to keep when it comes to our capabilities, this is that we are targeting to drive personalised execution for every outlet, and it is the interconnection of our capabilities in data, insights, analytics, revenue growth management, and route-to-market that is allowing us to personalise execution.

Our investment in Data, Insights and Analytics allows us to drive revenue faster and optimise smarter

Now the intention with this slide is not to get into the data of the wheel but just to see the vast sources of data we are using to drive our business. Data analytics is one of our prioritised growth capabilities. Ruchika and her team have been driving and scaling this for the last three years, and we see this as a competitive advantage to accelerate value delivery to all our customers, and it is an essential driver of our customer and risk focus. Everything we do in this space, primarily through prioritised use cases, is done with the customer in mind and to strengthen our revenue growth management and route-to-market.

We have four prioritised use cases. Our foundational use cases of segmented execution, this is where we identify the right outlets, perform the right activities, allocate the right resources, and offer the right assortment. Promotion spend effectiveness is the second one, where we enable algorithms to ensure every euro of investment gives the best returns to customers and us. Then the demand forecasting where we predict demand at the most granular level, both short and longer term to be able to keep high fulfilment levels and service to our customers. Last but not least, improving retention of our business developers to give us valuable insights how to reduce churn sand have better consistency, longer tenure with better performance.

Industry-leading Revenue Growth Management enables us to drive smart affordability and premiumisation

You may already understand RGM well but allow me to take a little time to really flesh out how it has developed and how it drives value regardless of the macroeconomic environment. As we shared with some of you before; in 2016, we developed a new RGM framework jointly with The Coca-Cola Company, and over the following two years, it was rolled out across all our markets. We took on onboard the learnings, refined the capability and invested in tools, structures and people. It was our RGM capability that allowed us to navigate COVID and drive revenue recovery in 2021. And it was what allowed us to navigate the significant inflation in 2022. RGM allows us to improve revenue per case across our portfolio while addressing both affordability and premiumisation, focusing always on three priorities: pricing, mix, and promo optimisation.

Let me first take pricing.

Our pricing decisions are data-driven, proactive and agile. Based on our profile understanding of demand elasticities and the broader competitive environment, we can make changes to a particular pack within a category in a specific channel. It is due to the strength of this capability that we have ensured that all pricing has been executed according to the plan and while gaining share and driving value for our customers.

Equally important is the mix. I have already shown in earlier slides the ways in which we are making active choices in our portfolio to drive positive category mix. Our continuous focus on Sparkling with emphasis on Adult Sparkling, Energy, and Coffee is showing tangible results. Our channel mix strategy focused on HORECA acceleration is contributing to drive healthy growth together with deliberate actions to drive package mix. This has led to an improvement of 4.4 percentage points in a single-serve mix since 2019. And we have seen the quality within this mix improve. For example, can packages grew 22% in 2022, and our 250 ml premium glass pack grew by 24%. We have also focused on the growth of multipack single-serves, which has significantly grown its importance post-COVID as part of the premiumisation strategy for the at-home channel.

Pack mix is one of the key levers to drive both premiumisation and smart affordability while still enhancing revenue per case. When we talk about affordability, we do not mean only large two litre bottles. Rather we mean using smaller entry packs at attractive price points to meet consumer spending needs while still driving up revenue per case. Examples of that are the 850 ml pack we have in Poland, and the 660 ml pack we have here in Italy, which we tailored precisely to their specific market dynamics. And in Africa, we are using returnable glass packages to make the product accessible for a large segment of the population.

Finally, and in coordination with our Data, Insights & Analytics, we continue to improve the effectiveness of our promotions. Our enhanced focus on promotional return on investment enabled by analytics gives us more opportunities to profitably gain revenue.

We have more customer interactions than ever before due to our physical and digital route-to-market

We have a vast route-to-market. We have 50,000 business developers across our countries that service 2 million customers every day, and we have 1.4 million coolers. This results in multiple route-to-market models with different sales force roles, different last-mile models and different execution strategies. We have an appropriate 24/7 dynamic sales and distribution model and maximise profitable growth through data-driven execution excellence. We are constantly upgrading our physical route-to-market fundamentals to adapt to the digital transformation, and we are incorporating data and Analytics as well to make it even more efficient.

Let me give you some examples of how we are doing this.

Starting with the coolers, we continue to invest in new coolers as they help to drive single-serve mix and revenue growth. We have focused on using data to increase our profitable cooler coverage, and in 2022 we reached 90% coverage of our top customer outlets. We have been increasing the number of coolers with online connections, which improves their efficiency, and 49% are now energy-efficient or eco-friendly.

When it comes to tools, I will call out three things. We now have image recognition in 24 countries to help us understand in a precise and efficient way our quality of execution at the point of sale and drive the needed corrective actions. We are enhancing our physical coverage by using dynamic routing tools, and we are supporting our indirect distribution partners by connecting them through a CCH integration tool. Finally, we are expanding our digital coverage enabled by our e-B2B platforms. This evolution gives us both digital and physical coverage.

Digital Commerce is a key growth driver to equip our business for the future

We have invested in our Digital Commerce team over the last few years, both at the Group and country level, bringing in outside experts to create a new team comprised of diverse talents, championing agile collaboration across CCH. Our digital commerce strategy is focused on both route-to-consumer and route-to-customer. Within our route-to-customer, we have been developing and investing in a suite of digital e-B2B platforms and solutions. Vitaliy will get into more detail on this later and will be able to show you demos of the actual platforms.

e-Retail and FSA is a fast-growing channel for us. We have almost tripled our e-retail and FSA business over the last two years. Very importantly, these channels are margin accretive and have higher single-serve and low/no sugar mix than the rest of the business. And the diversity of our markets means that we have markets like Ireland with highest incidents of FSA across all Coca-Cola countries in the world, right through to our emerging markets where the channel still has ever larger room for growth.

Joint value creation is at the heart of customer partnership

This takes me nicely to customer partnership. NARTD is an attractive category, not just for us, but it is also an important driver of growth for our customers. In 2022, we were the number one driver of incremental value delivered to customers among all FMCG players in Central and Eastern Europe, delivering more than twice the incremental revenue to our customers than the next manufacturer. We are committed to put the customer at the centre of everything we do, and creating value jointly with our customers is at the heart of our successful partnerships.

Customer-centric behaviours are embedded

To maintain our competitive advantage, we need to ensure that we listen and respond to each and every customer and can course-correct almost real-time.

To this purpose, a few years ago we embraced a new tool, 'customer gauge', as a way to connect with customers to listen real-time with the commitment that we close the loop, we close all the complaints and issues with 48 hours deadline. We have this live in all our markets and each country can see actually real-time customer feedback and what the net promoter score is, which ultimately links to customer loyalty and business growth. To give you a sense of the reach of the programme, over the last 12 months, we have passed a massive 740,000 customers, over 50% of our active customer base, and this gives us a chance to be even more customer-centric.

Upskilling our people is fundamental to giving our capabilities an edge

Our people are an essential driver of our growth algorithm, and we continue to accelerate investing in development across our suite of learning academies that span our key functions and categories. As Zoran mentioned, our flagship academy is our sales academy. Among several, our sales academy starts with a customer in mind. Before our business developers first meet a customer on their own, they pass our training to ensure they have the right knowledge to serve our customers and resolve any issues from day one.

Last year alone, we completed 180,000 hours of learning and capability building. If we break down this number, 180,000 hours, that is 20 years of learning in just one year. We keep developing our people, ensuring that the combination of tools and critical upskilling drives more and better customer interactions than ever before. Let us take a look at the short video.

[Video plays and ends]

Growing our categories with the capabilities to win

To summarise in a phrase, we are well-positioned to continue growing ahead of the market, driven by our advantaged portfolio momentum and capability-led share gains.

Thank you very much for listening, and I am excited now to introduce our four accelerator breakout sessions. These sessions will give you more detail on how we are stepping up in four specific areas, and we are excited about those for our next leg of growth. We want to show you two plus two. So, two of our prioritised categories that we have been investing in, Coffee and Adult Sparkling, and two of the critical capabilities, again, where we are investing, data insights, analytics, and digital. Thank you very much.

Driving Growth With Our Diversified Country Footprint

Naya Kalogeraki, Chief Operating Officer, Coca-Cola HBC

We have a natural advantage in driving growth across Western, Central & Eastern Europe and Africa

Welcome back. I hope you learned a lot from our growth accelerator breakouts, whether you are in person or joining us online. We have discussed how we are driving growth in our categories and how our capabilities are setting us up to win. What is critical to our success is how we then drive growth in our diversified markets.

We have a natural advantage when it comes to our geographical footprint and the mix of countries we operate in. We span Europe from west to central and Eastern Europe, as well as two of the most populous countries in Africa. Each segment brings something different to the table to drive growth. Let me call out a few highlights from it. Our established markets have the highest net sales revenue per unit case in the Group. Developing has a great balance of price mix and volume growth historically, with revenue growth of +10% on average over the last four years. And finally, our emerging markets where we have seen the highest revenue growth as we continue to capture Syrian countries that are growing Sparkling per capita consumption.

Established markets

Profitable revenue generator

Let me break it down further by segment.

Our established segment comprises mainly geographies with high but generally stable per capita consumption. The exception to this is Italy, which currently has a surprisingly low per capita consumption and therefore is a great growth opportunity, as Frank will discuss later. This segment has delivered strong growth from category mix, driven by Sparkling and low or no sugar variants. The strongest performance in Sparkling has come from Adult Sparkling. Energy is also very important and established with 27% growth on average each year in the same period.

Established is the segment with the highest exposure to the out-of-home channel, more specifically, HORECA. The segment benefits from tourism, for example in Italy and Greece, but also, Switzerland and Austria, and even Northern Italy in the winter. We have seen recovery in the out-of-home channel, now above 2019 levels. This also helps package mix as we continue to drive growth of single-serves. Our established segment is the only one where single-serve mix is higher than multi-serves.

For all segments, our top strategic priorities are Sparkling, Energy, and Coffee. As we look towards the medium-term, Sparkling will remain our core driver of growth. This will be fuelled by low/no sugar variants and Adult Sparkling. We see great headroom for growth in Energy, with flavour innovations in Monster expected to continue to drive demand.

We also expect growth in Coffee to accelerate in all our established markets, except for Italy, we Caffe Vergnano directly manages local operations.

Let me give you a couple of more examples. In Greece, we will continue investing behind our seasonal activations, taking advantage of the extended tourist period to drive more growth in our premium offerings and single-serve packs in out-of-home. Greece is a great example of what success can look like for our 24/7 Sparking-led portfolio, as we have a significant presence in all categories, resulting in our 45% value share in NARTD.

Looking across established segment for Fuzetea, we want to capture targeted opportunities for growth and have specific plans in Italy, Austria, and Switzerland. For Italy more broadly, Frank will say shortly how excited we are about the opportunity here.

Developing markets

Driver of volume and price/mix growth

Moving now to our developing markets.

Developing markets have delivered substantial price mix and volume growth, while per capita consumption is the highest of our three segments. Single-serve mix is also the lowest due to the lower exposure to the out-of-home channel, but we are proud that our strategy to drive multipack of single-serves in the at-home channel has been delivering results.

As a result, the volume growth of our multiple single-serve for Sparkling has grown over 40% in the last four years. Developing markets have the most meaningful potential for premiumisation and category expansion, particularly in our prioritised areas of Sparkling, Energy, and Coffee. Sparkling growth will be further supported by growth in demand for low/no sugar variants and Adult Sparkling, with the relaunch of Kinley making strong progress, Energy growth will be supported by all three brands: Burn, Monster, and Predator. And Coffee has the highest volume contribution in this segment of markets, now in all markets, except for the Baltics. We are really excited for the potential here.

Let me give you a couple of examples in this segment. In Czech, we see opportunities to continue growing strongly in the out-of-home channel, helped by Kinley. We also expect to drive further customer and consumer recruitment in Costa Coffee and Caffe Vergnano. Looking across the segment, we will continue investing behind multipack of single-serves, which should support improved package mix. We will continue our efforts in premiumisation behind our key strategic priorities while addressing affordability through smaller packs of multi-serves.

Before moving to emerging markets, let me double-click and briefly discuss our biggest market in this segment, which is Poland.

Poland

Strong rebound after the sugar tax

In 2021, Poland introduced a significant sugar tax, the highest ever experienced in our markets, which required a price increase of more than 25%. This had a one-year impact on volumes, which fell 7-8% in 2021, and reset our margins in the country. We were quick to adapt, driving our low/no sugar portfolio, which was under penetrated at that time. Our strong execution in the market during this period was critical as we leveraged all our capabilities and used data and analytics to make smart choices on pricing, and we are very proud of how the team addressed the situation.

This resulted in significant share gains in the country and further improvement of our leadership ratio, even though the non-alcoholic ready-to-drink market declined. The learnings we took from Poland have been crucial as taxes have been introduced in other countries in the last few years. We now have a playbook on tax introduction to put into action in any market.

Looking forward, we are expecting growth to come from our Sparkling portfolio, fuelled by our low/no sugar variants and Adult Sparkling again, behind the Kinley relaunch and introduction of Three Cents in the upper end of the premium segment.

Energy will be supported by all brands. Poland is also the largest market for Costa outside the UK, and we are very excited about the rollout of Caffe Vergnano, further strengthening our coffee propositions to the Polish consumer.

We are very pleased with a rebound of volumes we saw in 2022, and early signs in 2023 where we are addressing inflation and affordability challenges. We are confident that Poland's margins will improve towards pre-sugar tax levels in the medium term.

Emerging markets

Capturing share with growing per capita consumption

And last, but certainly not least, Emerging. Our Emerging markets comprise a broad range of countries, including our most recent expansion into Egypt.

Emerging markets have the most attractive long-term demographics. Even though we have experienced the highest growth in per capita consumption, our emerging markets average is still lowest of our segments. As I mentioned, emerging has delivered the highest volume growth in recent years. In terms of categories, Sparkling has led the way, and Energy growth has been very impressive, driven by the excellent performance of our affordable brand Predator in Nigeria.

Our continued focus on improving single-serve mix has delivered an increase of 45% over the last four years. Even though the revenue per unit case in this market is the lowest of the group, we have seen good improvement the last couple of years due to our conscious decision to drive value through actions on pricing and premiumisation.

Looking forward for our Emerging markets, we remain confident despite the current macro challenges we are facing in certain markets. In emerging, we see the biggest opportunity in serving per cap, and we will continue to deploy our capabilities to further unlock this potential in the medium term.

By category, our strategic priorities are unchanged. In Sparkling, we see a good opportunity for growth in flavours as well as low/no sugar in Adult Sparkling. Energy growth should remain strong due to Nigeria as well as Egypt, where we have recently entered the category, as I mentioned in the morning.

Let me give you a couple of examples for emerging. In Nigeria, we will drive growth in Sparkling supported by targeted activations in the market. We will continue to address affordability with our RGB proposition and address premiumisation with further growth of Energy, Adult Sparkling and Juice. Serbia is another great example of our 24/7 Sparkling-led portfolio with presence and strong market share in the NARTDs – one of the highest in the Group, over 40%.

Egypt

Attractive demographics

Let me now discuss our newest acquisition, Egypt, starting with a very attractive demographics.

Egypt has a population of more than 100 million, projected to grow further. That population is young, with an average age of just 24 years. We see a good growth opportunity in servings per capita. Right now, circa 18%, below the Group average. Also, in Egypt, we are not the market leader, and we do see this opportunity to gain market share.

Promising first year of acquisition, despite the challenges

In the first year of Egypt, being in the CCH family, we saw a promising start despite the market challenges we faced. Our integration is progressing according to the plan. Back-office activities have been completed, and we have actively started implementing our key capabilities: driving value through revenue growth management; improving market penetration through route-to-market improvements; and using data and insights and analytics to drive personalised execution for every outlet. Indeed, we have already gained significant market share and our initiatives have helped us overall to drive revenue per unit case to record levels for the country. At the same time, we have been investing in our route-to-market, adding 20,000 new coolers in 2022. Finally, we have seen the first signs of portfolio improvement, reducing our non-premium water contribution, which is one of the highest in the group, and we launched into the Energy category from the start of this year.

2022, and the start of 2023, has certainly been challenging, but our experience in managing volatile emerging markets has been critical and enabled us to make fast, smart decisions in the market.

Unlocking the growth potential

As I look forward for Egypt, there are two key areas where we can unlock our potential in the market. First, we want to gain market leadership in NARTD. This will come from further expansion of our portfolio, as we are already in the Energy category. We will also continue to invest behind our key strategic priorities in Sparkling, particularly with Schweppes, which is very strong in Egypt. We will balance affordability with further scaling of our RGB portfolio, which, as you know, has proven very successful in Nigeria.

Our aspirations for Egypt are clear. One, drive for capital consumption; two, increase market share; and three, improve EBIT margins in the midterm.

Favourable demographics

Growing population with low per capita consumption

To summarise, as I stated in my introduction, we are privileged to operate in a combination of different geographies that creates a unique balance for us. This provides us with different opportunities to grow and utilise the whole spectrum of our 24/7 Sparkling-led portfolio dynamic. And we have proved that we are able to capture the right opportunities and manage the challenges we see.

I wanted to close my presentation with this chart. This demonstrates very well that most of the countries have the room to grow more in servings per capita, and this is exactly what we intend to do.

Thank you. And now I will hand over to Frank, to talk more about Italy, our host country for this event.

Step-Changing Growth In Italy

Frank O'Donnell, General Manager, Coca-Cola HBC Italy

Italy is a market with huge potential for us ...

Thank you, Naya. Good afternoon, my name is Frank O'Donnell. I am General Manager of Coca-Cola Hellenic, here in Italy. I have had the great privilege to work for our organisation for the last 31 years, mainly in positions in commercial and general management across a variety of different countries. Today, I have the pleasure of sharing with you how we will accelerate our Italian business, over the coming years.

Just a few headlines about our business here in Italy. First, we directly employ 2000 people, 60% of whom are in our commercial to our sales teams. Throughout Italy, we have a significant manufacturing footprint. We have six manufacturing facilities, three of which are dedicated to sparkling, tea and sports drinks, two which are water, and one which is a pre-form manufacturing plant, which I will speak to you about a little bit later.

And we have started to capture that opportunity, with few & focused big bets

Opportunity one: drive Sparkling-led by Italian passion points

Now, let me talk to you about the great opportunity that we see here in Italy. Italy is a market with great potential. The chart, on the left, shows the industry per capita consumption of sparkling soft drinks for Italy compared to two other Mediterranean countries, Greece and Spain. And you can see clearly that there is a significant difference, with Greece being 20% higher in industry consumption for sparking beverages, and Spain being significantly higher again than that. We see a huge opportunity here to expand our business in Italy.

And the market conditions are favourable for us. Starting from the structure of the market, the HORECA channel is huge in Italy. It is over 300,000 outlets, which represents a great opportunity for us to present our beverages to all the Italian consumers. Indeed, the retail industry is equally fragmented, with 120 different retail chains operating in Italy.

Tourism in Italy is very significant. Italy is the third-largest tourism country in Europe. There are over 200 million tourist nights in Italy, each year. That is in terms of foreign tourists. There are also another 200 million domestic Italian tourists who holiday in the country as well. Thus, very, very big significant tourism industry.

Now, many people, sometimes when they think of Italy, they say the population is a bit ageing. Yes, it is, but there are 17 million people in Italy under the age of 30.

And finally, what the Italians are really passionate about are three things. In Italy, they are phenomenally passionate about food. It is the absolute topic that occupies the dinner table every day in the country. There are Italian people in the audience, and they are all nodding their head, which is great. However, that is also followed by football and by music quite closely, and we have really started to activate those passion points because they are the key occasions that we can match our brands too strongly.

As we all know, Italy is the home of pizza, and the estimates on how many pizzas are eaten in Italy, they vary widely, but it ranges from 2 billion to 3 billion pizzas eaten in Italy every single year. It is the equivalent of a pizza per person per week. Now, historically, the consumption of Coke with pizza was extremely low. Back in 2019, for every ten pizzas that were consumed, only one had a Coke with it. And so, we have put in place a very strong plan to drive the consumption of more Coca-Colas with pizza. it is part of our overall Coke and Meals programme and, obviously, pizza's at the centre central part of it, and we have a significant level of programmes in terms of outdoor, in terms of above-the-line sponsorship, what we do, not only in the out-of-home outlets in terms of meals, communication, but also what we do in the at-home outlets as well. And we sponsor a Pizza Village road show, which visits cities throughout Italy and communities come together to have a pizza.

In a short space of time, just in two years, between 2021 and 2022, we have almost doubled our incidents of Coke with pizza, but we know that looking at this opportunity, there is far more to come.

The second area that we focus on in terms of our association with sparkling soft drinks is around football, and we have sponsorship relationships with some Serie A clubs. Let me talk about Napoli in particular. We formed an association with Napoli, at the start of the 22/23 season, which is actually also the year that Napoli have won the Serie A Championship in Italy for the first time in 33 years. However, we have really, throughout the whole year, been able to leverage our relationship with Napoli by being able to execute tailor-made promotions in the stores with our customers.

Our customers in Campania, in Italy, have really got behind the association that we have with Napoli as well. And we have also supported it with outdoor advertising. Our association with football and how we drive that either with local teams, and how we drive football association overall, has proven very

successful for us here in Italy.

To round football off, we are also sponsors of the Coca-Cola football show, Coca-Cola SuperMatch on Dazn. For those of you who do not know who Dazn are, they are a sports broadcaster. They are similar to Sky Sports. And on this show, it is a live commentary of a football match with the hosts, and they really enjoy, and they make some fun of the show. However, what is key for us is not that it is a Coca-Cola sponsorship of it, it is that the hosts are consuming pizza and enjoying it with a Coke as they commentate on the match.

Music is the third leg of the strategy that we have to drive Sparkling. Here we are focused on three main areas to drive transaction. The first is around the promotions that we do in-store to drive consumers with free giveaways that we have on our products. The second is that we directly sponsor music festivals. Last year's Coca-Cola Beach Music festivals, this year it is the iMusic Milan Festival, which is a huge festival in Milan. It is a week-long series of concerts with loads of international stars that are playing in it. The third thing that we do around music, and it is maybe a bit more Mediterranean what we do, but we develop a summer single with a leading music artist each year, and either the lyrics of that song or the name of the song itself features strongly Coca-Cola within it, and the songs prove to be not only fantastic songs, but hugely popular during the summer.

When it comes to Fanta, there are two areas that we focus on. One is around an association with fun times, such as Carnival. Carnival is an occasion in Italy during February, when people dress up in costumes. It comes before Lent. And also, Halloween, where equally we sponsor Halloween, which many of you are aware of, is another time when people are dressing up and having fun together. One of the things that we identified with Fanta is around snacking, and the snacking opportunity for Fanta. We have a year-long programme for Fanta in stores, associating Fanta with the crisp companies as well.

Now, given Italy's older population, adult sparkling beverages are really key for us. And in 2019, we really were not playing here at all. At the end of 2019, as Zoran mentioned earlier, we acquired Lurisia, which is a really premium Italian craft soft drinks, as well as a premium water business.

Since our acquisition of Lurisia, we have trebled the business. In 2020, we relaunched Kinley onto the market, providing more packages, driving distribution. We have done a rebranding as well this year. However, our Kinley business also in the same period of time has grown fourfold as well. We are seeing really accelerated growth as we become a serious contender in the adult beverage market in Italy.

Opportunity two: win in fastest-growing segments

We have also been driving other categories, which represent very solid profitable growth for our business. As you know, at the Group level, our key priorities are Sparkling, Energy, and Coffee. In Italy, we do not distribute coffee, as Naya already mentioned, as Vergnano are the owners here, so I will just focus on sharing a few headlines with you around Energy, sports drink, tea, and also premium spirits.

Let me start with Monster, where we have seen exceptionally strong growth over the last four years, quadrupling the business again, and we are now the number one player in Energy in retail in Italy.

We have achieved this via significantly widening both the availability of the portfolio of Monster, almost doubling the range that we have, and we have combined this with intensive, sampling promotions and sponsorships as well. And each quarter, we run a very successful consumer-orientated transaction-driving promotion in the stores.

With ready-to-drink tea, once again, it was a category that we really did not play in, up until a number of years ago. We launched Fuzetea in 2018, and it is now already the number three tea brand on the market in Italy, with over 10% share. And once again, a business that we have enjoyed significant growth with.

And finally, sports drinks where with Powerade, we have had great growth, since 2019, and that growth and that success had been built on a very much a ramped-up approach around in-store execution, tailored promotions, widening our distribution net, and growing our portfolio via the introduction of zero variance. We also developed a unique association with padel. Padel is a sport, for those of you who are not familiar with it, is a sport similar to tennis. 800,000 people in Italy play it. We got on the bus early with this sport as well in terms of our sponsorship and relationship, and we leverage that with what we do with Powerade in-store.

In Italy, we have built up a strong premium spirits business over the last five years. In just that short space of time, we are now already the fifth-largest distributor of premium spirits in Italy. Our portfolio is a combination of international brands such as Barcelo, Nemiroff, the Famous Grouse and others combined with local players as well, such as Lucano and Sylvio Carta.

We are investing significantly in capabilities

Now, we have worked hard in building our capabilities. Let me start with our route-to-market, where we have been on a journey here to drive our execution and to drive our coverage.

We have invested significantly, recruiting over 200 business developers in the last 18 months. That represents an increase of 20% in our sales force, and that is helping to drive execution across a far wider number of outlets. We have grown our market coverage by 57%, calling on an extra 45,000 customers. Versus 18 months ago, we are now calling on 45,000 customers more. And supporting this strategy has been an equal uptick in the number of coolers that we have placed on the market. Between 2022 and 2023, we would have placed an incremental 25,000 coolers in Italy. To support the business developers better, and to make better use of technology, as you have seen from Ruchika already, we have been leveraging Data, Insights & Analytics to help us in three areas specifically. As we go to the market recruiting these 45,000 new outlets that we have been doing for the last 18 months, prospecting, which is about identifying the right type of outlets, becomes really critical. And there we have leveraged on our Data, Insights & Analytics tools to guide our business developers towards the right type of outlets. When they are there, it is about the type of things we ask them to do, which is around the suggested activities that are tailored for that outlet. It will be around the priorities and the cooler management programmes that they have in place, and finally around suggested orders. So, how they fill portfolio gaps and what are the portfolio gaps identified at that level, how they created suggested orders for wholesalers to fill.

When you look at digital commerce, Vitaliy has shown you what we are developing with service. Sirvis is an e-B2B marketplace platform. It is designed to make the ordering process, both easier and digitised for HORECA outlets. It allows a HORECA outlet to source supplies from a variety of suppliers and wholesalers in their own time. Sirvis was piloted in Italy last year, launched fully onto the market this year, and early indications from our customers are very, very positive.

Finally, we have a laser-like focus on ensuring that we drive our revenue not just through price but through a significant effort behind mix improvement. 90% of the growth that we have had here in Italy over the last four years has been driven by single-serve packages. A big driver of this was, for sure, the extra coverage that I have talked about, but also we have made sure that our category mix improves as well. So, the right single-serve packages, but also the right types of categories that are growing and are category mix. So, less water and more beverages that have a higher revenue per case and a higher profitability. They've also improved by three percentage points since 2019. A sharp focus on our capabilities has been critical to driving our business forward.

We are investing in sustainable packaging solutions and expanding capacity

Equal to the investment behind marketing programmes and capabilities has

been a strong investment behind sustainability and capacity. Now, Katya will delve into this, shortly, but let me share a few headlines with you specific to Italy. In 2021, we replaced all our multipack can plastic packaging with a cardboard packaging solution called KeelClip. By the start of this year, all of rPET for sparkling tea and sports drinks was made from 100% rPET in every package that we have on the market in Italy. The 100% rPET preforms are manufactured in-house by us. It is a really great story, about an old unused plant that we had, in Gaglianico, in Northern Italy, that we reopened. And I was saying last night that the guy who closed down the plant was actually the guy who reopened it for us as well. However, that plant provides us with all the rPET that we need for the market in Italy.

Finally, as we continue to grow our business, we need to invest in manufacturing capacity, and we are focusing investment on three new lines over the next number of years. One is for Sparkling cans, where we see a lot of growth in our can business. Second, is for glass, and the third for Energy. This new investment in capacity will give us an expanded, manufacturing capacity of 18%.

With a significant step forward in results ...

Ultimately, with all this effort, we have seen a good set of results for Italy. Our revenue grew by 22% in 2022, driven by a very good combination of volume and price mix. That growth in volume has seen us grow our servings per capita by nine, which represents nearly 500 million more servings of our product in Italy, in one year.

In retail, we have become the number one value creator over 2021 and 2022, generating almost €190 million in additional retail value. Value creation for our customers is a very important metric. It is a key component of our customer selling story. As I mentioned earlier, a sharp focus on single-serve is delivering really the results that we see, and we see it in the improved price and mix. And finally, all this also comes together in terms of what we see in the market. Our NARTD share has grown by two percentage points over the last four years, with share gains across all the key categories that we play in. Thus, a very solid delivery of metrics in Italy, which gives us great confidence in how we will drive the business forward. Equally, we are really looking forward this afternoon to going into the market with all of you and translating what you have seen here on PowerPoint right into what you will see in the marketplace as well.

Before I move to the last slide, as I will be starting a new role as a Regional Director in Naya's team from June, I would like to introduce Miles Karemacher, who is the incoming General Manager of our business in Italy. Miles previously spent three years here with us, as Commercial Excellence Director, helping to

shape large elements of the strategy that you see here today. And he's been, for the last three and a half years, the very successful General Manager of our business in Ireland. Welcome back to Italy, Miles.

We expect to drive accelerated growth for Italy in the midterm

To conclude, we continue to see an accelerated growth potential for Italy, and we expect the Italian business to deliver organic sales growth ahead of the group algorithm in the medium term. We see huge opportunity to drive Sparkling per-capita consumption with Italy almost half the size of some other Mediterranean countries, and the out-of-home channel is the catalyst for this growth. It is 40% of our business in Italy, it is more than 50% in all other Mediterranean countries. We have clear, prioritised categories to keep driving our strong growth. First is with Sparkling. This remains the biggest growth opportunity for our business here. It starts with meals, not just about continuing with pizza, which of course we will do, but also by focusing on lunchtime. Our incidence of Coke at lunchtime is half of our incidence of lunch in evening time. Thus, we see big opportunities, and we are very clear on where they are. We will continue to drive Zeros. Last year we launched Zero/Zero onto the marketplace, and combined with Coke Zero, we see this as a real strong driver of forward momentum. With Lurisia and Kinley, as you have seen from the adult booth that Kristina showed you, we really have two fantastic winning adult brands.

We also see significant headroom for growth and market share with our flavours, and we expect that the momentum that I have talked to you about behind a Monster, tea and sports drinks, that that momentum continues.

Behind all of this are our capabilities, and they continue to underpin what we do. We will continue to expand our market coverage, placing additional coolers, and expanding our marketing programmes to more and more outlets. Revenue growth management will stay firmly fixed on volume, price, and mix. And increasingly, we will do this with an even more digitised sales force, ensuring that our customer is truly at the heart of our business here in Italy. Italy is a great opportunity for Coca-Cola HBC. We are already seeing the results, and I believe a much stronger future lies ahead. Thank you.

Q&A

Sanjeet Aujla (Credit Suisse): Hey guys, thanks a lot for the presentations. This is Sanjeet from Credit Suisse. A question for Zoran. You ticked up the medium-term organic revenue growth algorithm to 6-7% from 5-6%. Can you just break that down with how you see volume and price mix progression, and to what extent is that accelerated growth just a function of the changing geographic composition of the business? Nigeria is bigger today than what it was in 2019. You have got Egypt now coming through. And what level of consumer price inflation are you embedding within that 6-7% medium term? Thanks.

Zoran Bogdanovic: Thank you, Sanjeet. There are a couple of factors here. First of all, as, as we have seen that this last year, this year, so kind of in a two-year time frame, it was pretty much price mix, a lot of price. This period embeds for sure a more balanced combination of the volume and price mix. And we would see that from next year, there has to be more on the volume side. Secondly, this also reflects the fact that we have also a stronger Coffee business. And yes, it is also the fact of the territories that you mentioned. But also, we do see that overall, categories in the market versus what we showed in 2019, are in a slightly better prospect, which proves the resilience of the whole industry that we have witnessed over the last few years.
So all these kind of factors, and also this is blended with the stronger confidence that we have today versus 2019 in terms of how we feel about capability of the organisation to sail through in rainy and sunny days. I think we talked a lot about capabilities, but really after these few years, seeing revenue growth management, how it balances not only price mix, but volumes, so all the levers there, that really gives us a better view, how we think that we will be able to be in this corridor. Plus, we take the assumption that, in terms of the inflation, that it will start easing towards the end of the year. And we would expect that that translates to the commodity and input cost from end of year hopefully and next year.

Sanjeet Aujla: Got it. And just to be super clear on this, when we think about your pricing philosophy over the medium term, is CPI a bit of an anchor for the business across each of the segments, or is there a need to accelerate affordability initiatives, particularly in the emergent segment, to drive that volume growth?

Naya Kalogeraki: It is both. So, there are very different opportunities, not only the segments, but also within the segments among different countries. The next phase for us, when it comes to pricing overall, would be how to leverage all different types of pillars, pricing, but also the mix, whether this is category mix, channel mix, package mix. And very important in that, at the very core is actually balancing between what you just said, affordability in markets like Nigeria, for example, with initiatives that we serve earlier, with premiumisation because we still see that there is huge potential in terms of how to play and win balancing both.

Ed Mundy (Jefferies): Thanks for the question, Ed Mundy from Jeffries. I have just got one question. Naya, for you. You mentioned in your first presentation about the importance of personalised execution by outlet. Where are we on that journey? My sense is, a lot of the things we learned from the breakout session are quite new. How much of that is still to come, really in driving that execution the next leg up?

Naya Kalogeraki: It is like this is a never-ending sort of journey, especially, when we raise the bar in each and every market. And from the accelerators, you got a feel in terms of the 'how', when it comes to data, when it comes to the digital and overall digital commerce. So, this is the 'how', the enablers, but also clear bets when it comes to the priorities in the three categories that we shared, Sparkling, Energy, and Coffee, but also pockets of opportunities. For us, we feel very pleased with the progress on that. We call it the strategy 'S equals one', which is we treat every outlet as a segment of one, and this is very important. And pandemic really surfaced the criticality of making sure that we are very close, not only to the channel or the area, but each and every outlet out there.

So then what we do is we are using all the different alternative route-to-markets that we are having, and with the main focus to be relevant in that particular area, and double clicking in that area, the specific outlet. An example from Nigeria, where from the inside, Ruchika and her team pulled information where we saw that outlets that are close to churches, and every Sunday church is something very important for the Nigerians. They're going there, so they open specific hours of the day. We picked up that information, and we went in a much more targeted way towards that.

All in all, pleased with the progress, we have accelerated the last two years, and, in the next five years, our plans and investments are going after this particular bet.

Zoran Bogdanovic: To briefly add here, is it foundational use case that we use. There was version one, Segmented Execution, focused on what Naya told. Now, we already rolled out version 2.0, because the more you learn, the more you see an availability of relevant data that we are embedding into the whole algorithms and how also technology works, artificial intelligence, all these things are enabling that there is going to be constant evolution. However, you cannot do version 2.0 without starting where we started. I feel confident that this is going to be an iterative, evolving process, to make it sharper, clearer for those who execute in the market.

Andrea Pistacchi (Bank of America Merrill Lynch): I have a question for Frank on Italy. The per capita consumption opportunity in Sparkling has been there for many years in Italy, partly because of the large penetration of bottled water in Italy. What gives you the confidence now that you can really narrow that gap? Is it the data capabilities you have or something else?

Frank O'Donnell: Yes, and let me start by saying, last year alone, we grew the per capita in Italy by eight. We had a big jump up already. Yes, everything that I presented there about the use of data, the marketing programmes that we have put together, the incremental outlet coverage. Particularly driving the meals occasion, this is a real strong catalyst. The pizza plan definitely worked very well, but we know that the lunchtime occasion, where we only have half the consumption of the evening occasion, when you aggregate it up, it is absolutely a huge opportunity. We are very focused on capturing that as well. And we see strong proof points already in terms of the per capita expansion in 2022 already.

Zoran Bogdanovic: Andrea, to add something here, the important person in the room also is Philippine, who is the counterpart of Frank from The Coca-Cola Company side. Our confidence comes here also from the fact how we together approach understanding of consumer, what Manolo was talking about, understanding what Frank just mentioned, and then how we blend that together. That really gives us huge confidence that it is a momentum that we know that we are doing the right things behind the right opportunities, that will drive tangible impact.

Robert Ottenstein (Evercore): Thank you. Robert Ottenstein, Evercore ISI. I want to follow up, with Frank. Another question on Italy. I think you said that you, in a few years had increased the number of customers by 45,000, is that right?

Frank O'Donnell: Correct. Yes.

Robert Ottenstein: That sounds like a really big number, and you have been in Italy a long time. Could you give us a little bit of a sense of how it could be that there were 45,000 customers that you weren't serving, and then specifically what you have done to bring on an incremental 45,000, which again seems like a large number?

Frank O'Donnell: Yes, look, it is a large number in a large country as well. One of the opening comments I made about Italy is that there's over 330,000 out-of-home outlets in Italy. Clearly there is an amount of those outlets that we were calling on, but we saw the opportunity to significantly expand the coverage, which is what we have done over the last two years, but there is still a large surface of outlets out there.

Naya Kalogeraki: And I think what we can add there is that the pandemic also reset the base, and Italy being a big country obviously had a lot of this resetting. This combined with what Frank mentioned, plus the segmentation when it comes to execution, popped up incremental opportunities.

Zoran Bogdanovic: And Robert, that does not mean those customers' outlets were dry. They were served by a network of distributors. When Frank presented that we added 200 salespeople almost exclusively behind out-of-home channel, that means that we created capacity to now call on those customers and outlets, which were previously served by someone else among other products. This brought focus, attention, relationships, prospecting, everything. So, that makes a quality difference.

Robert Ottenstein: Was it then the additional salespeople was the key lever to get the increased reach?

Naya Kalogeraki: Yes, it is a combination of many things. A big part is that, plus obviously targeted actions and pulling opportunities in those outlets in the full portfolio of NARTD.

Robert Ottenstein: And the 300,000, is that the entire opportunity set in Italy?

Frank O'Donnell: Yes, it is. Yes.

Robert Ottenstein: And what percentage of that is still to go, in terms of what percentage of that do you not call on?

Frank O'Donnell: Well look, there is two things. There is a piece here about the volume-weighted element of this. So, how much of the opportunities are out there. We are capturing a much bigger amount of the opportunities that are there. There is a long tail of outlets where it may not make sense for us to call on at all. I would say that we are already capturing quite a large chunk of the opportunities.

Olivier Nicolai (Goldman Sachs): Nikolay from Goldman Sachs. A couple of questions. First, can you talk about how categories like Coffee and Energy, will impact your margin and ROIC over time? Essentially, how much do you expect from these categories in your medium-term guidance? That is the first question. And then just following up on one of your previous comments about input cost inflation, which is fading, do you expect much pushback from retailers on pricing towards year-end and next year on back of that?

Zoran Bogdanovic: I will take the first one and, Naya, if you can take the second one, please.
On Energy, on the business with Monster, over last several years, we worked very well with Monster in terms of the quality revenue growth management, which has enabled that we have been improving our margins. Our margins on the Energy business are around or even slightly accretive margin-wise to the business.
As you might have heard from previous calls when I talk about Coffee, Coffee today is margin dilutive, which is not surprising, because we, as Prodromos talked about, we are front-loading a lot of investments, teams, technical service, machinery, everything, to really build capability to enable us the right to win.
It is a conscious choice that we are investing upfront. It is a huge market and it is not a walk in the park, so that requires investment. That is why, in this mid-term, a primary objective is that year-on-year, our profit and profitability moves in the right direction. I did not hide that in the first years, even we were negative with the P&L, just because of how we have approached it. However, this is a long-term play. We are not here hesitant whether next year we might be in Coffee or not. That is not the question. Coffee is a tremendous category, and that is why it is a blend of the portfolio that enables this play. However, Coffee, in terms of the direction of travel, is definitely a category where we have ambition that it has to be at and above average margin that we have.

Naya Kalogeraki: To pick up on pricing overall, first of all, we delivered strong price mix of 21% in quarter one, and we do have confidence when it comes to our pricing plans because it is always well thought in a holistic approach and the capability of revenue growth management is really helping us. That said, as

Zoran mentioned, moving forward, we will be focusing more on the mix part of other elements like category pack price, and this will be very different per channel. We expect price mix to phase out in the second half of the year. Moving forward, our plans will be adjusted per customer, per channel, to continue to play and win in this overall inflationary environment.

Charlie Higgs (Redburn): It is Charlie Higgs from Redburn. A lot of great initiatives today across Coca-Cola Hellenic, and I was just wondering your perspective on how you see the company as a platform for maybe adding on additional Coca-Cola bottling territories. Have you kind of built a model that you could quickly scale into other markets as you have with Egypt over the last few years?

And then my second one is just on Sparkling. Zoran, what gives you renewed confidence in the category, and then also how do you ensure that the move into low/no sparkling does not cannibalise some of the existing full sugar variants?

Zoran Bogdanovic: Thanks, Charlie. First of all, on the territories, I can say that Egypt demonstrates very well the well-structured, disciplined, fast approach in how we integrate market, even that happening in the very difficult year like Egypt had last year. We really made and assigned functionally our experts, who were then combined with local team leads, and we had a joint group really working function by function, on one side helping that we do not drop any ball operationally, but at the same time, elevating the operation to the necessary standards of Hellenic.

This does not happen overnight. I will give you one example. Throughout this whole year, we are moving and working on a very sizeable project of moving the SAP version that Egypt has to Hellenic S4/HANA. It is a one-year project, so that on 1 January, we start with Egypt being fully embedded on systems. If and when in the future any opportunities in terms of geographies would come to the table from The Coca-Cola Company side, of course we are fully ready. I am perfectly confident that we would be able to replicate that, on whatever the scale would be.

And second, I think that when I took over this role, there was lots of questions about sugar thing, questions about Sparking as a category. I think that we as a system, it starts with The Coca-Cola Company and with what The Coca-Cola Company team globally and Europe level and Africa level have done with the category to make it relevant to new upcoming consumers. So much innovation that we mentioned today has been so critical, all the reformulations to tackle those concerns. Content-wise, now all brands have zero sugar or low-sugar variants.

Also, packaging, which is another barrier for certain types of consumers where we have, again, among us aligned approach with 100% recycling under the umbrella 'World Without Waste', all that impacts Sparkling removing the mental barriers of consumers or whoever in terms of being in the category. Relevant campaigns and promotions, and what Manolo talked today earlier, we can talk about many categories. However, truly the biggest chunk of focus and attention and team effort is behind Sparkling.

Before COVID, it had an already fantastic momentum. It is the key highlight during this crazy period of pandemic that Sparkling performed so well and is so resilient, and now in the recovery, again performing so well.

By no means it is by chance, but it is because of all these things that are happening together. I really have to start and say we are the recipient to say that it starts with a great marketing and how The Coca-Cola Company approaches this category to really make it constantly relevant to the new generations and new waves of consumers. And I think it will be also good when we are later in the panel with Nikos, we can touch on that as well.

Growing Sustainably

Kateryna "Katya" Ryabets, Head of Sustainability, Coca-Cola HBC

We have a long-standing track record in sustainability

Good afternoon from my side. My name is Katya Ryabets, and I am head of Sustainability in Coca-Cola HBC. In the next 15 minutes, I will take you on our sustainability journey that we started more than a decade ago, and which is today central to our business strategy, creating value and strengthening our resilience; not only do we believe it is the right thing to do for people and planet, but also it strengthens our right to win with customers and consumers.

We have a proven track record of delivering on our sustainability commitments and being first movers when it comes to setting and achieving our targets. We were among the first companies who set client-based targets for climate. We were among the first companies who announced net positive biodiversity commitment last year. In the last 12 years, we reduced our emissions end-to-end in all three scopes by 30%, while global emissions went up by 12%. And our performance is recognised externally by the leading scores from major ESG benchmarks such as CDP, MSCI, and DJSI.

Stakeholders' expectations are changing rapidly

It is no surprise that all our stakeholders' expectations are increasing fast. We see how climate, social and economic challenges become strongly intertwined and this requires end-to-end approach and strong partnerships to address them. We see how this increased pressure also creates opportunities for us to work even closer with our customers. For example, on joint net zero or zero-waste programmes, we see that growing importance of ESG requires a different thinking to address it in a way that is creative to growth. And we believe this is what sets us apart.

Creating value and strengthening business resilience, while prioritising sustainability

Our approach to Sustainability is doing what is right while creating value for business and strengthening our resilience. And let me please bring some facts that illustrate the thinking. We have reduced our energy use by 30% since 2010. Not only does this have benefits for emissions reductions, but without this change we would have €50 million higher costs. 99% of our electricity in EU markets and Switzerland is already from renewable or clean sources. This secures our resilience in highly volatile energy market through implementing deficit return schemes across our EU markets, we expect to reach collection rates at above 90% and have better access to feedstock at stable prices.

We invest more than €50 million in three in-house rPET production units, which allowed us to decrease cost of rPET and also secure rPET supply. We reduced calories in SSDs by 17% per 100 ml, and this helps us to decrease emissions and also driving market share growth. As we have heard from Naya, low- and no-calories products are what our consumers prefer.

Our Sustainability strategy covers seven most critical areas, with clear time-bound targets

Our Sustainability strategy covers seven areas: climate, packaging, water, agriculture, nutrition, people and communities, and biodiversity, which we introduced last year.

Most of the targets form our mission 2025 agenda with bold commitments on NetZeroby40 and biodiversity coming on top. Partnerships are absolutely key to delivering across this broad range. We have a solid progress across all, however, let me double click only on the first three pillars – climate, packaging and water – which will be the focus of my presentation for today.

NetZeroby40

In the first two years, we have delivered on our roadmap targets

NetZeroby40, announced in October 2021, is our most complex, ambitious and forward-looking commitment. Over the past 12 years we halved our direct emissions and decreased our total emissions by 30% in three scopes, which highlights consistency of our approach to decarbonisation. In our net zero roadmap, starting point is 2017, which is the baseline for our science-based targets. We progress as per plan. By the end of last year, we reduced our emissions by more than 15%, which is ahead of the roadmap.

Our next milestone is to deliver 25% reduction in 2030 versus the same baseline and relevant reduction plan is already approved and endorsed by the Science-Based Targets initiative in line with the 1.5 degrees pathway. Our emissions targets are baked into the management incentive plan and performance share plan, making it both an organisational and an individual priority.

89% of our emissions are Scope 3

Packaging, ingredients and coolers as major contributors

Our big bets for reduction in Scope 1 and 2 direct emissions and purchase energy are the following: 50% renewable energy, energy optimisation initiatives, Green Fleet and incorporating green technologies in our CAPEX projects, however, almost 90% are in Scope 3, meaning indirect emissions. And here we focus on the initiatives in three major areas: packaging, ingredients and coolers. Of course, underpinned by close collaboration with suppliers. Let me please play a short video that illustrates our supply chain decarbonisation priorities.

[Video plays]

Increasing circularity of our packaging

Recovering packaging and reducing waste

Let us turn to the second area of our focus for today, which is sustainable packaging. This plays a critical role for emissions reduction, but also for waste reduction. Our efforts in increasing packaging circularity start from collection. In Mission 2025, we go for 75% collection rate as a target. For this, we are leading industry efforts in introducing deposit return schemes in our European Union markets, as well as efficient collection schemes in our remaining markets. This year, our primary focus would be to support DRS go live in Romania and Ireland, while also making progress in Nigeria collection and being primary advisors in the design of national collection system in Egypt.

100% rPET in selected markets

We are committed to achieving 35% of recycled PET in our plastic packaging. Our strategy here is to develop an own infrastructure for in-house rPET production building on the investments in three markets, Italy, Poland and Romania, while at the same time implementing transition to 100% rPET portfolio in selected markets. Such transition has been already deployed in Switzerland. Italy, as we heard from Frank, and Austria last year. Our next big bets are transitioned in Romania and Ireland later this year.

Innovating to increase share in reusable packaging and minimise plastic

We rely a lot on innovations to increase the share of reusable packaging in a value generating way. We are accelerating the shift to returnable glass bottle from non-returnable because it helps us to decrease emissions, collected higher rates, and also have stronger margins. Austria is our lead market in end-to-end glass strategy, capturing new occasions and premiumising consumer and customer experience. We are also experimenting with new packageless machines such as 'Compact Freestyle'. In our out-of-home channels, consumers can have new and more sustainable consumption experiences, enjoying 40-plus beverage choices with up to 70% less emissions versus PET. The beauty of these dispensed machines is that they allow our customers to transition to plastic-free or packaging-free venue or office environment.

We continue to innovate in secondary packaging. The KeelClip cardboard can holder is already live in all our European Union markets, replacing plastic with paper and saving around 2,000 tonnes of plastic annually. Another solution here being piloted as we speak is LitePac Top. This cardboard holder for the multipack of the family bottles allows to eliminate shrink film as well.

Committed to water reduction in our operations and water stewardship projects in our communities

And on to water stewardship. Water is the essence of our beverage production and that is why we are committed to protect this availability source, both reducing the amount of water we use in our activities and increasing its availability in our communities. To achieve our Mission 2025 objectives, we are working to minimise water use by 20% in plants in water-risk zones. All our plants, except those that are recently acquired, are certified by Alliance for Water Stewardship, which confirms that they meet global benchmark for responsible water stewardship.

We plan to have water projects in each water-risk area where we have plants. Last year, we doubled the number of projects expanding support in Cyprus, Greece, and Nigeria. One of the examples, we started a new water stewardship project in Nikosia, Cyprus. That includes grey water reuse, rainwater harvesting, information and communication technologies for smart watering, water efficiency applications and awareness building. We are expecting that this project will save around 3 million litres of water annually.

In Greece, we launched another programme, which is 'Zero Drop' with the same partners, where a new water piping network is expected to save around 10 million litres of water annually. Another great example, an impactful project recently launched in Nigeria to supply water to 1 million people by transforming a river water to drinking quality water.

Our diverse partnerships help us succeed, with ...

We are proud of our diverse partnerships network as only due to them we can achieve scale and impact in our sustainability performance. There are far too many to mention all of them here. However, what I would like to highlight is the increasing importance of sustainability in our customer partnerships. It is becoming a 'green thread', as we call it. Whether participating in initiatives of our customers or creating bespoke joint programmes, we aim to capture both sustainability and commercial opportunities for our business, our customer's business, and our planet to win-win-win.

One of the examples could be our energy-efficient coolers. Not only it helped to save more than 120,000 tonnes of emissions, but also brought estimated €72 million cost savings to our customers' energy bills. Our partnerships are beyond only that. We intensively work with our suppliers, and we are also scouting for promising startups. We partner with academia and among the latest examples is the project on enzymatic recycling of PET with the University of Portsmouth. Needless to say that the Coca-Cola system has a long legacy of partnering with NGOs, being close to our communities when and where they need us most.

Funding our sustainability programme

When it comes to funding our ESG agenda, our approach is to integrate sustainability benefits in overall growth-driving initiatives. In 2022, more than 200 million CAPEX spend was aligned with our decarbonisation and circularity agenda. Last year, we issued our first green bond of €500 million with the framework fully aligned with the UN sustainable development goals. Our key priorities are rPET infrastructure, returnable beverages containers, and energy-efficient coolers. And the first-year allocation report will be released later this year.

We put sustainability at the core of our decision-making processes

Looking ahead, we want to continue integration of sustainability in our decision-making processes. It already becomes our 'how' instead of just being a standalone business pillar. Overall, with every investment that we make, we consider sustainability impact, whether indirectly in productivity or energy efficiency, or directly in, for example, emissions reduction.

In our CAPEX the share of spend allocated to the projects with sustainability benefits is increasing. Net zero is integrated in our management incentives. 'Pack Mix of the Future' was launched as one of major organisational initiatives this year. It connects our revenue growth management thinking with net zero thinking through unique set of tools developed first time within the Coca-Cola system. We are working to introduce and a sustainability lens in our new product launches decision-making process. And we will accelerate building sustainability as an organisational capability with the first sustainability bootcamp for customer-facing teams planned for this year, adding to the suite of academies that shared by Zoran and Naya.

We have a proven track record of delivering on our sustainability commitments

Let me please conclude with key messages. Sustainability is embedded in our daily culture. We are reducing amount of packaging, consumption of water, consumption of energy long before sustainability became a thing. At the end of the day, it has a good business sense to be efficient with resources because it may help to reduce our costs and increase our margins. It also has a potential to grow our top line because our customers and our consumers demand more and more of sustainable products. We chose to approach sustainability as a true growth driver, and that is why, as Zoran mentioned earlier on, 'Deliver Sustainably' is introduced as one of our four core values, aiming to continue our growth story in a responsible way, in a repeated way, in the right way.
Thank you for being with us today.

Growing Together – Panel Discussion

Nikos Koumettis, President, Europe, The Coca-Cola Company

John Dawson: Absolutely delighted to have Nikos join us. We have got a few questions that we are going to go through, which open up some of the themes about the relationship between The Coca-Cola Company and Coca-Cola HBC. I think it is fair to say the last four years have been challenging for the industry. I would like to maybe pose the question about can you share how we have worked together, how you have worked together as a system to develop and manage through these difficult periods? Maybe Nikos, you would like to start first?

Nikos Koumettis: Of course. Great to see you all. First of all, I am working with the company 23 years. Out of those 23 years, 20 with Coca-Cola Hellenic. Very, very happy to partner for a long time, with Coca-Cola Hellenic. And let me also say that probably you have read all about the impact of the pandemic on relationships, and it had mainly a negative impact, right? On partnerships, relationships, etc. In our case, it was the opposite. We had a very good partnership even before the pandemic, and the combination of the pandemic and the war made our partnership even stronger. And I will expand a little bit on how that happened. The focus areas that we had the last four years were, first of all, and you heard all of it. Just let me a little bit repeat. Revenue growth management. I am not sure you are aware, but, together with Hellenic, we developed back in 2016, the ten steps of revenue growth management, and those steps now are adapted by all the world. The way we work in revenue growth management across the world are based on the work that we did few years back.

And revenue growth management is very, very important at this point because in this inflationary environment, on the one side, and recessionary, on the other side, it is important to have the right balance of affordability initiatives and premiumisation initiatives in order to be able to manage overall, your P&L, and hopefully your mix to be better than pricing alone. And this is what we are trying to achieve.

The second area that we focused very much, especially during the pandemic, was on Adult Sparkling. You keep hearing, you saw in the booth, but I cannot underline how important this is for our future. The big data point for Europe is that, as you probably know very well, population is ageing. At the moment the average age of Europeans is 42 years old. It used to be 38 only 10 years ago, right? So it is changing fast. And we know that as you age, your taste profile is changing. That is why we are developing a range of brands that we call Adult Sparkling because it is very, very important to attract this ageing population as better as we can. And that is why it is so strategic, so important. And by the way, it is very, very profitable.

The third area that we really focused even before the pandemic, but very much during the pandemic is sustainability. And you know, Hellenic of course, must be very proud to be the number one beverage company in the Dow Jones Index. But in reality, what Katya presented before that we decided last year to announce a net zero target of 2040 was really a very, very bold move. As you have seen also other companies, most of them do not dare to announce that. For us, it was announcing and then raising the bar in making it happen. And that is why as you see in Italy now, we have 100% rPET in Italy. In Europe as a total, we are close to 50%, where 50% on rPET is the global target we have as a company for 2030. Thus, we have achieved the 2030 target on rPET in Europe years ahead. What we really want is to continue raise the bar sustainability. And that is really very, very important.

And the last and fourth thing that we were forced to focus more, if I can say that,

is data and digital. Of course, you know, our life became immediately very virtual, very digital during the pandemic. However, that helped us really accelerate digital capabilities on both sides. You heard Manolo talking about what we do on the marketing side, on the data side with the consumers. Hellenic did even more work, I would say, in all the other areas of digital in the route-to-market, in the trade. As a combination, this is also an area that we focused together and doing quite well.
Those four things in reality, in my view, are the things that really helped us, progress and develop.

Zoran Bogdanovic: First, I would like to echo what Niko said about working together. You know, how they say in crisis, cultures are not shaped, but they are rather revealed. I think same goes for relationships. And I think in this madness that we were going through, this was really surfacing the quality and the way we worked together. Personally, I was grateful and very thrilled to see how fast we were acting and reacting, which you can think sometimes like we are two different companies. However, working as a system the speed with which we were making tough decisions about resourcing, funding, prioritisation was great. That is one point.
Second, I am very proud that even in during this tough times, what Nikos mentioned on sustainability, that we did not drop the ball. Because fundamentally focusing on sustainability really means making business more sustainable. And I am very happy that even in these tough times, we did not cut back on some things. That made us ready now to be on rPET, prepare ourselves for the commitment for NetZeroby40, which is not just like waking up one day and say, well, let us do it. There is quite some work that we have been doing together, dealing with short-term fires, but never losing sight of the long term.
And last thing is that in these tough times, we had support behind communities. During pandemic, what we have done together, and also last year, the way we have together created support funds and various means in supporting people from both sides of the system and communities in Ukraine, really is something where we act together. I just want to call this out, because it shouldn't be taken for granted, but it is really something that brings the quality of our work and our relationship become very visible.
Naya, anything to add?

Naya Kalogeraki: I think you covered it all, but the two I would call out here is relentless focus on Sparkling, and what Nikos mentioned, the RGM. We keep repeating that, but for us, RGM is really a discipline for growth. Actually, discipline for quality growth, and all the work we have done, back in 2016 with the framework that Nikos mentioned, but also investing behind talent, tools and everything is really paying off. So, these would be the two I would call out.

John Dawson: Thank you. We have already heard from Manolo about the different changes that are going on in the ways of marketing. What other strategic and other developments have there been in the partnership between The Coca-Cola Company and Coca-Cola HBC as a strategic bottler?

Zoran Bogdanovic: If I can start, I think that what I mentioned as one big learning of this period is prioritisation. I think this is very important how what you want to focus on, but equally what you do not want to focus on. Knowing where across all territories, we put resources and where we invest time, but also in which markets we say, look, that is not priority, that category, that was something that was a part of learning.

Second thing I would just say, in these couple of last couple of years, our play in Coffee, I would think it leads the way globally because we are going full throttle, no half pregnant, but head on. And that is what we are doing together through constant joint steer cause development.

And third point is the big development that has happened is, also now our partnering in Egypt. That is tectonic, with all turbulences at the moment. However, I think that also I see as a sign of mutual trust, relationship, belief in joint future. I will just call this out.

Nikos Koumettis: Let me add three more. One is that the combination I think of the pandemic and our sustainability aspiration made us become much better in long-term planning. And this is something that we always did three years planned, but now the granularity that we do then is very different. Plus, because of our sustainability targets, we look 5-10 years out much more than before. And that is really something new and better and different. That helps us also understand a little bit the future as much of course as you can understand it.

The second difference is that during the pandemic, we had in the company a major reorganisation. And in reality, in the past, our structure and business model was such that 90% of the decisions were taken in the countries and 10% centrally. But that did not serve our purpose on all sides because of having global brands, right? So with our organisation now, 65% of the decisions roughly are taken centrally, 35% locally. And, we are very lucky with Hellenic, especially, because Hellenic is one of the few bottlers that have a central structure on their side, led mainly by Naya, that we can agree on those more central initiatives and cascade faster down to the countries. And that is really very, very helpful for us.

And the third point that I think we progressed is also an integrated execution. As you know, execution is one of our strengths. We were always good in execution, but the way now that we come from the idea to the creative content to seeing it in the store, it is much more integrated and much faster than before. You heard Frank talking about the pizza example of Italy. That is a really good example, on how we are working on integrated execution.

John Dawson: Excellent. So, we have heard a lot today about how the organisation has changed to create a much more iterative mindset, whether it is to do with learning or development of the organisation through process and continuous change. What is it that is happening within the companies to sort of embed that, to maintain that culture within the organisation? How is it going to continue into the future?

Nikos Koumettis: The biggest change I think by far is the way we approach experimentation and failure. The way we approached it before pandemic was a little bit more static, right? We had our business plan every October, November, we agreed on everything and then went and execute. What the pandemic and the war taught us, is that we really need to be much more agile and much better in resource allocation. The way we do things now is very different.

We have a small committee, for example, Naya is leading on the Hellenic side, where the teams across countries, no matter what we are doing in the business plan, come with extra initiatives every week, and then very fast approve or not approve those business case initiatives, so we can iterate all the time. That is creating this social location principles really create a competitive advantage in my view. I guess other companies must work in the same direction, but for us it is really very, very important at the moment.

And the second, I think is daring to fail. Innovation is critical, as you heard all the day, but the way you approach innovation really matters. And for us, one is the mindset of innovation. Second is the process of innovation and the way we work together with our bottlers on innovation. And the third is the focus of innovation. And Katya also mentioned before, but personally I am very proud to say that in Europe, a lot of our innovation is focused on sustainability. Whether this is the KeelClip or the other stuff that you heard today. And Hellenic is really leading the way in this, which is great for us, but also great for the consumer. The last three years we see dramatic changes in what consumers say about packaging. For example, now we know that two-thirds of the consumers in

Germany and other big countries say that to make a shopping decision, they really care about packaging. And that is really important for the way we see things.

Zoran Bogdanovic: I would say that another element how there is constant nurturing of this mindset is like being there, being out in the market and being together, discussing what is going on, seeing competitive reactions, seeing opportunities, not only in the offices where of course sometime we have to be, but I think our passion to be in the market in the outlets to look at that is something I would really call out. And in fair assessment, I see that as a stronghold, we can talk about what we can do better. That is one thing.
Second thing is we said mindset. A growth mindset will be nurtured by passion and excitement and drive, but it is not enough alone. The data in digital in insights and analytics that we have been investing so much over the last three years, I think this is something that gives the substance to the heart and passion, so that it is we are doing it in a more informed way. Sometimes when we work with consultants who see things that we have in the company, they tell us that we sit on abundance of data like they have never seen between two organisations. Thus, how do we put that together so that we get the insights, which then blended with crazy passion and drive, I think that will help in how we are evolving our mindset.
Naya?

Naya Kalogeraki: Yes, I would add one more here. The talent exchange overall. To talk numbers, the last three years, we had 62 moves within the system. And we are very passionate about it because in that way we are really short of go after upskilling, reskilling, but also allowing the talents to be relevant. And this is something very healthy, and we are proud for that.
John Dawson: Yes, it certainly seems to be part of the culture to encourage people to explore and develop within the whole system, rather than just within individual parts. It is very impressive.
Maybe the last question, what do you see as the most important challenges ahead for both The Coca-Cola Company, Coca-Cola Hellenic, and how we work together?

Naya Kalogeraki: Challenges, I think we covered already, like when it comes to the macro is one.

John Dawson: Well, let us look at the opportunity.

Naya Kalogeraki: I just want to say there, the way we are doing things, which is not only the 'what', but also the 'how' proves that we can go after any challenge working together as a strong system team. And from an opportunities perspective, many were mentioned before. I would pick up two: the experimentation and innovation that Nikos mentioned earlier, and Zoran. It is not about a new product, a new category. The way we are trying to bring some type of a fresh approach in everything we are doing, it is something that really registers well in the system. Earlier we talked about customer gates. This is an example of innovation because we used to listen to our customers via this once per year survey. Now with this, we do have an always on sort of approach. This is one example of innovation.
And the second part is investments. We can all be excited with a new product, with anything new. However, investment is what really makes it very specific in terms of reasons to believe on top of the rest. These would be the two I would call out here.

Nikos Koumettis: Let me add two more. One is how we bring our culture to life. And I think similar to what Naya said for me, from all the numbers we saw today, the one that I think is the most important is the 62 people of talent exchanges. And maybe it says nothing to you as a number, but only three, four years ago this number was five per year, or zero or three. When you start to exchange 60 of your senior managers, that creates an amazing dynamic and competitive advantage for the system. Because people go, come back with more knowledge on both sides. And that for me, is fantastic for the years ahead. The culture we create with the trust we have developed together, I think that is very, very important.
And the second is the excitement of becoming a total beverage company. And how we are going to do that, on the company side, we have as priorities the alcoholic-rated drink. We start with Jack and Coke, and then we have more to come. We have tea as another category that also is relevant for adults. It is a category that is very relevant to us, and of course, Adults Sparkling that we discussed, and we see the progress, and we will see much more progress. So, that is a spark on how we see developing as a total beverage company that I think is what we need to accelerate more, to do even better.

John Dawson: Thank you. Zoran?

Zoran Bogdanovic: I will build on that, two, three things. One is that I would build what Charlie asked earlier is, I think I base my biggest excitement of what and

how and what we will be doing with Sparkling. That is the biggest thing. That is our really competitive advantage from whenever we do our independent and joined assessments of the next decade or decades, you see the areas from which the growth will come from. Those areas are Sparkling, Energy and Coffee. However, Sparkling provides so many avenues and opportunities, so, I will just reinforce that point.

Second, is I think there is an exciting part as well, what we are doing in sustainability. On Coca-Cola Company's side, Europe is a continent that leads the way globally. And we are very proud to be core, doing some things on our own, but many things together. And it is not only what we are doing for us as a two companies and as a system, or only for Hellenic, but it is also how we are shaping, influencing the whole industry. And I think there is a bigger purpose of impact that we want to do for the broader benefit.

And last thing, I think what Nikos very well said, and you have seen, I have included in my remarks, the culture piece. I think this is really truly something that you cannot touch, but either it helps you or it stops you. That is why being very open, having a mirror view on yes, where we are great, where we are strong, but also being super honest what does not work, and addressing it very transparently through people exchange, how we learn from each other, moving fast. I think that the cultural element is something that excites me. I, personally, strongly believe in that to be the catalyst and the differentiating factor of how everything that we do on the corporate level, but ultimately the moment of truth is how that translates in every single outlet, and what people do, but also are they doing it with a smile? Are they doing it with shining eyes? Eventually does make a difference of how one executes versus any other competitor. I strongly believe in that. And this is something where one can never stop. And we will never give up on forcing ourselves to be better every single day, in a very honest way.

John Dawson: Very good. Thank you very much. Thank you to Niko and to Manolo earlier because we had a fantastic participation from The Coca-Cola Company today. You and Manolo gave us some really good insights into the business. We appreciate your contribution and participating, and we know it is a commitment of your time, so thank you very much indeed. And thank you very much for taking part in the panel.

Nikos Koumettis: Thank you.

Zoran Bogdanovic: Yes, thank you. Thank you very much.

Driving Shareholder Value

Ben Almanzar, Chief Financial Officer, Coca-Cola HBC

We have consistently delivered strong financial results

Revenue

Thank you, Niko, Zoran, and Naya for that wonderful panel for sharing with us how we work as a system. Good afternoon to those of you here today, and to those of us joining us, via the webcast. I would like to share with you how we have consistently delivered strong financial results, and basically, why we have so much conviction and confidence that we can continue to grow this business profitably over the years. And, in order to do that, first, let us look at our historical results, because it will help us set the context of where we are coming from and where we are in our journey.

This company has delivered strong financial performance since 2016, showing resilience through different business cycles and also trying times. Our track record speaks for itself. In terms of volume, we have seen an acceleration in growth from an average organic growth of about 3% in the 2016 to 2019 period to basically a very healthy 5% between 2020 and 2022. Volume revenue recovered remarkably well post-pandemic surpassing 2019 levels by a very wide margin, approximately 14% organic growth in volumes and 30% organic revenue growth.

EBIT

We have markedly increase price mix across all segments, and the size of progress we have made in growing revenues is testament to that commitment. Our focus on cost management helped us deliver the highest ever EBIT in 2021 of 11.6% in terms of margins, followed by a record level in absolute EBIT in 2022. It is also worth highlighting that on average our EBIT expansion has consistently outpaced top line growth, and that demonstrates our focus on increasing the financial fitness of this business and creating shareholder value.

Year of efficiency improvements have created a resilient business

The work that we have done improving efficiencies and moving towards a more variable cost structure has generated tangible savings and also resulted in a more agile business. Let me illustrate with a couple of examples. When it comes to production efficiencies even though the bulk of the restructuring work in both production and logistics was completed by 2016, we have since delivered a 40% reduction in the number of distribution centres. We have also embraced automation, automatic line changeovers, predictive maintenance, robotic warehousing, and all of these initiatives have resulted in savings of about €100 million since 2020.

In addition to optimising our infrastructure, we have implemented various projects to improve operational expenses. For instance, in 2020, reacting to the pandemic, we swiftly deployed a series of cost-cutting initiatives or cost containing measures, reducing our operating expenses by about €120 million in a single year. And that annual productivity programme is really embedded within our operations.

By continuously identifying efficiency enhancements, we have bolstered our financial performance. And right now, from current visibility, we do not anticipate restructuring efforts.

Efficiencies are embedded in our business

Our efficiency initiatives are organised into four distinct pillars: production, operational, Sustainability and digital. Zoran previously discussed our operational initiatives and how we are redeploying our people's capabilities with more adaptable structures without creating additional cost. Katya just highlighted how our efforts behind sustain the sustainability agenda, at the same time create considerable cost savings for our company now and for the future. And finally, you have heard from Ivo and Mourad during the accelerator about how we continue digitising our company and generating savings while doing so.

Productivity initiatives adding value

Let me provide a bit more colour on some of the productivity initiatives we are working on. Our ongoing investment into new production lines, and the replacement of old ones enable automatic line changeovers, and this adds flexibility to our manufacturing process, allowing us to respond faster with less waste to fluctuations in the amount.

We are implementing digital tools to monitor our production processes, and it is precisely that integration of technologies that improves the overall performance and efficiency of our manufacturing operations. Our new production lines also consume less energy, resulting in reduced utilities cost, in addition to lowering our carbon footprint. This also had the further benefit of decreasing production overheads as percentage of sales.

To continue to reduce cost to serve as percentage of revenue, we are also enhancing our logistics network by expanding automation across all of our markets. And by doing that, we improve flexibility, we minimise any supply chain disruptions, and on top of that, we deliver top-notch customer service, which is ultimately what we are after.

We see there the Energy category, and we heard earlier today is strategic. It is one of our enterprise priorities where we anticipate to deliver outsize growth over the mid-term, and we are adding dedicated lines to Monster products, one of them in Italy, three more planned, and they will be operational by 2024. And this increases our ability to meet demand. This also improves asset utilisation and absorption fixed cost, as well as opening up additional revenue streams through toll filling.

FCF generations supports our strong balance sheet ...

Turning to our balance sheet. It remains robust, underpinned by reliable delivery of strong free cash flow with an 8% growth on average since 2016, despite the challenging backdrop. In fact, in 2022, we achieved a record free cash flow of €645 million, an increase of all nearly 50% compared to the levels we have seen back in 2016. And this growth is a result of our focus on profitability, because at the same time, we have improved EBITDA by over 60% versus 2016. In addition, our efficient working capital management and continuous improvement of the cash conversion cycle has delivered substantial inflow for three consecutive years now.

... keep investing in the business

While we keep on generating strong cash flows, this has been focusing on efficiencies by delivering robust financial performance. We have not compromised on the investments in the business to support present and future growth. We have consistently deployed a healthy level of capital expenditures, which has increased 9% on average annually since 2016. However, it is very important to note that these investments are disciplined, and we have respected our guided range of 6.5-7.5% of CAPEX as percentage of revenue. Our investments are primarily focused on driving organic growth within our business as we expand market reach and also enhance our operations.

And again, let me share a few examples. That means installing new capacity in priority markets and leading manufacturing technologies. That means investing in the next generation of energy-efficient connected coolers that drive our route-to-market and increase the penetration of single-serve packs. In 2022 alone, we deployed 100,000 coolers in our markets.

We continue to accelerate our digital transformation. 13% of the 2022 CAPEX went to digital initiatives. And last, but certainly not least, all of the investments that we make in the company are done considering our sustainability agenda in order to meet our commitments, targets, and deliver a better business.

Clear capital allocation priorities drive shareholder value

Our strong balance sheet provides us with flexibility. This can help us make investments and realise organic and inorganic value creation opportunities. And our first priority is going to be to allocate the right level of resources in order to generate the organic growth that we are targeting in the business. I just outlined how we are investing in market reach and also in strengthening our operations.

Secondly, our strong free cash flow allows us to maintain that progressive dividend policy with a sustainable pay out ratio of 40-50%. We also pursue strategic M&A opportunities, and we have invested €800 million since 2019 in acquisitions, and we will see more of that in the next slide. Finally, if we cannot find more effective users of capital, we will remain committed to return it to shareholders, and this may be in the form of special dividend like we did back in 2019.

Before moving on a reminder that we target net debt to EBITDA at 1.5-2.0x, ensuring a prudent balanced leverage while driving the right returns.

M&A that supports our strategy

Our track record of successful M&A and strategic investments is a powerful instrument for growth. This expands our business and more importantly, creates value. And there are two types of M&A opportunities that we generally pursue. The first one is geographic expansion, and the timings of these deals are aligned in conjunction with The Coca-Cola Company. And of course, any new territory must make strategic sense for us. We remain willing and able to evaluate opportunities when they may arise.

Recent examples of this approach is obviously Egypt, which we acquired back in January 2022, and of which we have heard a lot today.

The second type of opportunity are the bolt-on acquisitions and investments. Our focus here is really to enhance our portfolio, either by acquiring brands that add value to existing categories with the potential to be scaled up, or by acquiring brands that complement our existing propositions of the categories. Our acquisition of Lurisia and Three Cents, super premium brands that improve our existing Adult Sparkling portfolio, are good examples of this.

To summarise, our balance sheet gives us optionality, we can react when the right opportunities come along, and by the right opportunities, I mean those that make strategic sense and also financial sense for Coca-Cola HBC.

Laser-focus on improving returns, while growing the business

Before we dive into the mid-term outlook, I would like to highlight ROIC and our performance over the past couple of years. When evaluating our results ROIC is a crucial KPI. To maintain that vision of being the leading 24/7 beverage partner, it is essential that will make thoughtful choices, ensuring efficient and effective deployment of capital to drive that profitable growth that we are after.

I am pleased that we have driven continuous improvements in ROIC. In 2022, we delivered a ROIC of 15.8%, excluding Egypt, which is a significant step-up 5.5 percentage points versus the kind of ROIC that we were delivering back in 2016. And this is that we continue to invest also substantial CAPEX. As revenues and profitability grow, we are also enhancing our asset investment efficiency, and we maintain that laser-like focus on improving returns while simultaneously expanding the business.

We have high confidence in the growth algorithm

Turning now to growth. We have a profound understanding of our growth algorithm. In the last four years, we have taken advantage of 5% industry growth and executed our strategies effectively, adding 270 basis points of market share, and our strong revenue growth management capabilities, which you, you heard from, from Naya year earlier, resulted in those growing volumes plus an improvement in price mix of 4.7% on average per annum over the same period. Again, as Naya described in her presentation, we benefit from operating in a non-alcoholic ready-to-drink category, which continues to expand at a very healthy rate, and we expect to grow ahead of the market taking share. And this is going to be propelled by the strength of our unique and broad portfolio combined with the increased investments in marketing that we are having in our best-in-class capabilities.

While we do not expect price mix to continue expanding at the same levels that we have seen in the past 12 months, we do see price mix improvements as we go forward, driven by category, package, channel, and yes, pricing too. And this is the result of the commercial strategies that we have aligned and share with you today.

Organic EBIT should growth ahead of organic revenue in future years

We expect to drive organic EBIT growth ahead of organic revenue growth, and that is over the medium term. This is supported by four key pillars: price, mix, operational leverage and cost efficiencies. Pricing will continue to contribute positively to EBIT and derive growth year-over-year, albeit at a more moderate pace versus the recent past, as some of those inflation pressures that we have seen recently ease.

In terms of mix, we expect that category mix is going to be positive. It is going to be a positive growth driver propelled by Sparkling and Energy. Also, our continuous improvements in single-serve across all categories should help deliver a better package mix. And finally, at a country level, we expect markets like Egypt and Nigeria to improve their margins over the mid-term. And that is the same also for developing markets such as Poland and Hungary after the reset from the sugar taxes that have been implemented in the recent past.

Another enabler here is operational leverage as we will continue reducing fixed costs while growing the business. And finally, as discussed in previous slides, the ongoing cost optimisation and strong cost discipline culture that we have in the company will help us continue to grow revenues ahead of operating expenses, which will be another key lever in terms of achieving that goal to drive EBIT faster than we can drive revenue.

Mid-Term Outlook

Bringing it all together, I am pleased to provide with an update on the mid-term outlook for the period beyond 2023.

First and foremost, we expect organic revenue growth in the 6-7% average per year, and that is ahead of our previous guidance and of the industry growth that we see for NARTD in our markets.

Secondly, we are confident in our ability to grow EBIT faster than revenue. As a result, we continue to expect that organic EBIT margin expansion in the 20-40 bps on average per annum, driven by the key enablers that I mentioned earlier.

Our focus on expanding ROIC remains. We will continue to invest in the organic growth of the business in a disciplined manner. And as part of this approach, the CAPEX to revenue ratio will remain between 6.5% to 7.5%. We believe that this range is sufficient to cover the necessary investments that the organisation requires. In addition to the strong revenue and EBIT growth, our ability to generate cash has been exceptional in recent years, and we expect to keep on growing free cash flow over the medium-term to support our capital allocation priorities.

Driving shareholder value

Before handing over to Zoran, let me conclude by saying we are confident in our growth algorithm building on a proven track record. We expect to continue to drive efficiencies in the business. This in turn, is going to help us deliver EBIT growth ahead of revenues in the coming years. And with our strong balance sheet, we confirm our capital allocation priorities to deliver organic growth for the business, and, more importantly, value for shareholders. Thank you.

Q&A

Fintan Ryan (Goodbody): Good afternoon. Fintan Ryan here from Goodbody. Within the 6% to 7% midterm organic sales guidance, how should we think of that between regions in terms of Established, Developing and Emerging? And specifically, how does Russia fit into that mid-term algorithm?

Zoran Bogdanovic: First of all, all three segments will contribute to that algorithm. In Established, where we really see in the last number of quarters, we really feel quite optimistic about the Established segment. Then Developing, I think, is really performing really well. At the moment, we have more, let us say a bit more soft on the Africa front, but that always comes in a cycle and waves. So, Emerging will continue really contributing. I would say that all three are to be at the level of this guided algorithm. It depends on the years, that is why we say in average. However, I think that all three segments are the ones from which we expect growth to come.

And for the Russia question, this is not a market where we are driven with current circumstances on our performance management. However, everything as it goes over there, just following the demand within the environment over there, it also fits in the environment. And we see that in this whole new model that has been done, this business has always been in a very good shape. It continues on strong fundamentals that exist there. We do see that primarily driven by price mix, the revenue generation will be for sure in the positive front. That would be my expectation.

Simon Hales (Citi): Simon Hales from Citi. A couple, please. Maybe one for Ben to start with. Just as we think about COGS into next year, clearly, we have talked a little bit about COGS coming down. What are your latest thoughts there now, particularly against a backdrop of higher sugar costs, higher juice costs, and are we thinking we might see COGS deflation? And how does that fit into your 20-40bps medium-term margin guidance? Is that included what we might see in COGS next year in that guidance, or we are really thinking 2025 onwards is midterm rather than 2024? That was the first one.

Ben Almanzar: Thank you, Simon. That is included in there, in that guidance. That expectation, we incorporated the latest that we have seen. Obviously, you know, you said it yourself very well, that the environment in commodities is very volatile at the moment. We were not expecting sugar to go up so high, but even then, that is the expectation for us. The algorithm starts beyond 2023.

Simon Hales: And just to check secondly, with regards to the midterm guidance, and coming back to Fintan's question around Russia, if we were to exclude Russia from the midterm guidance, does the midterm guidance still hold?

Ben Almanzar: It does.

Sanjeet Aujla (Credit Suisse): Two from me as well. Sanjeet from Credit Suisse. Historically, 11% margins has been a bit of a benchmark for the business, right? I think it has been your previous peak. When we were here in 2019, you spoke about 20-40 bps margin expansion per annum on an 11% base in 2020. That would have implied 12-13% EBIT margin by 2025. If we look at consensus expectations for 2023, I think it is around 9.5% margin. By that point, growing 20-40 bps per annum would only get you back to 11% by 2027. Would just love to get a sense of what is the right base on which we should be extrapolating that 20 to 40 bps, and medium-term, do you still see margins potentially getting to the 12-13% range, which was the ambition back in 2019? Thanks.

Ben Almanzar: Basically this guidance, Sanjeet, is beyond 2023. What that means is that we need to take 2023 as base, and then we start building from there, in terms of the margin expansion. You are right that given the headwinds of COVID, war in Ukraine, the extraordinary commodity inflation that we have seen over the past two years, then that has put a delay in the trajectory. However, we still consider we can get there, even if not by 2025.

Zoran Bogdanovic: And I would like to add that being there in 2019, and thinking about the road going forward, we obviously did not have in mind what happened from 2020 onwards. We could have prioritised margin element, which would significantly constrain the top line, and then what it would do at the bottom line. That is why we openly said that last year, as well as this year, we felt that it is the right thing for the business to focus on the absolute, so to really make the blend of how to really leverage top-line opportunities. It was a choice. It did not happen to us. We really felt that is the right thing for the business.

Going forward, as Ben said, from 2024, we feel that it is fair to guide with this range. Now sometimes this average means that it can be maybe 10 basis points. God knows what is there, but it could as well, well above 40. Our ambition is that the business has to continue growing with all the reasons we said, but also that there is a work and opportunity clearly on the margin front. And we will remain mindful on how we develop margin, but also not constraining the top-line given the nature of the markets.

Sanjeet Aujla: Got it. And my second question is just coming back to Russia, clearly you have had some good success with the launch of the local portfolio, the new model, and appreciate you are not really investing in that business. Should we understand Russia to be a business that is in the new model, margin-accretive to CCH? I think it was last year, but would just love to get a sense of what you think steady state level margins are for the new-normal model there.

And in a situation where you are really unable to extract cash out of that business today, how do you look to extract value? Would you be potentially open to even dispose of that business, down the line if you continue to be unable to extract cash? Thanks.

Zoran Bogdanovic: I will touch on the first one. I would think about business in Russia as not being margin dilutive. I think that is fair to say. Now to which extent with the circumstances as they are, it is not margin dilutive and today's visibility, that what I would say we see. Now, how that evolves, we will see.

Ben Almanzar: Basically, on your point, that is precisely what we said that we have set up how we have organised that business. Self-sustainable, as Zoran says, is not being to maximise performance management. And when it comes to repatriation of dividends, as you know, it is very constrained at the moment. There is no specific mechanism to do that right now. And that is why when we think about liquidity for the Group, and we think about cash planning and investments, we are not counting on Russia upstreaming. Whatever it is of that business in terms of value is being accumulated in there for the time being, which is what helps it be self-sustainable without having to require any investment from the Group.

Naya Kalogeraki: Just to add on that, it is not a strategic priority for us, at this point of time, Russia.

Mitch Collett (Deutsch Bank): It is Mitch Collett from Deutsche Bank. Ben, you outlined multiple drivers of margin upside. We have got sort of several countries coming back to previous levels of profitability or closing their gap. You have got the adjacencies, and I appreciate Coffee is not margin accretive yet, but it might be in the future. You have got the operational efficiencies, and you have got pricing. And yet you have kept your margin guidance the same. Is it right to think that sort of growth mindset of the business is that if you are able to achieve margin expansion over and above that 20-40 basis points, you just reinvest that excess margin in generating further growth? Is that the right way to think about it?

And then you commented on the geographic component by talking about those countries. Is it fair to say that the divisional differentials, even if they are all at the level of the guidance, is likely to be a slight margin drag at the same time?

Ben Almanzar: Let me touch on your first point, which is there further upside beyond that guidance? That is really the essence of the question, if I understood correctly. We said 20 to 40 basis points. And Zoran said it very well, which is there will be years where there will be more than that, there will be years where it is probably less than that. Because that is why we say on average. And what that does is that, to your point, Mitch, it allows us to focus on delivering the right level of investments for the business, reinvestments, create the business of the future, like Coffee, for example, create the next generation of connected machines, digitalisation, etc. It allows us to invest in not only on the business of today, but also tomorrow. It is a good range to have in there,

and it will not be exactly 20 or exactly 40 every year, but on average over that period.

Zoran Bogdanovic: There is also an element of investment, which if we do not do it, yes, there could be 10 or 20 basis points that can be margin improving. However, instead of adding 200 people in Italy, could we have done algorithm that it was 100, but then kind of piggyback more in the bottom line and somehow see, or, as we created and resourced group teams behind data, insights & analytics, and various teams, reflects the fact that we really want to invest. That is why I do not call it cost, but it is an investment. That is why it is a balance of how we think about margin, but also about doing more investments than probably some other companies are doing. However, it reflects the belief how we want to build this business, not only for next year, but also that it stands and that it is better for three, four years ahead. That is the balance.

Ben Almanzar: Your second point was in the geographical mix. If I understood correctly, you wanted to get some more clarity about some of the geographies that are margin dilutive, expand faster, whether that put a drag on margin, was that the question? Okay. Basically, when we look at our algorithm, we have a number of geographies that we need to advance the margins. We talk about Egypt. Zoran has mentioned it in the past, for example. And what we expect is that as that business improves, so improves the equation of the total Group. We also have the benefit that we also have other fast-growing geographies that have higher margin than that. Therefore, it balances out. The answer is no, there is no mechanical drag. The expectation is that those geographies are going to keep on improving.

Mitch Collett: And then a related follow-up, if that is okay. The digital tools you have outlined today, I guess they help you do a lot of the labour-intensive jobs within the Group at a more efficient level. Is the long-term goal to sort of redeploy that efficiency saving in driving growth? Or is there ultimately a margin component to being able to do those tasks more efficiently?

Zoran Bogdanovic: I think it is both. Yes. It is not going to be just one way, but it is both.

Mandeep Sangha (Barclays): Thank you. It is Mandeep Sangha from Barclays. Just wanted to piggyback on the margin question that has been asked a couple of times. When you acquired the Egypt business, well announced it back in August 2021, one of the things the statement said is to get the margin towards the Group level over time. On the slides today, the target was to expand the margin. Is it fair to say that it is the target is to get it to Group margin still? Or is it, now that you have had the business, you have seen that there is probably maybe some more reinvestment needed in the near term, that means that margin expansion is the goal rather than getting it to Group margin? Just trying to see if there is a difference in the wording there.

Ben Almanzar: It is more the latter. And the reason why I say that is because we know that Egypt has had a very difficult 2022. It is a combination of macro factors. On the one hand, you have the currency that depreciated 97% in a year. Then you have a lot of inflation as well in the market, and all of these factors put a lot of pressure in the very near term. Nonetheless, the fundamentals of Egypt remains. We have heard from Zoran and Naya in the past, it is a very attractive market, and we are very excited to have it in the portfolio.

Zoran Bogdanovic: I would just echo that we did not buy that franchise to stay endlessly on a low-single-digit, no. It might because of really unforeseen everything coming together in one year, in hindsight it is not bad that it came in year one. There are also benefits of that in how you rewire faster what you need to do there. However, definitely Egypt is a market with potentiality not only on the top line, but structurally it offers the opportunity that, like a number of other emerging markets, when you see Russia, where it used to be at some point and where it was brought to have a strong margin accretive impact to Hellenic over time, Egypt for sure fits that spec of the potentiality, but it might take a little bit more time. Now, if that takes one or two, three years longer than we originally anticipated, that is fine. We are not on a sprint on this. We are a longer journey.

Mandeep Sangha: And then maybe just one follow-on question. If I look back to 2019 CMD, one of the comments that was made is because you had such a big opportunity in the likes of Energy, that Sparkling may fall below 70% of the Group portfolio. We sit at 72% today. Given the huge opportunity, when we talk about Adult Sparkling per capita consumption and the likes of Italy and Nigeria, as well as low and no sugar, do you still think below 70% is the right place to think about Sparkling as a percentage of Group, or do you think it could actually grow from 72% today?

Zoran Bogdanovic: I would say that the fact that Sparkling kept its percent above 70% also reflects, I would say, two critical things. One is that within Sparkling, there has been a lot, especially in the area of Adult Sparkling, what we have been doing, and, so many things that I do not want to repeat again, I think really reignited Sparkling as a category. On the other side, what usually creates a big percent of non-Sparkling is the water category in which we make a deliberate choice not to play aggressively in the segment, which is, volume competition among many players. We really made that choice that we are not going to go after buying volume. We will focus on enhanced and more premium segments; that by default, little bit constrains the fact that it is not booming as maybe a few years ago, we were thinking about water, so it is part of the learning and making a choice what we go after and not.

We see that Sparkling will continue growing, but, Sparkling category growth has to be there. But if that over time loses share in the total contribution, no problem.

Andrea Pistacchi (Bank of America Merrill Lynch): Andrea Pistacchi from Bank of America. You have been keen in the past to do deals in Africa. I think you potentially still are keen. You have done Egypt. How much would you be prepared to tilt the balance of the business towards emerging markets, given that so far, the balance emerging and developed markets has helped you a lot?

And then sort of as a follow-up on this, a bit related to M&A. Your balance sheet is below the target of 1.5-2.0x. How long would you be prepared to keep the balance sheet under levered, waiting for a deal before you decide to do a special dividend?

Zoran Bogdanovic: I will say few words on the first and Ben give you the pleasure of the second.

On the first one, the fact that we have Nigeria for 72 years, where it all started, and now Egypt, reflects that we really believe in the potentiality of this continent. We are patient because those who are not patient should not play in emerging markets. That is one learning because every year brings something.

We remain open for the opportunities if they can come up. You know, how this works. This is the steering wheel of The Coca-Cola Company. And we openly say that we believe we have the firepower, capacity, capability to do things, but they as always have to have a strategic fit. They have to be of the nature that, on the horizon, can and will create value to shareholders. That is why that does not mean that anything in Africa we would say yes, we go after it. That does not mean that. We would be very open, but very choiceful that it has to fit the strategic blend and economic potentiality. That is why there are some things that we would really openly consider if they would come our way, but also some other things, especially selective markets in isolation, I probably would not see that working.

Ben Almanzar: And on the leverage, we finished 2022 with 1.2x, which is a bit below our guided range, but it is not like massively below. I think the balance sheet is in a good place. And, as we have said before, it is just a matter of depending what opportunities come along. Just to give you a point of reference, when we did the special dividend, it was 0.6x, the leverage, so really needed intervention in there. We are not there yet.

Andrea Pistacchi: A very quick, sorry, unrelated follow-up, if I may. We talked about the margins in Egypt. Another market where I think margins have come down probably quite a bit is Nigeria; I could be wrong. However, what is the path to rebuild in Nigeria? Is it a slow burn or will it contribute shorter term?

Ben Almanzar: Look, Nigeria again is another market where you have seen some depreciation of the naira, constraints in terms of hard currency as well, and that increased the cost of business. Now, as Zoran says, in emerging markets, we need to be patient. The trajectory is definitely upwards, but it is not a straight line. It moves, it goes in cycles, and we expect Nigeria to continue to improve their margin trajectory over the midterm.

Zoran Bogdanovic: That is why what Naya and the team have been doing over the last few years, in a very orchestrated way, was a deliberate focus on price mix. Naya and the team are there on Monday, Tuesday, Wednesday. There is a great focus, and a reminder that all our leading capabilities, Nigeria is always the first or in the first wave of anything we do. And we do see that it makes us more capable, what happens there. I strongly believe that it is on a slower front, but it is going to go in the right direction.

Naya Kalogeraki: Yes. And if I may, for these type of markets, like Nigeria, there is a different type of pace when it comes to the algorithm. We know that when it comes to Nigeria, Nigeria should be a double-digit revenue growth overall. And then the pace in terms of the different elements of the algorithm is very different. So, this year, the algorithm will be more driven by price mix. Then there are different dynamics that we will go after. This is how it works in this type of market.

Charlie Higgs (Redburn): Charlie Higgs from Redburn, and I will do a quick one. It is just on working capital and that sort of business. You just spoke about three years of consecutive improvements. How much further is there to go on working capital and where is there scope for refinement? And do some of your investments in digital, like better demand forecasting, perhaps help there?

Ben Almanzar: Yes, spot on. You almost answered the question. As we continue to improve in things like demand forecasting, there is an opportunity to optimise working for capital further when it comes to especially stocks. This is a not a short-term thing. And as you rightly said, we have been delivering tremendous influence on working capital for three consecutive years. And you know that every time that that happens, the bar gets higher and higher. I do not think it is sensible to expect that kind of level of inflows to repeat, for example, in 2023.

Sustainable and Profitable Growth: Conclusions

Zoran Bogdanovic, Chief Executive Officer, Coca-Cola HBC

Key messages today

Thank you all, first of all for all the questions and very fruitful conversation. We stay around, so really happy to discuss any other questions that you have. As we close, just a few final thoughts.

When I finished my opening remarks this morning, I share these few key messages, that I would really like you to take away with you from today's session. We are continuing to grow sustainably and profitably led by very strong categories and capabilities across a growth-rich footprint of countries, and all enabled by excellent, strong, people and partners. When I spoke to many of you in 2019, we had been in a period of restructuring where we improved the flexibility and efficiency of the business, with which we then delivered a period of quite strong recovery and operating leverage.

Then since 19, we managed through a period of significant change, adapting to our model as a result of quite challenging market conditions while still staying the course and investing in our portfolio and our capabilities and delivering strong financial results.

Strong track record of investing, adapting and driving performance

Now, as we look forward, while we do see many challenges, we also see abundance of opportunities that are out there. The consumer we see has pretty much returned to a normal way of behaving with, yes, some definitely visible shifts post-pandemic. All that is benefiting our out-of-home channel, in a positive way. Then, we see that GDP growth, in many economies, is proving resilient, or I would say more resilient than estimates were, maybe end of last year or beginning of this year, and we see that in a number of places consumer demand is holding up, and despite some evident pressures on the affordability. As a result, the balanced combination of strong revenue growth, EBIT growing faster than the revenue, improving returns, and strong level of growing free cash flow will define whatever is the new normal ahead of us.

Clear growth priorities in attractive growing categories

Now, we are operating in a market with very exciting growth forecasts across different categories. Within such a growing market, we are applying a prioritised approach as one of the key learnings from operating through the challenging times of the last three years. And this is particularly true of how we have continued to develop our categories, placing the biggest and intentional focus behind Sparkling, Energy, and Coffee, while making deliberate prioritisation behind other categories per each market.

Our prioritised capabilities underpin our growth ambitions

The investments we continue to make in our prioritised capabilities underpin our growth ambitions and plans, and we see that as something that really help us in easier years, as well as more challenging years. Our capabilities have been enhanced with value-added tools driven by data, insights and analytics, as well as digital and technology enhancements, behind which we really put quite some investment. As Naya has explained, all this boils down to the fact that these capabilities drive our ability to deliver personalised execution in every outlet in which we strongly believe in, improving our customer experience and sustaining our position as our customers leading value creator. All our capabilities are fuelled by talent development as our critical lighthouse capability.

Growth opportunities across our diversified markets

Naya shared with you how our diversified geographic exposure provides both strong growth opportunities and resilience to the business. This is further reinforced by the acquisition of Egypt.

Despite short-term volatility, the strong long-term fundamentals for our emerging segment make the segment very attractive, particularly given the favourable demographics and share gaining opportunities in many of those markets. This combination of market reinforces our expectation that NARTD industry in our markets should grow between 4-6% in the medium term and the Sparking soft drink, in particular, growing 5-6% per annum. Our growth ambition is further underpinned with the per capita consumption growth opportunities that we clearly have in a number of markets.

We're working in a sustainable way ...

As Katya laid out earlier, we are committed to our net zero by 2040 target, and to drive tangible actions to contribute to the World Without Waste, while continuously making more efficient use of resources like energy and water. With this, we want to make a visible positive impact while increasing the societal perceptions of the acceptability of our products. Now, this is not only critical as our licence to operate, but it also makes a more competitive and future-proof business. We are committed to delivering strong results but done in a good way.

Our success is underpinned by our people and partners, and our joint focus on customers and consumers

I hope we have also reinforced how essential our people and partners are to our success. Our joint focus on consumers and customers is at the heart of our performance and creating a shared value. Today, we have talked about how we develop the talent in the organisation, continuously improving our structures and processes to help them work more efficiently, investing in best-of-class tools, enhanced with data and digital expertise, helping our people add real value to our customers. And you will see hopefully some of the examples of that in the market thesis that we are just about to embark on.

We have high confidence in the growth algorithm

And as Ben said, we have a high level of confidence in the organic revenue growth algorithm driven by the powerful combination of market, volume, and value growth, share gains, and the ability to combine and balance price mix and mix change across our categories, packs, channels and countries.

Midterm Outlook

This allows us to update our financial targets for the medium term with a sustained focus on the organic revenue growth, but at a higher level, underpinned by our commitment to improving organic EBIT margins of 20-40%, as we discussed, on average per annum. Return on invested capital and free cash flow will be areas where we expect further improvements as we continue to invest in the business to drive the organic revenue growth for many years to come.

Key messages today

Now, together with the strength of our portfolio, diversity of our markets, and our capabilities, we as one team of committed growth-focused people continue our acceleration towards our vision of being the leading 24/7 beverage partner. We are very passionate and very excited about the future and our business unfolding and going forward. And we cannot wait to show you some of that, in this fabulous critical market of ours. And I really look forward, that after so many years that we haven't been together like this, that we go to the market and walk it together and see together with live eyes.

I thank you all for joining us today, all of us who are here with us in Rome, in the room. And I thank everyone who has joined us online, for the online participation. So, thank you all, really appreciate your time invested with us. And until the next opportunity, big thanks, and I wish everyone a good afternoon.

[END OF TRANSCRIPT]

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