CCH – 2024 First quarter trading update
Questions & Answers transcript – 30 April 2024

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Q&A

Operator: The first question is from Matthew Ford with BNP Paribas Exane. Please go ahead.

Matthew Ford (BNP Paribas Exane): Morning, Zoran, and morning, Anastasis. So my first question is on the full-year guidance. Obviously, with the strong start of the year, you've reiterated your full-year guidance on sales and EBIT. But just wondered if you could kind of give any sense of the phasing between H1 and H2. If I look at the company consensus, H1 has like-for-like sales at kind of 1.9% in the first half and 4.4% on like-for-like EBIT. Just any feel you can give for the phasing and what we should look out for there. And then that was my first question, I'll follow up with my second afterwards.

Zoran Bogdanovic: Good morning, Matthew. Thank you for your question. So as you rightly said, first of all, I would like to just emphasise that on top of the strong start of the year that we have in the quarter, we are confident to reiterate our guidance for the full year. And in terms of the phasing, every quarter plays its role versus also what we are cycling. And with that, I'll just hand over to Anastasis to just give a little bit more light.

Anastasis Stamoulis: Good morning, Matthew. Thank you for the question. Just before I go to that, let me just say how pleased I am to be here today, and particularly coming to the role at this time for Hellenic. So back to the phasing question. You are right in 2023, we had a very strong EBIT performance in half one. Of course, this was heavily supported by the good leverage of the price increases and the better volume elasticity we had or originally anticipated. Now, having said that, that phasing was pretty abnormal. Our normal phasing is weighted towards the second half of the year. That has been the historical trend. So given what we know today, and as Zoran said, we would expect that 2024 will be a more normal year, meaning that we will be more phased towards the second half of the year. And from what we see, we will believe that this is pretty consistent with what consensus is expecting as well. So second half of the year is when we expect to see more.

Matthew Ford: Great. Thank you for that. And the second question is actually just on Nigeria. You've had clearly a strong performance from a volume perspective and no doubt pricing in Q1. You mentioned and you call out the kind of the impact of strong execution on the ground. I just wondered if you could go into any detail about how you're able to deliver quarter after quarter of strong volumes in what is clearly a challenging market. And any sense of what you expect in terms of volume growth from Nigeria for the rest of the year? Do you expect this momentum to continue or moderate as the comps get a little tougher? Thank you.

Zoran Bogdanovic: Yes. It boils down to the fact that we really consistently now for years are intentionally investing in our capabilities in Nigeria. And that truly makes a big difference. Nigeria, as I mentioned probably a few times before, is the market where a number of our capabilities that we deploy across the Group very often start in Nigeria. Because for such complex and diverse market, having strong capabilities is exactly what enables us to execute, respecting various differences that exist between the regions, channels, socioeconomic segments that exist in the country. So those strong capabilities are key in deploying excellent portfolio that we have in the country, which also are supported with strong marketing plans developed together with The Coca-Cola Company. So every quarter has something unique. Q1 was example of our music activation with the Coke Studio that worked very well.

So coming back to capabilities, this is a market where for the first time we are doing together a blending of data that comes from The Coca-Cola Company for consumer level and from our end on the customer level. And that really enables us to go to the market with a different level of precision than what we used to do in the past. And this is where, informed by such data, insights, analytics, this is where then revenue growth management plans are really strongly deployed with our route to market, where we are continuously investing both in the capacity of our people on the ground, but also their continuous upskilling. So all that plays a critical role.

And last point, Matthew, I will highlight is that part of our strength in Nigeria is continuous investment in our technical capacity and capability that we have in the country, because our ability to continuously produce and deliver the product no matter of various types of challenges, I really think is another source of strength to serve our customers on a continuous basis.

Matthew Ford: Great. Thank you, both.

Operator: The next question is from Simon Hales with Citi. Please go ahead.

Simon Hales (Citi): Ah, thank you. Morning, Zoran. Morning, Anastasis. Morning, Joanna. So my first question really just following up on Nigeria, I'm just trying to understand how the year will develop from here, particularly the balance between volume and sort of price mix as we should see it. Obviously, clearly you had a strong volume performance in Q1. I assume that was helped to some degree by the easier comp at the beginning of the quarter versus last year when we had the tender issues in Nigeria. But wonder if you could just put a bit more colour in terms of the pricing that you've taken in market in Q1 to offset the currency devaluation, and perhaps how volume momentum has moved through the back end of the quarter through March and into April to help us perhaps with our forecasting going forward on volumes. That's the first one.

Zoran Bogdanovic: Yes, Simon. Good morning. Nigeria is a market where we feel confident that both volume and price mix will be drivers of our revenue generation. So you are right. We had easier comps knowing that last year we had that bank note situation. However, we have seen in the quarter that our volumes in Nigeria have just gone from stronger to stronger. We are confident that we will see continuation of the volume growth across the quarters. But the balance and the ratio of volume and price mix will depend on the market dynamic macro situation for each quarter. So we are confident that Nigeria will be a double-digit revenue growth this year with both contribution of volume and price mix.

And as you said, just to make a point on Q1. I think this was really a good demonstration where even though we expected that some form of devaluation will come, when it came in January, the speed with which the team has reacted leveraging our revenue growth management framework and being ready in matter of days with a new plan and full execution and on one side driving very strong price mix, but on the other side also delivering strong volume, I think is a very good testament and proof point of what this revenue growth management capability really means for us.

Simon Hales: That's very helpful, Zoran. Thank you. And then secondly sort of associated with Nigeria, but more broadly. Obviously, at the Group level you've kept your FX guidance for the full year. I was a little bit surprised maybe what hadn't improved a little bit, given that the naira has come back from its recent lows. What's driving that? Is it just the fact that we've got the Egyptian pound devaluation, which means overall the FX is back where it started, if you like, for the full year in terms of guidance?

Anastasis Stamoulis: Hi, Simon. This is Anastasis. Yes, actually we have seen the naira rebounding in the last month, but let's not forget that this is on the back of 50% devaluation in 2023 and 30% as well said in the beginning of the year, which still pretty much puts it at about 60%, 65% on a year-over-year basis. And as a matter of fact, what we've seen over the last days is that it's going back to devaluating, I think yesterday it closed at 1,342 to the dollar on the NAFEX. So with that in mind, we are keeping our guidance to the 30 to 50 million euros as a headwind from a translational element. As a reminder, the FX calculation is based on the spot rates. And for that reason, we are providing a range in order to ensure that any volatility within the movement of the naira will keep us where we are. So we don't see at this stage any reason that we should change our full-year guidance on the FX impact.

Simon Hales: Brilliant. Thanks very much.

Operator: The next question is from Sanjeet Aujla with UBS. Please go ahead.

Sanjeet Aujla (UBS): Hi, Zoran, Anastasis. My first question is really around coming back to the Established markets. You had a pretty weak volume performance, appreciate there's some phasing dynamics here, but can you just talk a little bit more about how you expect Established volumes to develop going into Q2 and Q3 in particular? And if there's anything noteworthy you'd call out on April trading so far, just given the perhaps weaker weather that we've seen. Thank you.

Zoran Bogdanovic: Good morning, Sanjeet. Yeah. On the Established, let me just first say that I'm really pleased with the progress that we have made in our Established segment. If let's say five years ago, if you told me that we would be driving that level of revenue per case that we have been doing through to 2023 to navigate these high levels of inflation, I would really thought this would not be possible or really would be very hard. But really with the parallel development of data insights and revenue growth management, this really enabled us to do that in a well measured and thought through way.

Now, just a reminder also that in Q1 our volumes declined like close to 4%, but at the back of what was the strongest performance of last year in Q1, which was 6% up. And for us, important prioritisation, it was how do we drive the revenues in the segment? And that's why I'm very pleased that we came with this mid-single digit growth in the Established. We are positive that Established segment will be positive and will have a volume growth on a full-year level for 2024 and also we do see that April trading is indicating that direction.

Sanjeet Aujla: Great. Thanks, Zoran. And I'd just like to follow up on the Italy sugar tax. Can you just remind us where we are on that, the plans that you have to offset that and the magnitude of that, which I think is still scheduled for July, if I'm not mistaken?

Zoran Bogdanovic: Yes. The latest info, like last time nothing has changed that it stands for July 2024. I will just say that it's not live until it's live. But knowing that this has been something that is in anticipation for quite some time, I think it goes without saying that the team is fully ready with a plan to be executed as soon as it's absolutely clear that this is going live. So same like we've done in other markets, this is where the whole revenue growth management framework and tools are fully ready, both with price by different tech and category as well as the promotional plan. And in case this happens, the anticipated price increase would be anywhere between high single digits and low double digits, depending on a pack and depending on the final treatment of Zero variants versus the full sugar variants. But in short, fully ready and really don't see that as any barrier that would undermine our expectations and belief what Italy as a market will keep bringing in the years ahead.

Sanjeet Aujla: Great. Thank you, Zoran.

Operator: The next question is from Olivier Nicolai with GS. Please go ahead.

Olivier Nicolaï (Goldman Sachs): Hi, good morning, Zoran, Anastasis and welcome back, Joanna. Two question, please. First, in terms of the pricing environment, particularly in Poland. You have a lot of local retailers who are stepping up promotional activity across a lot of products. You do not seem to be affected. Is it because of your category and your very strong market share, which makes you a bit more immune, or is that something, which could be an issue later this year? And just going back to the guidance on the organic EBIT growth, are you planning any big step up in marketing, which is embedded in the guidance, which you were probably not expecting to do a few months ago? Thank you.

Zoran Bogdanovic: Yeah, Olivier. Thank you. So firstly, I'd like to remind and say that we are very pleased with the performance of the business in Poland, which follows the same pattern of us continuously building and developing both a strong portfolio in the country and very strong capabilities. And we see now for several years that the business is performing very well. I would also particularly call out importance of our key account management capability, which knowing the market landscape over there and customer landscape is a critical capability, and it is kudos to the team that really transformed the way we work with our customers and with interest of creating a shared value. That's why we see continuous strong market share gains and we see that growth is driven by Sparkling. This is where we have a very strong Energy business. We also have a growing and strong business in Coffee.

So in terms of the competitive landscape, we know that we are also for some time benefiting from being in an important biggest customer on our own situation that at some point probably will change. It is reasonable to expect. However, I think that the team has used really well the situation to solidify and further strengthen the business and we really remain poised and ready to continue to play to win in Poland. Second question, you said if I remember about marketing plans for the rest of the year. Am I right?

Olivier Nicolaï: Yeah, that's correct. I'm just wondering in context of that EBIT guidance not changing after strong Q1. I'm just wondering if that was assuming a bit of a step up in marketing, particularly ahead of some key sporting events this summer.

Zoran Bogdanovic: Yeah, there are two different things here. One is that we do have together with our partners primarily starting with The Coca-Cola Company, but also then with Monster and other brand owners. We really have a strong plan for the year. Most importantly, for Sparkling is our key category, there are various programmes and activations behind meals, which I referred to in my remarks. Sports football, we have Euro coming up, Olympics, yes, and also music. So all that will be deployed with various dynamics and phasing across the countries with strong execution plans for the season.

Now that's one element. Second element is that reference to the guidance, the fact that we just exit the smallest quarter that we have, there is a lot ahead of us. We just simply feel that it's too early to make any change. That's why we reiterate the guidance that we provided at our last call, but we really remain confident on how we will go through this year, irrespective of the environment that will be ahead of us.

Olivier Nicolaï: Thank you very much.

Operator: The next question is from Edward Mundy with Jeffries. Please go ahead.

Ed Mundy (Jefferies): Morning, Zoran, Anastasis and Joanna. Can I ask about the Established markets and the – you've already flagged it from a volume standpoint? You expect things to improve as you cycle through the easier comps. What I want to really understand is what are you doing to monitor affordability? You've got a lot of data, you've got a lot of insights, and how do you sort of, what gives you comfort that you're getting the right balance on affordability given the big step up in the revenue per case that you've seen in the last couple of years?

Zoran Bogdanovic: Good morning, Ed. Look, one thing I would say is that when we say bespoke capabilities, what it really means is that we are tailoring them to our, we believe, unique model, but also this is tailoring them and addressing the local needs and circumstances that we have in the market. That's why when we see what we are doing in Italy, Switzerland, Austria, Greece is really uniquely addressing the relevant opportunities that we have in each of those markets. Now, the RGM framework is taking into account both how do we ignite a volume as well as doing the price mix, but also the part of that is where to play with marketing programmes that we have in the country. So it's a combination of all these drivers that is really specifically done. And in Italy, it is the – we've just exit a good start of music activation with the relevant festival in the country, to name something new, which we really saw as working well.

And those type of events not only have the impact during the event itself, but it is also what happens afterwards and how we continue activating that. It is the activation of dedicated packages that we have in the market in Italy that a single-serve performing really well, which also comes as a result of our out-of-home strengthening and expansion of our capacity on the ground with increasing number of our market developers, increasing number of coolers. Also the segmented execution is a critical use case that we are doing as part of data, insights and analytics is very well deployed in Italy, and this is informing execution, which varies how we execute in north versus south, where relatively our position has been traditionally weaker. So that's in a nutshell what I would say, but I'll pause here to see if that answers your question, or you need more colour.

Ed Mundy: Yeah, I suppose just still on that first question, I mean, I think historically you sort of indicated that maybe two-thirds of these strong revenue per case is probably price, the balance is all the other good stuff in terms of pack, channel, category mix that you're driving. So is that still sort of what you're running with?

Zoran Bogdanovic: Yes, yes. I mean, this year, even though the ratio between volume and price mix is going to, let's say, be more balanced than last year, however, it is fair to say that more will come from price mix this year than from volume. However, for us this year, volume generation is important. We are focused on that, and we are positive that we will have a volume growth overall in the Established segment and also in Italy particularly.

Ed Mundy: Great. And my follow-up question is on your 24/7 portfolio model. I mean, you've talked to quite a lot of activation plans on Sparkling and also Monster, but I want to sort of drill into Coffee and vodka a little bit. Can you talk about some of your plans for 2024? It seems like you're giving both a big push and what are your sort of objectives with both Coffee and Finlandia as you think about the medium-term?

Zoran Bogdanovic: Yeah. Coffee, we call out as a prioritised strategic category, not because we just fancy coffee, but because the market data and data are informing how big a profitable revenue pool that is in the market. That's why we also have to respect that in such category with very respectable competitors, for us to be able to achieve our objectives of continuous revenue growth, we really have to build our right to win. That's why we've been from the start of our journey, which started in mid of 2020, we are consistently investing and front loading in our teams, in our Coffee Academy, technical service strong programmes with both of companies that we are working with Costa and Caffè Vergnano.

So if I could say one thing is to consistently stay the course, build business in a quality way. We are not chasing volume just for the sake of volume. We really want to respect the appropriate positioning that each of the coffee needs to have in its own segment. Recruit targeted customers in each of the segment and that's what we have been achieving quarter by quarter. Increasing the penetration and working on the transactions per outlet and increasing consumption, eventually, slowly but surely increasing our share like latest data is showing. So I just want to say on the Coffee, this is not about a hundred metre race. It's rather like a marathon in which we know where we are going but it's going to come with a dedicated patient pace, to really create a sizable business over the next several years.

With Finlandia, we have integrated business end of last year, which means that we are now in the process of taking over from previous distributors in the countries where we didn't have our own distribution. Reminder that this was uniquely relevant opportunity for Hellenic, given the fact that 60% of global business is in Hellenic territories. And we've seen how suitable Finlandia Vodka is with many brands and categories in our core portfolio for mixability purposes. And we are really seeing that we are committed to invest and develop brand further. We see very good potentiality and we really want to do it responsibly and in a quality way driving the brand itself, but also driving through mixability also the rest of our portfolio. So practically with that, we have a good leverage and tool, how do we drive broader portfolio.

Ed Mundy: Great, thank you.

Operator: The next question is from Mandeep Sangha with Barclays. Please go ahead.

Mandeep Sangha (Barclays): Hi, good morning, Zoran and Anastasis. Thank you very much for the question. If I could go back to the Established division, please. As I mentioned, sort of volumes were a bit softer than maybe people expected. Could we dig into a bit more of the underlying dynamics in the market? Are there any sort of countries where you are seeing negative channel mix or potentially down trading as we head into the summer period, or is the entree very much remaining, very robust? And could you also comment on the promotional landscape across Established, and whether you've seen a step up this quarter as sort of COGS pressures have certainly eased recently? Thank you.

Zoran Bogdanovic: Thanks, Mandeep. Yeah, so in the Established, first of all, let me start with few specific examples. One is Italy where I just want to remind that we said that throughout 2023, and also in Q1, we've been prioritizing price mix and focusing on driving profitable growth in Water. And we knew that that might have impact on volume as it did, but it was really a deliberate choice because we recognised it was the right moment and time when we really needed to do so. We also said that throughout 2024 we will have, and we do have focus, on bringing volume to positive territory, and we are confident that we will do that in 2024. Season preparations are well underway in Italy, and we have a very strong plan. So we really see that this is what's going to be one of the drivers.

Another example in Ireland, specific case where, because of the DRS start on February 1st, like in other cases, we do see that it takes several quarters until the market, meaning consumer adjusts to the new reality. Because whenever deposit is introduced, I mean, that requires some adjustment from consumers to get used to it. And typical reaction in the market is that there is a slowdown. However, we are confident, like in all other cases where this has happened, that this is not going to be any barrier in continuing the growth trajectory in Ireland. Then in the Established, we see what we saw last year and also continuation in Q1, a strong performance in Greece.

And this brings me to say a few words on the channel. We do see that out-of-home part is more resilient, and that's the part that overall for Hellenic brought actually growth and it came from. Whereas the at-home on a total Group level was flat. And specifically, in the Established segment, we do see exactly the same picture is that out-of-home performed better. And this was driven with two largest countries in the segment, which is Italy and Greece. In Switzerland and Austria, we have seen the opposite situation, which was also correlated with weather that was a little bit atypical and we felt it.

Overall on the promotional element for this year, we entered the year with strong promotional plans, knowing that affordability is important in this dynamic environment, and promotions are a very important tool in our revenue growth management framework. So in the Established segment, it's no exception actually in all the countries our promotional plans are included. There is no one-size-fits-all all. Every market has a different dynamic, but I can only reiterate that this promotional driver is an important tool in Established segment for this year.

Mandeep Sangha: Super, thank you. And just as a follow-up in Egypt, you sort of call out the boycott against Western brands that sort of continued into the first quarter. Could you share whether that sort of progressively got worse during the quarter and how it's trending in April? Or are we sort of seeing an easing of those boycotts against Western brands? Thank you.

Zoran Bogdanovic: Yeah, the fact is that there is certain level of boycott that is affecting all international Western brands. This is where, in our case, like we see in the case of others, the most prominent brands get affected. In our case, this means that it is the Coca-Cola trademark that is mostly affected to lesser extent flavours, and then to even smaller extent Schweppes, which is a very important brand in Egypt. Just to remind that in spite of that boycott, we actually had a, in relative terms, a good performance of Egypt in our view, where we were only down around mid-single digits. And that was also thanks to a very good performance of Water and also continuously good performance of Energy. We have seen that in February and March, boycott effect has been easing and has been smaller than in January, and that trend of what we've seen in February and March has also continued what we've seen in April.

Mandeep Sangha: Thank you very much.

Zoran Bogdanovic: You are welcome.

Operator: The next question is from Fintan Ryan with Goodbody. Please go ahead.

Fintan Ryan (Goodbody): Hi, good morning, Zaron, Anastasis and Joanna. First question for me, please. We noticed that the Poland has implemented a restriction on age limits for the energy drinks portfolio. And you note in your statement that your energy drinks in the market were down high single digits. I was wondering, well, so sort of two parts to this. Firstly, do you have any data in terms of how much of the volumes lost from the Energy category were in instead maybe shipped into your core Sparkling, or is there any other sort of data you can give around the reaction of consumers or the younger consumers, obviously, in the market, those restrictions? And then secondly, just is there any other markets where you think that – within your portfolio where you think there's a risk that similar restrictions or regulations could be put in place?

Zoran Bogdanovic: Good morning, Fintan. So yes, indeed, the regulation is there. It does have certain impact because Energy has been in a single-digit decline. However, this has been – I would have to really say, it has been a smaller impact than we initially thought it may have and proves the strength of the category. And we remain positive that Energy category will continue growing over the years to come in Poland. Hard to tell if there has been any switching to another category, primarily Sparkling. Really can't tell that. I wouldn't think so. However, we'll keep monitoring this and happy to progress on how that's progressing in Poland. But just to reiterate, very strong Energy business we have there and great brands, which make me confident that it will continue its trajectory. I'm not aware at the moment that we have anything else similar coming up in other countries. So nothing on the horizon at the moment.

Fintan Ryan: Great. Thank you very much.

Zoran Bogdanovic: Welcome.

Operator: The next question is from Charlie Higgs with Redburn Atlantic. Please go ahead.

Charlie Higgs (Redburn Atlantic): Hey, Zoran and Anastasis. Hope you're both well. My first one is just on the price mix, 10.6% in the quarter, very strong. Can you maybe just break that down between rollover pricing, new pricing, DRS impact and then perhaps the contribution from category mix and single serve mix, etc.? And then maybe just comment because the single serve mix was very, very strong, up 210 basis points, I think at the Group level, single serve is already above 50%. So just high level view, how much further is there to go on improving single serve mix? Thanks.

Zoran Bogdanovic: Thanks, Charlie. In the Q1, majority of our price mix came from pricing to lesser extent from the mix. In this quarter, this was also led with the fact that Romania had a sugar tax driven pricing that in that case we always do. Plus we had two interventions, as you know in Nigeria and Egypt, which also drove the pricing to be much stronger driver. We would see that through the year that mix plays more of the role in the whole combo of the price mix, both in the category as well as in the package. On the package, look, there is still a huge opportunity in driving single serve mix. This is our consistent focus, how we drive it. And over years, year-on-year, we are seeing the improvements exactly because there is still so much space.

Usually, when you see the Western markets, these are the markets that have much higher percentage of single serve mix in the total volume, 50% and above. But the more you go east from central Europe and then East Europe, this is where you see those percentages of single serve mix on much smaller levels. And that's why we are continuously working on the plans, both in the at-home channel where we are working on the multipacks of single serve to increase and develop habit of consuming single serves at home, but also in the out-of-home. So there is whole variety of plans, which are focused exactly behind single serves.

Anastasis Stamoulis: Hi, Charlie. If I were to add to your question on the pricing element of the quarter one, we also see an effect from the rollover pricing from prior year actions, which accounted for about actually more than half of the price increases. So on one hand, we have the pricing actions of 2023, and the rollover, which accounts for more than half. Then as Zoran said, the intervention with pricing actions in Nigeria, Egypt to address the current devaluations, the relevant regulation of tax and the positive mix.

Charlie Higgs: That's great. Thanks very much. And then my follow-up was just on energy drinks, where volume's up 37%, even with a weaker performance in Poland which is pretty amazing. Can you maybe just comment on the launch of Monster Green Zero, how that's been going? Is it cannibalising from Monster Green or is it incremental? And then just a high level comment, are you winning share in energy drinks? There's quite a bit delta.

Zoran Bogdanovic: Yeah, I think this addition of Monster Green Zero was really excellent addition in the portfolio because Monster Green is the key pillar in the whole Monster portfolio. And now having zero also option is exactly what's excellent for consumers. Maybe there is some overlap and cannibalisation but net-net it's driving more consumption and more transactions as also evidenced with the results. So we see it as excellent addition in all countries, where we've launched and I feel very positive about it.

Charlie Higgs: Thanks, Zoran.

Operator: The next question is from Philip Spain with JP Morgan. Please go ahead.

Philip Spain (JP Morgan): Good morning. Thanks very much for taking my questions. My first question was just on the pricing you've taken to offset the FX devaluation in Nigeria and Egypt, have you fully taken the level of pricing you would like to offset those devaluations based on where spot is at the moment, or is there more pricing you've planned to take later in the year? And then my second question is just on how well hedged you are for your commodity costs for 2024, and if there's any risk you see from the recent increase we've seen in aluminium prices, for example? Thank you.

Zoran Bogdanovic: Yeah, exactly, Phillip. On the – look, there was anticipation that some depreciation of the currency will happen. That's why we had standby plans. And if we learnt one thing is that we don't take pricing in one go or one-size-fits-all across all categories. That's why there is a very dynamic plan, how we look at it and what are the right moments in the year. It goes without saying that the moment it has happened, we have made an immediate reaction. But that also means that there's going to be some other price adjustments as we go forward in the right timings given also the competitive landscape, regional differences. So that's where we are.

Anastasis Stamoulis: There was a second question on commodity hedging right, if I understood correctly, Charlie. And yeah, I think what we can say is that we have made good progress on our hedging positions for over the quarter. Today, we are hedged over 70% on our key commodities with actually being better hedged against the sugar and aluminium, less with rPET. We are better hedged in half one, but we expect also the scheduling positions to increase as the year progresses. And with that, I can say that we are confidently sitting with our guidance on the COGS per case expansion of low to mid-single digit. So no further risk from that perspective.

Philip Spain: Okay. Thank you.

Operator: The next question is from Andrea Pistacchi with Bank of America. Please go ahead.

Andrea Pistacchi (Bank of America): Yes. Morning, Zoran and Anastasis. Two from me, please. The first one is about the DRS introduction in Ireland and Hungary. If you could talk a bit about how the consumer and the trade is adapting to that any different from your expectations, and are you aware of – are there other markets that you're aware of where there are plans for deposit return scheme? And my second question is just going back to Egypt net of the boycott impact. How is the consumer environment there? How is the consumer coping with a sharp devaluation? Clearly, you are outperforming the market, but when you put everything in, when all considered, would you – is it fair to expect 2024 to be a more difficult year for volumes in Egypt? Thank you.

Zoran Bogdanovic: Hi, Andrea. First on DRS in Ireland and Hungary, they are very fresh with the start. Ireland from February 1st and Hungary actually has this six-month transition period until like a fully-fledged start from July. The reaction of consumer is usual that on top of our shelf price, this is where now deposit also comes into play, which consumer initially has to pay before they learn how they will get money back once they return the bottle – so that's the period of adjustment where consumer really goes through education of that. This situation can also have, let's say, over time, also some positive effect on the retailers.

[Line lost and Zoran Bogdanovic picks up with answer to the second question on Egypt.]

Zoran Bogdanovic: So in Egypt not easy situation for the consumer, especially with very high inflation that happened last year. Still, there is a high level of inflation. Us and other players in the market are reacting with the price increases as we all have to. But we are really doing that in a mindful way, really paying attention to our affordability need that consumer has in Egypt. And we are pleased with the way how also the trading has developed sequentially in the quarter. Also trading in April indicates same trend and we are positive that this year we would see a positive volume growth in Egypt.

Andrea Pistacchi: Thank you. And I'll follow up with the team on DRS. Thank you.

Zoran Bogdanovic: Yeah, you're welcome. And apologies for this disruption with audio.

Operator: Gentlemen, Ms. Kennedy, there are no more questions registered at this time. The floor is back to you for closing remarks.

Zoran Bogdanovic: : Thank you, operator. And just to recap few points from the call today. This was another quarter of good progress and an encouraging start to the year with a continued execution of our strategy, delivering high sales growth through good volume and revenue per case expansion. We continue to benefit from focus on our strategic priority categories with Sparkling, Energy and Coffee, all growing revenue in the quarter. We continue to add share, building on already strong gains in 2023. Today, we reiterated our guidance for 2024 that we shared at full-year results. Thank you very much for your attention. And with that, I close the call and wish you all a good day. Thank you very much.

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