

# CCH – 2024 Third quarter trading update

## Conference call script – 31 October 2024

### **CORPORATE PARTICIPANTS**

**Zoran Bogdanovic – Coca-Cola HBC AG - CEO**

**Anastasis Stamoulis - Coca-Cola HBC AG – CFO**

**Joanna Kennedy - Coca-Cola HBC AG – Head of Investor Relations**

### **Joanna Kennedy - Coca-Cola HBC AG – Head of Investor Relations**

Good morning everyone. Thank you for joining the call, and a bittersweet one for me, because after seven fantastic years at CCH, today's call will be my last as Head of Investor Relations. I have learned so much in my time, perhaps most of all, the critical importance of culture within the business. This is a special business, ambitious, dynamic but also focused and disciplined, and it has been a privilege to tell the CCH story in the capital markets.

As you may know, I'm not moving on to another company, but am rather going to take a pause to spend more time with my recently extended family. I will miss it, not least the ongoing discussions with investors and analysts. I have a lot of thank yous etc, but I will spare you that for now and instead say, for the last time....

I'm here with my CEO, Zoran Bogdanovic and our CFO, Anastasis Stamoulis.

We'll start with some opening remarks from Zoran and then open the floor to your questions. Please keep to one question and a follow up, waiting for us to answer the first question before moving on to your follow up. We have about an hour for the call today, which should give plenty of time for a good discussion.

Finally, I must remind you that this conference call contains various forward-looking statements. And these should be considered in conjunction with the cautionary statements in our trading update of this morning. And with that I will turn the call over to Zoran.

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### **Zoran Bogdanovic – Coca-Cola HBC AG – CEO**

Thank you, Joanna. And good morning everyone. Thanks for joining the call.

Before we get started, let me take a moment to thank Joanna for her dedication and huge contribution to Coca-Cola HBC over the last seven years. During these dynamic and challenging years, to say the least, we all appreciated Joanna's professionalism, passion and care for our business and its people. We wish her all the best for the future.

I'm very happy that Joanna is passing the torch to Jemima, who has been a key part of the team for the last three years, and who most of you will already know well. Anastasis and I are really looking forward to working with Jemima in her new role, when she formally takes over from the first of January, and we wish her every success.

Moving on to the results we published today, let me start by calling out three key highlights from my perspective.

First, we've achieved another quarter of strong revenue growth, with good volume momentum, as well as revenue-per-case expansion. I am pleased that our Q3 results build on the strength of our first half, and really demonstrate how this business can deliver quality growth in a range of market conditions.

Second, our ongoing investment in our bespoke capabilities is what is enabling the agile and focused execution which is driving these results.

And thirdly, we are updating our guidance to reflect the strength of our performance in the first nine months, and also the confidence we have in our portfolio and capabilities to continue to allow us to win in the marketplace.

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And now I'll share some detail on the **Q3 performance**, after which Anastasis and I will be happy to take your questions.

Organic revenue grew **13.9%**, with volumes up **4.0%** and price mix up **9.5%**. Reported revenue grew 8.9%, even as we continued to face currency headwinds.

I'm really pleased by the continued topline momentum in Q3. Volumes expanded at a consistent pace compared to Q2, despite a mixed consumer backdrop in some of our markets. And we delivered both volume and revenue growth across all three segments **and** all three strategic priority categories. This is testament to the hard work and agility of our teams, suppliers and partners who work tirelessly to deliver for our customers, day in day out.

Revenue per unit case has also showed continued momentum, with both price and mix expansion.

When it comes to pricing, we are seeing different trends across regions. In our European markets we have moderated the level of price increases versus 2023 and early 2024, to reflect a lower level of inflation. However, in Africa, we continue to drive pricing as we navigate the currency devaluation and the inflation we have experienced this year.

Our revenue growth management toolkit, enhanced by data, insights and analytics, allows us to continue to address, and adapt to, the range of affordability and premiumisation needs of our consumers.

We have deployed a wide range of RGM initiatives so far this year, which we continued to benefit from in Q3.

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Let me give you just a few examples. The summer period, as you know, is a great opportunity to maximise our potential in the Hotel, Restaurant and Cafe channel, where we have focused on driving premium glass bottles. In the at-home channel, we launched smaller, premium cans of Kinley in select markets over the Q3 period. When it comes to affordability, we have remained agile with promotions, and continue to see good results from our returnable glass bottles in Nigeria and Egypt.

This ongoing focus on improving package mix is driving good results, with total single-serve mix up 60 basis points overall in the quarter.

Just while we are talking about capabilities, I hope you were able to watch our Chief Operating Officer, Naya Kalogeraki and our Head of DIA, Ruchika Sachdeva, earlier this month, when we hosted our first bitesize investor event. This deep dive into our data, insights, and analytics capability, shared how we turn data into actionable insights. We also explored how DIA acts as a connector and accelerator of our other key capabilities, underpinning our growth ambitions. We've had great feedback, so thank you, and the event is available on our website if you missed it.

Now turning to performance by category.

**Sparkling** performance remains robust, with volumes up 3.9% in the quarter. Trademark Coke grew low-single digits, with Coke Zero ahead of this, up mid-single digits.

The summer season is an important period when we work even more closely with The Coca-Cola Company, capitalising on our innovations and new launches from the first six months of the year, particularly in the out-of-home channel.

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We also benefitted from new innovations launched in Q3. We launched new Coke Creations flavours including K-Wave and Oreo, and one specially created for the Nigerian market. In September we launched Fanta Beetlejuice in targeted markets ahead of Halloween, and we've seen good results from the Marvel activations throughout the season.

These initiatives all help to drive new consumer recruitment and excitement about the portfolio.

**Energy** momentum remains strong, with volumes up **28%**, even on top of high comparatives. We continue to benefit from our close work with the Monster Energy team in creating a broad Energy portfolio, both in terms of price points, as well as flavour and recipe innovations. Affordable Energy brands have been a particularly important part of our growth in the Emerging segment. We continued to see strong growth from Predator in Nigeria, while in Egypt the Energy category is performing ahead of our expectations, despite some of the macro challenges in that market.

**Coffee** is making excellent progress with volumes up over 35% and with strong performances in all geographic segments. Growth of both Costa Coffee and Caffè Vergnano was driven by the out-of-home segment, which is where we see the greatest long-term revenue and profit potential for the category.

**Still** volumes grew 3.4%. Water grew mid-single digits. I'm pleased to report that Sports Drinks continued to grow strongly, up high teens. Powerade had a great summer, as we leveraged the Olympics through July and August, and added dedicated Powerade coolers in key markets.

Moving to **ESG leadership**, we are continuing to make progress on packaging circularity. The recently launched Deposit Return Schemes in Romania, Hungary and Ireland are showing good results in increasing collection rates, and we are seeing customers and consumers really embracing the schemes.

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Now, turning to performance by segment.

In **Established**, net sales revenue grew by 3%, with continued volume growth in the segment. I'm pleased with this performance which was delivered against a backdrop of more consumer sensitivity in some markets, which we flagged at H1. Italy, Austria and Switzerland are markets where we have seen signs of consumer sensitivity to pricing. And Switzerland also had very poor weather this summer.

When it comes to categories, we achieved good performance in Established from Coke Zero, Energy, Coffee and Sports Drinks.

In **Developing** markets, net sales revenue grew by 12.6%, led by strong price/mix of nearly 10%.

Volumes continued with a similar momentum to the first half, up 2.5%, with a good contribution from all our strategic priority categories, as well as from Stills and Premium Spirits.

Lastly, in our **Emerging** markets we delivered organic revenue growth of 24.1%. As has been the case throughout 2024, price/mix has been the main driver of our revenue growth, as we have navigated the impact of currency devaluations in both Nigeria and Egypt.

That said, volume growth has also been a strong contributor, with growth of 5.6% in the quarter. I'm particularly pleased that, despite significant volatility in individual markets, we have achieved very consistent volume growth in this segment in 2024.

At this point, I'd like to call out the fire that happened at the start of the quarter in our Bambi plant in Serbia, which created significant challenges. Our team there have managed this with such resilience and agility, and with true focus on delivering for our customers. It's how our people pull together at these challenging times that makes the difference, and I'm incredibly proud of the team.



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And now, let me say a few words about our **expectations for 2024**. We are mindful of the challenging macroeconomic and geopolitical backdrop, and a continued uncertain consumer environment in some markets. However, reflecting our strong performance and execution in the first nine months, and our confidence that we can continue to win in the marketplace, we are updating our guidance for 2024.

We now expect organic revenue growth of between 11 and 13% and organic EBIT growth of between 10 and 12%.

Finally, I would like to thank all our people and partners for their ongoing support. I look forward to working together to deliver our ambitions for the year and to prepare for the years ahead. As always, it is this collaboration that allows us to drive sustainable, profitable growth and continue to create value for all of our stakeholders, no matter the external backdrop.

Thank you for your attention.

And with that, let us now open up the floor to questions.