CCH – Annual General Meeting – CEO presentation

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Cover slide

Welcome to our Annual General Meeting.

2023 was a strong year for Coca-Cola HBC, with significant strategic and operational progress. It's a privilege and pleasure to be the voice for a committed team who have worked tirelessly to sustain our track record of growth – delivering record levels of revenue, profit and earnings.

Forward-looking statement

Let me remind you of our forward-looking statement.

Another year of strategic and operational progress

My two key takeaways are simple; our growth strategy is working AND our portfolio, operations and teams keep getting stronger and stronger. On almost all metrics we look at and review, our growth strategy is delivering great results. Our NARTD and sparkling drinks markets are growing, despite adverse economic headwinds in most markets. This is happening because we are working with our partners to drive consumer activation and drive per capita consumption.

Within this, our market share continues to grow, with an additional 110 basis points of NARTD and 80 basis points share over the last 12 months.

And we have delivered this while improving price and mix, maintaining affordability and improving our NPS scores with our customers.

As well as delivering results today, we have invested for future growth.

Firstly. Invested in our portfolio, strengthening our three priority categories, led by Sparkling, working through our powerful partnerships, particularly with The Coca-Cola Company, to drive innovation and consumer activation, as well as making selective acquisitions, like the acquisition of Finlandia.

Secondly. Invested in our bespoke capabilities through targeted capex and building stronger teams by leveraging the benefits of our Dolphin and Oxygen programmes we discussed at our investor day in May, re-designing and simplifying the organisation and processes for growth.

And thirdly. Invested in sustainability – investing in long term programmes that make a meaningful difference to our impact on the environment and the communities in which we operate.

Strong financial performance in 2023

Our operational progress is driving strong financial results.

Our organic revenue growth of 16.9% was very strong, with solid volume performances from our strategic priority categories, and good price mix improvements.

Volume leverage and good cost management helped deliver nearly 18% organic growth in EBIT and a record high comparable EBIT. As a result of the strong organic growth, our EBIT margin grew 50 basis points on a reported basis to 10.6%. A much stronger outcome than we had anticipated earlier in the year.

We also delivered a record Free Cash Flow of €712m which helped reduce net debt to €1.6bn. This enabled us to increase our returns to shareholders and initiate a €400m two-year share buyback programme, demonstrating our confidence in future growth, and consistent with our capital allocation priorities.

Overall, the combination of improved profitability and strong capital discipline helped improve return on invested capital by over 230 basis points to 16.4%.

Third year of record comparable EBIT

2023 Comparable EBIT was 1,084 million euros - exceeding 1 billion Euros for the first time in our history. On an organic basis, comparable EBIT grew 17.7% in the year.

Major contributors to these results were a good conversion of our revenue growth management initiatives together with effective actions on input cost inflation, albeit partially offset by transactional FX impacts. In addition, we delivered modest improvement to operating costs as a percentage of revenue.

While we continued to invest in the business in pursuit of our vision of being the leading 24/7 beverage partner, our cost management actions contributed to an 80 basis point improvement to gross margin and a 50 basis point improvement to comparable EBIT margin. On an organic basis, our comparable EBIT margin improved by 10 basis points.

On a reported basis, our average comparable EBIT growth is more than 10% since 2019, showing our sustained, long-term focus on increasing the financial fitness of this business and creating shareholder value.

All strategic priority categories delivering volume growth

Let me share some commercial highlights, starting with our category results.

Sparkling continues to be our main growth engine, representing around 70% of our portfolio. Sparkling volumes grew by 2.5% overall, with growth accelerating in the second half of the year. Trademark Coke grew volumes, led by high single digit growth in Emerging markets. Coke Zero grew across all segments. Sprite also grew well, with a particularly good performance in Developing markets. Adult Sparkling benefited from the relaunch of Kinley, helping deliver mid-single digit growth in Established markets.

Turning to Energy, volumes grew by nearly 30%. Growth was strong in each segment, but particularly Emerging, with the continued success of Predator in Nigeria and successful launches in Egypt of Monster and Fury. This was the eighth successive year of strong double-digit growth.

Volume growth in Coffee was also very strong, up over 30%. We continued to make good progress on out-of-home customer recruitment, adding 5,000 outlets in the year. Our segmentation strategy with Costa and Caffe Vergnano is working very well.

I would also call out a very strong performance from Sport Drinks and Premium Spirits.

Continuing to invest in Sustainability as a growth enabler

Last year we made great progress on sustainability. Romania became our first market to have all three elements of packaging circularity, with 100% recycled bottles, in-house rPET production and a Deposit Return Scheme. By the end of 2023 we had deposit return schemes in six of our markets, with the Republic of Ireland live in February.

We are driving packaging innovation. In Austria we commissioned a new RGB line for both our universal 1 litre and new 400ml refillable bottles. We also introduced an industry- leading, innovative paper solution to replace shrink plastic on multi-packs of 1.5 litre PET bottles.

You can see on the slide that our 2023 sustainability performance was recognised externally by leading scores from major ESG benchmarks. Let me call out just one, the 2023 Dow Jones Sustainability Indices which ranked us for the seventh time, as the world's most sustainable beverage company.

And I'm really proud that in December we launched the Coca-Cola HBC Foundation, focusing on supporting our local communities. We've made an initial donation of 10 million euros and I'm looking forward to reporting back to you on the projects we're supporting over the next months and years.

Comparable EPS up 21.8%

Comparable EPS grew 21.8%.

This was supported by strong profit delivery and effective management of financial costs, capturing the spread between our largely fixed cost of borrowing and the benefit of rising interest rates on our cash deposits.

As expected, our comparable tax rate of 27% was at the top end of our guided range.

Consistent growth in comparable EPS leads us to recommend a dividend of 93 euro cents, up 19% from 2022, in line with our long-term payout ambitions of our dividend policy.

Capex finished at 6.6% of revenue - at the lower end of our target range, largely reflecting the strong topline growth.

Free cash flow increased by €67 million year on year to €712m - another record high, driven mainly by profit.

Our balance sheet remains very strong. At the close of the year net debt to EBITDA was 1.1 times, even after completing the Finlandia deal in November.

Capital allocation discipline, driving higher returns for shareholders and improved ROIC

Our priorities for capital allocation are very clear. To be the leading 24/7 beverage partner we make thoughtful choices, ensuring that we deploy capital efficiently and effectively in the service of profitable growth.

For example, we continue to invest in acquisitions that further improve our portfolio, or our capabilities, particularly around strengthening our route to market for customers and consumers. Finlandia was a good example of a targeted portfolio enhancement, and we remain open to seizing the right opportunities as they come up.

Our capital discipline has also allowed us to drive higher returns to shareholders. In November, we launched a €400m share buyback programme, reflecting the Board's long-term confidence in our business performance, the prudent financial management of our balance sheet, and our commitment to return capital to shareholders responsibly. To date, we have returned €42.6 million through the share buyback.

Taken together, I'm pleased to see not only increased shareholder returns, with strong growing dividends while maintaining a high level of investment in the business. But also record ROIC performance even as we managed through another challenging year.

Strong start to 2024
Q1 Highlights

Continued execution of our 24/7 strategy delivered 12.6% organic revenue growth in the first quarter of 2024.

Organic volume grew 1.8%, driven by good performances in Emerging and Developing markets.

Sparkling volumes were stable, while Energy and Coffee delivered strong double-digit growth (up +37.3% and +34.3% respectively).

We delivered organic revenue growth across all segments, led by a particularly good performance in Emerging, and we continued to further invest in our unique 24/7 portfolio and bespoke capabilities. One highlight to pull out is that single-serve mix in Sparkling increased 230 basis points, enabled by revenue growth management initiatives.

Outlook 2024

Before I move onto outlook for 2024 and beyond, on behalf of the Board and Company I'd like to take this opportunity to thank Ben our outgoing CFO for his contribution over the last three years. I have appreciated his counsel and support and I know he will be missed by the company. And I welcome Anastassis Stamoulis as our incoming CFO, who has been with the company for sixteen years and held a wide range of senior positions.

Looking forward, we have all the building blocks in place to deliver strong growth and margin improvements in the future. Our medium-term targets, building on our strong performance in 2023, combined with a disciplined approach to capital allocation, creates a platform for strong compounding earnings growth.

Thank you for your attention and good morning.