

CCH – 2024 Full-year results

Conference call script – 13 February 2025

CORPORATE PARTICIPANTS

Zoran Bogdanovic – Coca-Cola HBC AG - CEO

Anastasis Stamoulis - Coca-Cola HBC AG – CFO

Jemima Benstead - Coca-Cola HBC AG – Head of Investor Relations

Operator

Thank you for standing by ladies and gentlemen, and welcome to Coca-Cola HBC's conference call for the 2024 full-year results. We have with us Zoran Bogdanovic, Chief Executive Officer, Anastasis Stamoulis, Chief Financial Officer, and Jemima Benstead, Head of Investor Relations. At this time all participants are in listen only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question, please press star one on your telephone keypad at any time and wait until your name is announced. I must also advise that this conference is being recorded today Thursday, February 13, 2025. I now pass the floor to one of your speakers, Jemima. Please go ahead. Thank you.

Jemima Benstead - Coca-Cola HBC AG – Head of Investor Relations

Good morning and thank you all for joining the call.

In a moment Zoran will share his highlights of 2024. Anastasis will then take you through our financial performance in more detail and discuss the outlook for 2025, before handing back to Zoran who will discuss our growth opportunities for the business. We will then open the floor up to questions.

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We have about an hour for the call today, which should give plenty of time for a good discussion. Please keep to one question and one follow up, waiting for us to answer the first question before moving to your follow up.

Finally, I must remind you that this conference call contains various forward-looking statements. These should be considered in conjunction with the cautionary statements in our results press release this morning, and at the end of our slide deck. And with that I will turn the call over to Zoran.

Another year of strategic and operational progress

Zoran Bogdanovic - Coca-Cola HBC AG – CEO

Thank you, Jemima. Good morning, everyone, and thank you for joining the call.

2024 was yet another strong year for Coca-Cola HBC. I feel very proud of all we've achieved and privileged to be able to share the progress made by our 33,000 colleagues.

We delivered an excellent financial and operational performance, while managing through macro-economic challenges.

In all cases we've consistently adapted to the environment, leveraging our portfolio, and capabilities, particularly revenue growth management, route to market, and data insights and analytics.

I really want to commend our people's focus behind execution excellence, because the speed and agility with which they are executing our strategy, in every single outlet, is fantastic. They are raising the bar every year.

Taken together, this enabled us to deliver ahead of our plans in 2024.

We continue to invest in our teams, our capabilities, our 24/7 portfolio and our operations to ensure we're ready to unlock the huge future growth potential we see.

Let me call out some highlights:



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- Firstly, our topline growth was strong and high quality, underpinned by continued volume momentum.
- Secondly, we are delivering real value to our customers. We were once again the number one contributor to retail customers absolute revenue growth within FMCG in Europe. And we are continuing to gain value share, with an additional 150 basis points gained in NARTD in 2024 and continued share gains in Sparkling.
- And thirdly, this progress was all possible because we are focusing on the most promising opportunities in our markets, led by our strategic priority categories.

As well as delivering results today, we are investing for future growth.

- Firstly, strengthening our portfolio. We continue to prioritise Sparkling, Energy and Coffee, which offer the most sizeable growth potential across our 24/7 portfolio. We're also ensuring we have the right, locally-relevant portfolio in Stills. And we're taking hold of the opportunities in our 24/7 portfolio through investments in Premium Spirits, which enhance our mixability credentials and drive incremental transactions.
- Secondly, we are investing in our bespoke capabilities, with a particular focus on embedding our Data, Insights and Analytics capability into other capabilities and key business processes.
- And thirdly, we continue to invest in sustainability, focusing in on our most material areas: packaging, climate and water.

Strong financial performance in 2024

Focused execution of our strategy has continued to drive strong financial performance.

Revenue grew by 13.8% on an organic basis, with volume up 2.8%, and volume expansion in all three segments.

Comparable EBIT was 1.2 billion euros, the highest ever for our company, and up 12.2% year on year on an organic basis. Our comparable EBIT margin reached 11.1%, a strong improvement from the 10.6% of 2023. Comparable EPS grew by 9.5% year on year.

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Return on invested capital (ROIC) is an important metric for us at CCH as a measure that we are driving strong returns from the investments we're making. I'm really proud to say we have driven a 190 basis point improvement in 2024, reaching 18.3%.

Before I hand over to Anastasis to take you through our financial performance in more detail, let me touch briefly on the drivers of our strong topline growth, from both the category and market perspective.

All strategic priority categories delivering volume growth

Starting with categories.

Sparkling and Energy combined represent nearly 80% of our total revenue. Coffee is earlier in its journey but is a sizeable and important market with huge potential. And I'm pleased to report that in 2024 these three priority categories continued to perform well.

Delivering growth from our diversified country footprint

Moving on to our markets. We benefit from a diverse country portfolio with strong growth potential. In 2024, our execution excellence in a range of macro-economic and consumer conditions allowed us to drive good financial progress across all three segments.

I'm particularly pleased to see ongoing topline expansion in the Established segment despite the more sensitive consumer environment that we called out earlier in the year.

Meanwhile, the Developing segment achieved a strong rebound in profitability.

And while the Emerging segment faced specific macro-economic challenges in two large markets, we navigated them well, taking pricing, adapting promotions and adjusting packaging. Combined, these steps helped lead to robust financial performance in this segment too.

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Let me now hand over to Anastasis who will talk more about our 2024 financial performance, before I return to share more on our medium-term growth drivers and opportunities.

Anastasis Stamoulis - Coca-Cola HBC AG – CFO

Delivering strong performance

Thank you, Zoran, and good morning, everyone.

Focused execution drives strong organic growth and volume acceleration

2024 organic revenue growth was 13.8%.

I'm very pleased by the strength of this growth, and particularly its quality.

Volume expansion of 2.8% was higher in 2024 than in the previous two years, and that growth was broad based and driven by our strategic priorities.

Revenue per case grew 10.7%, driven by targeted RGM actions which drove improved pricing and mix. Our single-serve mix expanded 100 basis points, resulting in better package mix, and we also achieved an improvement in category mix.

Double-digit organic EBIT growth

2024 comparable EBIT grew by 12.2% on an organic basis, reaching 1.2 billion euros.

We drove a 110 basis point expansion in gross profit margins. This was as a result of strong top line growth, combined with the easing rate of inflation of our key commodities.

Opex as a percent of revenue increased by 70 basis points in the year. In the first half, we faced headwinds in operating costs, including a non-cash foreign currency remeasurement of balance sheet items in Emerging markets. In the second half, we saw a good improvement in the trend of operating costs as a percent of revenue, due to better operating leverage, while still continuing to invest across the business.

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Established markets

Let's now look at the drivers of performance by segment. I am going to discuss these figures on an organic basis.

In the **Established** segment, revenues grew by 3.3%.

Established markets volume increased by 0.3%, testament to the resilience of our 24/7 portfolio. Sparkling volumes were down slightly overall, but grew in Coke Zero, Sprite and Adult Sparkling. Energy volumes were up high-single digits, with good growth in Monster. Coffee also grew, up high-single digits. And finally, Stills volumes increased by low-single digits, led by Water, while Sports drinks continued to show good momentum.

On a country basis, volume performance continues to be strong in Greece, while volumes were weaker in Italy and Switzerland. Irish volumes declined slightly in the full year, as the country managed the implementation of a Deposit Return Scheme, but saw an encouraging return to growth in the second half.

Revenue per case was up 3.0%, driven by continued pricing initiatives tailored to the local market, as well as good improvement in package mix – where single serve mix improved by 110 basis points.

Established segment comparable EBIT was broadly flat, as operational leverage was offset by ongoing investment.

Developing markets

Turning to the **Developing** segment, revenues were up 12.7%.

Volumes grew 2.5%, building on the improved trends seen towards the end of last year with continued momentum. Growth was broad-based across most categories and markets.

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Sparkling volumes were up low-single digits, with particularly good growth in Coke Zero and Sprite. Adult Sparkling also performed well, led by Kinley. Energy volumes grew high-single digits with good performance from Monster, despite new regulation in Poland.

In terms of country performance, let me call out three markets. First, the ongoing resilience in Poland, second the consistent momentum in Hungary despite the launch of a DRS in 2024, and third, particularly strong growth in the Czech Republic.

Revenue per case increased by 10.0%, driven by pricing initiatives and positive category and package mix. We also benefitted from the rollout of Finlandia distribution which added 450 basis points to revenue per case in the year.

This good topline expansion drove strong operational leverage in 2024, with comparable EBIT up 39.6%, leading to strong EBIT margin expansion of 180 basis points.

Emerging markets

In the **Emerging** segment, revenue grew by 23.3%, driven by both volume and good price mix.

Emerging markets' volume grew 3.7%. Sparkling volumes were up low-single digits, while Energy and Coffee volumes grew strong double-digits. Stills volumes were up mid-single digits, led by good performance in Water and Ready-to-drink tea.

In terms of countries, let me call out Serbia and Egypt, while Zoran will touch on Nigeria in more detail later in the call.

In Serbia volumes increased mid-single digits excluding snacks, while overall performance was impacted by the fire at our Bambi snacks plant in the middle of the year.

And we are making real progress in Egypt, strengthening the business through investments in our capabilities and enhancing our portfolio, such as through the introduction of Energy. While the underlying market remains challenging, we're confident we're making the right decisions to provide a pathway to strong medium-term growth.

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Emerging segment revenue per case increased 18.9%, reflecting proactive actions to manage the impact of currency devaluation, cost inflation and regulation.

Comparable EBIT grew by 13.0%, a robust performance in a year of significant currency headwinds in two of our largest markets in the segment.

Comparable EPS up 9.5%

Moving further down the P&L, comparable earnings per share grew 9.5%. This was supported by strong profit delivery and effective management of financial costs.

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

Consistent growth in comparable earnings per share leads us to recommend a dividend of €1.03, up 11% from 2023.

Strong balance sheet and improved shareholder returns

Capex increased slightly to 679 million euros. We made ongoing investments in production capacity, supply chain automation and energy-efficient coolers. And we're also continuing our investment in digital and data solutions.

Capex for the year was 6.3% of revenue – slightly below our target range as a result of a low level of investment in Russia relative to the rest of the Group.

We delivered strong free cash flow of 713 million euros, driven by improved profit generation.

Our balance sheet remains very strong. At the close of the year net debt to comparable EBITDA was one times.

Capital allocation discipline

Our priorities for capital allocation remain unchanged and set in service of our strategy and our vision to be the leading 24/7 beverage partner.

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We continue to invest in the business organically, and to make value accretive acquisitions that further improve our portfolio, or our capabilities. The most recent example is Finlandia, and Zoran will share more on our progress there later.

This capital discipline has also allowed us to drive higher returns to shareholders, I already mentioned the dividend increase, and we have also returned 226 million euros, or approximately 2% of shares outstanding, through a share buyback since November 2023.

Overall, I'm really pleased that we're successfully achieving a combination of investment in the business, strong improvements in ROIC and increased shareholder returns.

Outlook 2025

As we look to the rest of 2025, we expect the macroeconomic and geopolitical backdrop to remain challenging, with a still mixed consumer environment across our markets. However, we have high confidence in our 24/7 portfolio, our bespoke capabilities, the growth opportunities across our diverse markets and most of all in our people. As a result of this we expect to be able to make continued progress towards our medium-term growth targets.

In 2025 we expect to achieve organic revenue growth in the range of 6 to 8% and to deliver organic EBIT growth in the range of 7 to 11%.

Thank you for the attention, let me pass the call back over to Zoran.

Zoran Bogdanovic – Coca-Cola HBC AG – CEO

Driving best-in-class growth

Thanks Anastasi.

Before I get into some of the categories and markets that are driving our growth opportunities, let me take a moment to talk to you about two absolutely critical enablers

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of that growth: culture and capabilities. The connectivity of these two allow us to take advantage of our opportunities.

Growth focused culture

I am convinced that our company's growth-focused culture is at the heart of our competitive advantage.

We empower our people, asking that they take ownership and accountability for their ideas and actions, with a relentless winning attitude. This attitude keeps us on the front foot and keeps us agile, which is crucial in these dynamic times. Our purpose, vision and values are clear. And we are constantly nurturing an inspiring workplace, with opportunities for advancement and development.

Investing in bespoke capabilities

You've seen this slide a few times now and that's because our bespoke capabilities are absolutely critical drivers of our growth algorithm. We've made real progress with our capabilities in 2024, and you saw what we're doing in Data, Insights and Analytics in particular at our Investor Bitesize Event hosted by our Chief Operating Officer in October. However, we're investing across all of our capabilities, building them out in an interconnected way with one vision, which is for personalised execution for every outlet.

Track record of consistent growth

While we're proud of our achievements in 2024, we are REALLY proud of the consistency AND STRENGTH of that performance over many years.

It goes without saying that we have not achieved this performance because of an easy and supportive economic backdrop. Actually, we have faced many challenges and surprises along the way. But through all of that our culture and capabilities, when connected to our advantaged categories and markets have powered us through.

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This emphasises the resilience of our business through a range of different macro and consumer backdrops.

As we look to 2025 and beyond, we are very aware of ongoing risks. We have confidence in the future not because we think it will be easy, but because we remain focused on our strategy and we remain agile and ready to adapt due to our culture and capabilities.

Let me now take you through some of our biggest potential opportunities across our categories and markets.

Sparkling remains our most important driver of growth

Sparkling continues to be the largest driver of growth for our business given its healthy long term category potential and the 70% weighting in our revenues.

In 2024 we benefitted from strong joint programmes with The Coca-Cola Company as well as our execution in the marketplace. For example, in Q4, 'The World Needs More Santa's' campaign spread across all our markets, but we also had targeted campaigns and activations on locally relevant sports and music events throughout the year.

Another key opportunity continues to be within Adult Sparkling, which grew high single digits in 2024. We launched several new flavours and package formats across Schweppes and Kinley and continued to roll out our super premium brand Three Cents.

In 2025 we will 'lift and shift' some of these success stories, aiming to scale our wins and continue our growth momentum.

Energy continues to drive significant growth through increased consumption and footprint

In 2024 we delivered our ninth year in a row of double-digit volume expansion in Energy.

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Our ambitions in Energy are unchanged. We expect it to have a double-digit contribution to Group revenues over time. The category continues to have strong growth potential in our markets where per capita consumption remains low. And we are gaining share.

Growth in 2024 was led by the Emerging segment where our affordable offers, Predator and Fury are unlocking market potential. Growth also remains very healthy in our Established and Developing markets, up high-single digits as we benefit from category growth, share gains and strong activations, including in gaming with Monster. We rolled out Monster Green Zero Sugar to 16 markets in 2024 with good early results.

In 2025, we will continue to focus on Monster Green Zero Sugar and we have an exciting innovation pipeline to look forward to. We also expect continued good performance in Africa from our affordable brands.

Coffee growth driven by data-led segmentation and continued investment in a strong footprint

Coffee remains an exciting opportunity for CCH.

As you know we have been investing to create a strong, credible business here with unique competitive advantages.

We benefit from a segmented portfolio with both Costa and Caffè Vergnano, allowing us to go after the most profitable parts of the market at scale, from mass premium to premium.

On top of that, the capabilities we have built, particularly with our Data, Insights and Analytics team, are allowing us to understand the opportunity from our highest potential customers at the click of a button. This is both from our existing customers who may not be taking advantage of the full portfolio, as well as prospective customers.

These advantages give us a real 'right to win' in the out-of-home segment, which is also the most lucrative part of the coffee opportunity in our markets. In 2024 we added 4,300 outlets, and going forward this channel will be even more our priority.

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Stills and Premium Spirits - continued strong performance

In the Stills category we are focused on capturing the growth in the highest value parts of the portfolio. That means prioritizing premium Water, Sports drinks and Ready-to-drink tea, with offers tailored to the local market. And we have focused on improving package mix also, with Stills single-serve mix up nearly 400 basis points over the last 3 years.

Sports Drinks continue to be a strong focus. Powerade volume was up 15% in 2024 as we launched the brand in three new markets and expanded our coverage of dedicated coolers.

Ready-to-drink tea volumes grew by 4%, building momentum compared to 2023, supported by acceleration plans in several markets.

Moving on to Premium Spirits, this business brings a huge amount of value to our offer, truly enhancing our mixability credentials and our relationships with our customers.

We've distributed Premium Spirits for nearly two decades, however, the acquisition of Finlandia in 2023 has step changed our capabilities and scale here. 2024 has been a year of integration, and we're really pleased with how well the Finlandia teams have become part of CCH. We have already started to take actions to improve the growth opportunities of this business.

We also have an opportunity to expand in ready to drink. We have now launched Jack and Coke in a total of 18 markets and will continue building the category and distribution.

Italy

Moving on from our categories to two key markets where we have demonstrated the strength of our execution capabilities, despite a challenging macroeconomic environment.

We faced increased consumer sensitivity in Italy this year, which we flagged earlier in 2024.

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I've been really pleased with our execution in the market, and how we've adapted this year, using our whole RGM toolkit. We took early action to adapt pack/price architecture and stepped-up promotions, and we've been pleased to see positive reactions in the market, particularly towards the end of the year.

Premiumisation continued to be important, and in 2024 we achieved an improvement in single-serve mix, benefitting from growth in cans, including mini cans.

While volumes in Italy overall are down, we're pleased to see good growth from Coke Zero and Adult Sparkling, as well as Energy.

These categories have been helping to consistently drive growth over the last few years. Sparkling volumes are up 2% annually on average over the last three years, with particularly good performance from the premium part of the category, with Adult Sparkling up 20% over the same period. And Energy is up 14% annually on average over those three years.

All the while we've been able to deliver consistent expansion in revenues in Italy.

Let me also share some thoughts on the medium-term opportunity. Italian per-capita consumption remains significantly below similar markets such as Spain and Greece. Together with The Coca-Cola Company we have been investing to unlock this with a tailored plan focused on locally relevant passions – pizza with in-outlet activations, football through the sponsorship of Napoli and Juve, and local music festivals like San Remo. So there is a lot to play for in 2025 and beyond.

Nigeria

Moving on to one of our African markets. I'm very pleased with the consistent strong performance we're achieving in Nigeria, despite ongoing challenging macro. In 2024 we faced significant FX weakness and inflation. This required a rewiring and acceleration of our pricing plans. And we executed that while still driving good volume and market share expansion in the year.

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This performance is testament to the strength of our execution, enabled by our capabilities and the quality of our team in Nigeria.

We've always flexed our portfolio in Nigeria to offer affordable solutions such as Glass, and also generate mix improvements with premium offers in Energy or Adults. However, our investments in our capabilities continue to improve this. For example, in Nigeria we have done global pilots to connect our data with that from The Coca Cola Company to give us a deeper, granular understanding, improving our ability to segment the market with more tailored premium and affordable offers. This supports our continued healthy volume and revenue-per-case expansion.

We're also working closely with The Coca-Cola Company in Nigeria on sustainability. We were there last month, opening the first-ever Coca-Cola System-owned and operated packaging collection facility, which we built in 2024. This facility has the capacity to process up to 13,000 tonnes of plastic bottles per year, and it's a very significant step towards creating a circular packaging economy in the country.

Continuing to invest in Sustainability as a growth enabler

Continuing the theme, sustainability remains a key priority and growth enabler. I'm therefore really pleased we were recognised, for the eighth time, as the world's most sustainable beverage company by the 2024 Dow Jones best-in-class indices, and also to see our efforts recognised, by the double-A rating from CDP on climate and water.

Packaging, climate and water are our most material issues and a key focus. It has been a busy year with a lot of achievements to be proud of. Let me share a few highlights.

Starting with packaging - Packaging circularity is vital for us to achieve our sustainability targets. We actively support the launch of well-run deposit return schemes or DRS, which are an important way to drive packaging collection rates. Nine schemes have launched across our countries to date. Last year we had successful DRS launches in Hungary and the Republic of Ireland. Last month we went live in Austria, and Greece and Poland are due to follow later this year.

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On climate, I'm pleased to report that the Science Based Targets initiative validated our updated NetZeroBy40 emissions targets, now including Egypt for the first time.

On water, we continue to work with The Living Danube Partnership, where we are supporting communities and nature on this vital watercourse that flows through several of our markets.

Our communities are also a continued focus for us. Sadly, in Europe and Nigeria several communities were severely impacted by floods in 2024. In addition to delivering over 270,000 litres of beverages, The Coca-Cola HBC Foundation also made financial donations to support a variety of targeted community projects in each of the affected areas. A big thanks to those that made that happen.

Finally I'm delighted to share that we have exceeded our 1 million target for the number of young people we have trained in our Youth Empowered programme, a year ahead of schedule.

Strong platform for compounding profit and earnings growth

Anastasis has already shared our outlook for 2025 with you, but I'd like to take this opportunity to set your sights a little further into the future.

We have an abundance of opportunities in our 24/7 portfolio and diverse markets, and we are confident that our capabilities, people and culture stand us ready to capture them and to continue expanding revenues and EBIT in 2025 and beyond.

Thank you for your attention.

With that, let us now open the call up to questions.

---- [Q&A transcript will be available on the company's website]----

Zoran Bogdanovic – Coca-Cola HBC AG - CEO

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Thank you, operator.

I would like to thank everyone for taking part in today's call.

Let me just briefly conclude, we're very pleased with our performance last year, and we feel well positioned to continue our growth story in 2025 and beyond.

Thank you very much and goodbye.