CCH – Annual General Meeting – CEO presentation

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Cover slide

Welcome to our Annual General Meeting.

2022 was a year in which we continued to make clear progress in our vision to be The Leading, 24/7 beverage partner.

It is testament to the strength of our business, our culture and our team spirit that we have continued to perform so well, especially during a year where the business, and so many of our colleagues also dealt with the unimaginable consequences of war.

I want to thank our passionate and engaged people for making Coca-Cola HBC a better business every day. Also, I want to extend a very big thanks to all our stakeholders, particularly our customers, The Coca-Cola Company, the Monster Energy team and all our other partners for their trust, support and collaboration.

Forward-looking statement

Let me remind you of our forward-looking statement.

Delivering today, investing for tomorrow

Five things stand out to me from 2022.

One: Our Growth story 2025 priorities are driving our continued strong performance.

Two: The strength of our portfolio and capabilities ensure we continue to win in growing markets. Volumes grew across all our markets, except for Russia and Ukraine. We have expanded revenue per case, executed double digit revenue growth and achieved solid share gains.

Three: Our focus on customers is at the heart of what we do. Our people are committed to enabling our customers' success in many ways. One important indicator is that we remained the **number one** contributor to revenue growth for our retail customers in 2022.

Four: We have navigated historically high levels of inflation while delivering strong financial performance, record levels of comparable EBIT, excellent ROIC and a strong balance sheet.

Five: Our vision of being the Leading 24/7 beverage partner opens tremendous opportunities today and in the future. We continue to invest behind these opportunities and 2022 had some notable examples:

- Adding Egypt as a strategically important, long-term investment
- Increasing investments behind digital commerce and data capabilities;
- And accelerating our sustainability agenda with the opening of another rPET facility, this time in Italy, and issuing a €500 million green bond.

Strong financial progress in FY2022

Key highlights for me are:

- Strong double-digit organic revenue growth, with and without Russia and Ukraine;
- Ongoing organic EBIT expansion despite cost pressures;
- And record high free cash flow generation with consistently high levels of ROIC.

Growing industry, strong brands

Moving on to the consumer environment in our markets.

We are lucky to operate in a growing industry with very strong brands.

NARTD and Sparkling industry revenues grew well in 2022 and we are gaining share both versus branded and private label.

Within our portfolio, our higher revenue per case categories, Sparkling and Energy, remain the most resilient.

We do see that in some markets there is more demand for affordable options – but we have the revenue growth management capabilities to handle this in a balanced way – giving consumers the price that they want at a revenue per case that supports our business. For example, with the 850ml bottle in Poland where we are seeing double-digit volume growth. And we continue to see smaller package formats, and indeed small premium packages, growing faster than multi-serves. A good example of this is in Italy where glass packs were the fastest growing of all.

There are a handful of markets where we have seen changes in consumer behaviour and signs of slowdown in underlying category volumes – I'm thinking of Egypt, Nigeria, Romania and Hungary – but we have been proactive in deploying our ready-to-go plans in those markets. In our other markets we remain vigilant and well prepared.

So overall, despite more challenging conditions in a small number of markets, consumer demand for OUR products has remained healthy. We are growing share in growing markets and growing our top line too.

Progress in Egypt

Turning to Egypt, which is a great addition to our group that I want to touch on. The market has tremendous potential due to its size, demographics and headroom for increasing per-capita consumption and market shares.

However, there is no denying that Egypt faced severe macroeconomic headwinds in 2022. That's why we remain focused on developing Egypt over the mid-term, while adapting to today's realities on the ground.

Let me tell you a bit about both.

Mid-term – we continue to develop our capabilities in the market and are expanding our portfolio into white spaces. A clear example of that is the launch of affordable Energy brand Fury at the start of 2023. From the cost optimisation perspective, we are rapidly integrating teams and back-office systems ensuring efficiency and an upskilled organisation. And we're incorporating our sustainability goals and programmes.

Short-term, we have responded to the weaker currency with decisive price increases. Despite this, we were pleased to see strong share gains throughout the year, enabled by the refresh of our salesforce and distribution. We are also adapting our offering, fully utilising our glass portfolio as an affordable option, and we are upping investments behind our brands, together with The Coca-Cola Company.

We are creating a healthy, resilient business in Egypt, and I remain truly excited about the long-term opportunity in that market.

Leading in sustainability

We've made good progress towards our Mission 2025 and NetZeroby40 goals this year. I'm proud our work has been recognised as we were ranked as the world's **most sustainable beverage company** by the Dow Jones Sustainability Index… for the sixth time.

Just a couple of examples to highlight. In packaging, we continue to prioritise a circular approach. We began the transition to a 100% rPET portfolio in Austria and Italy, following the successful move to 100% rPET for our locally produced portfolio in Switzerland in Q2.

Also in Italy, we opened a plant that can convert up to 30,000 tonnes of PET per year into 100% recycled PET preform bottles, with a much lower carbon footprint than their virgin plastic equivalents. We also set up in-house recycled PET production capability in Poland and are planning to launch the same capability in Romania in 2023.

In September we issued our first ever green bond, which was very well received by the market. We raised €500 million in support of our ambitious sustainability agenda that will further accelerate our progress into 2023 and beyond.

Consistently strong top-line performance

We closed the year with good top-line momentum, leading to organic revenue growth of 14.2%, including Russia and Ukraine, which negatively impacted performance.

Excluding these two markets organic growth was 22.7%.

Volume growth was 8.1% excluding Russia and Ukraine, with our strategic priorities as the best performing categories.

Pricing was the largest contributor to revenue per case, accounting for approximately two thirds of the improvement in the period. The remaining one third came from mix levers, led by package and category mix.

2022's top line performance come on top of the 21% organic revenue growth achieved in 2021. The point being that we have well and truly stepped up our performance in the last two years with 2022 revenues 28% ahead of 2019 levels.

Managing significant cost inflation in 2022

2022 was dominated by inflation and supply chain challenges.

Just like the broader industry, we have been wrestling with sharp inflation across our COGS lines.

Let me give you a flavour of some of the pressures we've seen.

- Raw materials, packaging and finished goods were adversely impacted by inflation across all major commodities. These were amplified by embedded higher energy prices, resulting in increased conversion costs.

- Our own production and haulage costs were affected by labour and energy inflation across our markets
- Concentrate costs also increased as revenue per case expanded.

We have used every tool at our disposal, on both top line and productivity efficiencies, to manage these headwinds.

Organic EBIT up 1.3% despite cost inflation

As a result of this focus and discipline we have achieved organic EBIT growth expansion in 2022. We are proud of that performance given the challenging macro backdrop, compounded by the war in Ukraine.

It's important to add that we have continued to invest across the business. Marketing spend was up 11.5% year on year. We are fully funding newer categories such as Coffee; big bets in digital and data; as well as investments to deliver our sustainability agenda - all in service of our vision of being the leading 24/7 beverage partner.

EPS up 7.7%

Further down the P&L we see comparable EPS expansion of 7.7%.

Finance charges increased by €15 million as we consolidated Egypt into the P&L.

Our comparable tax rate of 26% was in the middle of the guided range of 25 to 27%.

Consistent growth in comparable EPS has allowed us to recommend a dividend of 78 euro cents, up 10% from 2021, in line with our progressive dividend policy. This would place the dividend payout ratio at 46%.

Another year of investment and record FCF generation

Capex increased by €49 million in 2022 as we continue to deploy capital into critical growth projects. In particular, we are investing behind:

- upgrading our manufacturing facilities in selected markets;

- expanding our base of energy efficient coolers to drive single-serve growth; and
- delivering our sustainability goals.

Capex finished at 6.4% of revenue - at the bottom of our guided range, following suspension of capex investment in Russia in 2022.

Free cash flow increased by €44 million year on year to €645m - a record high for our company.

Our balance sheet remains very strong. At the close of the year net debt to EBITDA was 1.2 times.

The business is well-insulated from interest rates exposure by having most of our debt on fixed rates. Our next bond repayment is not due until November 2024.

Prudent financial management of our balance sheet is a source of strength and flexibility, providing ample capacity for investments both organically and through M&A. As we've said before, if we do not see more effective uses for this capital at attractive returns in the mid-term, we will return it to shareholders.

Continued ROIC expansion

As I think about the performance of this business, Return on Invested Capital is one our most important KPIs. To be the leading 24/7 beverage partner we need to make thoughtful choices, ensuring that we deploy capital efficiently and effectively in the service of profitable growth. That's why I'm pleased to see another year of good ROIC performance even as we faced a tremendously challenging environment.

Strong start to 2023

Let me just say a few words on our strong start to the year in Q1.

We are very pleased with our performance in Q1. A key measure of success has been the effective use of price and mix levers to recover the inflation effects we are seeing in the cost of goods sold. Volumes have remained solid, particularly in Established and Developing, and we have improved our market share in non-alcoholic ready-to-drink and Sparkling, overall.

First quarter organic revenues were up 22.2%, excluding Russia and Ukraine. Including them, Group organic revenue growth was 16.2%, again, very strong. This growth was fuelled by an increase of 21% in organic revenue per case, an acceleration from the 16% delivered in 2022 as a whole. This continues to reflect our responsible approach to pricing and mix decisions enhanced by data and insights.

We are encouraged to see continued market share gains, particularly given the price increases taken over the last 12-18 months. In the first quarter, we have gained 70 basis points of value share in non-alcoholic ready-to-drink, and a further 10 basis point in Sparkling, on top of the 120 and 170 basis points achieved, respectively, in 2022.

Outlook 2023

Moving to our outlook for the year.
While being mindful of ongoing macroeconomic and geopolitical risks, following a strong start, we now have greater confidence in achieving positive organic EBIT growth in 2023.

- We expect another year of organic revenue growth above the 5 to 6% average mid-term range guidance.
- While we have seen signs of improvement in some commodities, overall inflation levels remain high and we expect COGS per unit case to increase by low teens
- We now have confidence in achieving the top end of our organic EBIT growth range of -3% to +3% in 2023

Looking to the future, we remain confident in our strategy and in our ability to continue to deliver long term growth and shareholder value.

Thank you for your attention and good morning.