CCH – 2022 Third quarter trading update
Conference call script – 8 November 2022

CORPORATE PARTICIPANTS

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Good morning everyone. I'm here with our CEO, Zoran Bogdanovic and our CFO, Ben Almanzar.

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 asking your follow up. We have about an hour for the call today, which should leave plenty of time for a good discussion.

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 trading update press release, which we published this morning.

And with that I will turn the call over to Zoran.

Zoran Bogdanovic – Coca-Cola HBC AG – CEO

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

I have three key takeaways for you today.

- First is the strength of our performance, reflecting our continued momentum. And we are upgrading our guidance with today's results.
- Second is the agility and resilience of our business that we've built over many years and proven through recent, and ongoing, challenges.

- And third is that, while so far we have seen limited evidence of a consumer slowdown, we at CCH, together with The Coca-Cola Company, and our other partners, are alert to this risk and fully ready to adapt with well-prepared plans.

With that let me get into the detail.

We are very pleased with our performance in Q3, which has been ahead of our expectations. I would like to give credit to the excellent summer-season planning, in partnership with The Coca-Cola Company. And also to the effective execution of those plans by our fantastic teams in our markets.

This morning we reported Q3 organic revenues up 19.6%, excluding Russia and Ukraine. This builds on the 25% growth we reported in first half.

We achieved an acceleration in organic revenue per case to 15.0%, from 14.0% in the first half of this year. This is the result of our responsible approach to pricing and mix decisions, enhanced by data and insights. We always approach this with a desire to provide value to shoppers and customers, balancing premiumization and affordability and ensuring relevant propositions for all consumer segments. Our revenue growth was ahead of transactions growth, and both were ahead of volume growth, showing our revenue growth management capabilities at full strength.

It's clear we continue to create value, remaining the number one contributor to revenue growth in FMCG across our retail customers. In addition to improvements in category mix through the growth of Sparkling and Energy, we increased package mix through strong activation of single-serve packages.

Pulling out a few examples, cans grew 15%, half litre PET 10% and our premium, 200ml glass bottles 20%.

We have been front-footed in driving revenue per case. This is critical as we continue to navigate a very challenging inflationary environment across our markets, particularly driven by energy costs. Revenue per case expansion has been ahead of CPI for the Group, a key proof point of our progress.

We are encouraged to see the continued out-performance on market share, particularly given the strong increase on price/mix year to date, we've gained 130 basis points of value share in NARTD and 190 basis points in Sparkling. This shows that the strength of our brands, effective marketing and our compelling commercial offer have earned the price improvements and driven the volume growth we are achieving.

Volume growth continues to be robust, up 5.7% in Q3 excluding Russia and Ukraine. On a three-year basis, that is versus 2019, which allows us to look at performance versus pre-pandemic levels, Q3 volumes were up nearly 16%. This is an acceleration on first half versus 2019 which was up 15%. Clear evidence of healthy momentum in our categories.

Digging into that volume growth, we can see positive momentum in our areas of strategic focus. The numbers I'll share with you now are all excluding Russia and Ukraine.

Volume growth was led by Sparkling, up 6.2%. Within the category, Trademark Coke volume grew 9.0%, benefitting from targeted summer plans delivered through strong market execution.

Energy performance continues to be strong, up 30%, with volume growth across all three segments. The benefit of our tiered portfolio is also clear, with very strong performance from Predator in Poland and Nigeria.

We continue to roll out Coffee with volumes up 51%. Costa Coffee is making good progress, particularly in the out-of-home channel, which has been the key focus area in 2022. And Caffe Vergnano is now in a total of 14 markets, ahead of plan.
Meanwhile in Stills, where volumes grew by 2.4%, we are focusing on expanding revenue per case, driving single-serve packages and higher value-added offerings.

Moving on to our segmental performance.

Established segment organic sales grew by 19.3%, with well-balanced volume and revenue per case contribution. Volumes were nearly 9% ahead of pre-pandemic levels, a clear signal that momentum is being sustained by more than just recovery, and consumers are staying resilient. We are particularly pleased with the performance of smaller and single-serve packs in Established. Growth momentum was especially strong in Ireland and Italy, with both markets benefiting from strong Sparkling growth, led by low and no sugar and Adults. Sparkling was complemented by good Stills performance, driven by innovation.

In the **Developing segment,** organic sales grew by 23.1%. Again, we're really pleased to see the balanced performance between revenue per case and volume growth. And we're also pleased to see further share gains across our markets. Similar to the Established segment, in Developing, the consumer environment remained healthy without signs of deterioration. We're very pleased by the single-serve performance this quarter in Poland, particularly our glass and multi-serve entry pack.

The **Emerging segment's** performance has been negatively impacted by us stopping the sale of The Coca-Cola Company brands in Russia, as well as the ongoing conflict in Ukraine. Organic revenues declined by 6.2% in the segment. But stripping out Russia and Ukraine, organic revenues grew by 17.7%.

That said, we've seen an encouraging recovery in Ukraine this quarter, with demand ahead of expectations.

Across our markets we have continued to prioritise driving healthy revenue per case, while ensuring we're meeting consumers' needs on affordability. This is particularly true in Nigeria and Egypt. Both are facing a more challenging consumer backdrop after a period of rapid growth. In both cases, I've been pleased to see very good performance on share, as we continue to grow revenue ahead of the market.

Integration in Egypt is progressing according to plan. We're investing in transferring key capabilities into the market, ensuring we achieve our vision of healthy share gains and profitability improvement, over the medium term.

Let me conclude my remarks by updating you on our guidance for 2022 and a reminder of our strategic focus.

As I said at the start of this call, trading this quarter has been ahead of expectations, and we continue to see good momentum in the business. Therefore, while remaining attentive to macro-economic and geo-political risks, we are raising our guidance. We now expect to achieve double-digit organic revenue growth at Group level, and expect comparable EBIT in a range of €860 to €900 million.

Our strategic focus is on delivering sustainable, profitable growth. We are making good progress against our five strategic growth pillars, and this is of critical importance.

Let me call out a couple of examples of the actions we've taken to make this a stronger, more resilient and agile business.

- Firstly, we continue to invest across the business in areas of the highest potential. This includes our portfolio. For example, the way we've consistently invested behind Adult Sparkling, and now behind Coffee. It also includes targeted investments in our markets – a focus on HoReCa in Italy for example, or cooler investments in Egypt.
- Secondly is our investment in capabilities. The development of our digital route-to-market, and investments in data which allow us to continue to segment our customer base into finer and finer detail, further strengthening our revenue-growth-management capability. We've also invested directly to increase agility and the speed of adaptability in the business, enhancing the connectivity between our markets and the centre, allowing us to dynamically deploy resources, giving us an advantage in the marketplace.
- And thirdly, as I've said before, we are determined to remain leaders in sustainability. This quarter marked an important milestone as we issued our first ever green bond,

raising capital to accelerate progress of our NetZero by 40 and Mission 2025 commitments.

We continue to deliver strong financial performance, proving our strategy is working. We continue to invest behind our strategic priorities, and we remain well positioned for future profitable and sustainable growth and creating shareholder value.

Thank you for your attention, I will now hand back to the operator, and Ben and I will be happy to take your questions.

[Q&A transcript will be available on Wednesday 9 November 2022]