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Charlie Higgs (Redburn)

Andrea Pistacchi (Bank of America)

Sanjeet Aujla (UBS)

Operator: Thank you. This is the conference operator. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch tone telephone. To remove yourself from the question queue, please press star and two, please pick up the receiver when asking questions. Anyone who has a question may press star and one at this time. The first question is from Mandeep Sangha of Barclays. Please go ahead.

Mandeep Sangha (Barclays): Good morning, Zoran, Ben and John. Thank you very much for the question. My first one is really around your guidance overall. So, in terms of top-line guide, you have quite a narrow range at plus 6-7%, but, obviously, both at COGS and operating profit, you have a much wider guidance range. Could you maybe talk through the range of scenarios or possibilities that you think need to happen to deliver either the bottom end of your guidance or potentially at the top end of your guidance range on organic profit?

And maybe a sort of a follow-up question is more focusing on one of the individual markets in Egypt. You flagged that there was some impact from boycotts in the fourth quarter on Coke. Could you maybe give us an update on how that is developing in January and how we maybe should think about that as a potential headwind for 2024? Thank you very much.

Zoran Bogdanovic: Thank you, Mandeep. I will start briefly with the first question, and then I will let Ben to give more colour, and then I will come back on Egypt.

Right, as you said, we are guiding for our top line to be in line with the mid-term guidance of 6-7%, where we see all three levers of price and mix and volume to play the role. Just a reminder that we are very early in the year and from today's visibility, that is what we see, and we are confident that we can deliver. Ben?

Ben Almanzar: Yes. On the organic EBIT guidance, we set a range of expectations for EBIT growth between 3% and 9%. And that guidance considers several scenarios, including external risk we face and the opportunities we can also seize. So, it could be towards the upper end of the range if we see stronger top-line momentum across our markets and if COGS per case inflation is lower than we currently expect. I would like to remind you that our medium-term EBIT target is for 20 to 40 bps expansion of margin, and that is on average per year. And we are confident on levers that we can activate to deliver it.

Zoran Bogdanovic: Mandeep, on Egypt, I will take the opportunity of your question just first to highlight that we are really pleased with the Egypt performance in 2023, particularly in half-two, when the business grew high teens, despite what is really challenging environment and ongoing macroeconomic headwinds. And a reminder then, in the second half, Sparking grew 10% and Water grew very strongly around 50%.

From the moment we took over and further stimulated with everything that has been going on in the country, we really fast-tracked development of commercial capabilities in the countries, development of our overall capabilities, as we are really building strong foundations for this business for the years to come. With that in mind, you have seen that second half has performed really strong in high teens.

And Trademark Coke coming back, specifically to your question, Trademark Coke volumes declined. As we all have heard, other companies say, consumers have avoided the brands of multinational companies in response to the geopolitical situation in the Middle East. We have seen some improvements in trends in January as consumers reacted positively to locally relevant market initiatives, for example, like football.

For 2024, we remain very close. The team on the ground knows the situation really well and monitors it. Monitors the situation. Hard to predict how this further unfolds, unfortunately. However, our readiness to respond quickly and fast is what gives us confidence that we can sail through that.

Mandeep Sangha: Super clear. Thank you very much.

Operator: The next question is from Matthew Ford of BNP Paribas Exane. Please go ahead.

Matthew Ford (BNP Paribas Exane): Hi, Zoran. Hi, Ben. Just one and a follow-up from me. Just on the first question on negative transactional FX impact. Are you able to quantify the impact you are expecting for 2024 and how much that is within your 3-9% like-for-like EBIT guidance?

Then just on a quick follow-up, just following on from Mandeep's question. In terms of current trading in January, we are six weeks into Q1. Anything you would call out across your markets that has kind of surprised you? Are trends broadly in line with the exit rate from Q4? Anything interesting to call out there? Thank you.

Ben Almanzar: Thank you, Matthew. Let me start with your first question. This is already captured within the guidance.

Zoran Bogdanovic: Matthew, on start of the trading of the new year, I can say that it is in line with our expectations, with the revenue generation, and we saw some positive volume growth and we continue. It is very early in the year, but so far, all in line with expectations.

Matthew Ford: Great. Thank you.

Operator: The next question is from Sanjeet Aujla of UBS. Please go ahead.

Sanjeet Aujla (UBS): Hey, Zoran, Ben, thanks for the presentation. Two questions from me. Firstly, within the 6-7%, I know you spoke a little bit qualitatively about contribution from volume, pricing and mix. Would you expect an equal contribution from each of those levers or a little bit more of a price mix heavy-weighted year, just given the inflationary backdrop still on COGS? That is my first question.

Secondly, I would just like to dig a little bit deeper into Nigeria and how you are managing operationally there, particularly with FX scarcity and to what extent that is all factored into your guidance as well. Thanks.

Zoran Bogdanovic: Good morning, Sanjeet. Thank you. In our top-line guidance, as we said also last year at the Capital Markets Day, we do see that in 2024, we would have a more balanced play of the drivers of revenue generation where price and mix will remain an important driver. However, also we count on the volume component. Just to say that we wouldn't necessarily see the volume being higher than what was 2023, at least from today's visibility.

A reminder that how we approach this, as we have such a variety of markets where we operate, that our revenue growth management capability and framework really enable us to zoom in, in every market and do a segmented approach for whatever this market needs with all the factors that we take into account. And I am happy to elaborate on that more if needed.

Now, turning to Nigeria, very pleased with how the country has performed last year, in spite of several challenges that we have seen coming at us last year, remember, from the banknotes and then the devaluation. However, I have to really start, first of all, giving huge acknowledgment to a strong team and the way they operate. And we see the benefit of constantly investing year-on-year in strong capabilities and strong talent in every single role. So that enabled us to react probably faster than anyone else in the market.

Listen, we also leverage on the years of experience. Very proud to say Nigeria is a cradle of Hellenic – more than 70 years. So, we know the market extremely well. And when you combine that with strong team capabilities, excellent partnership with The Coca-Cola Company, with the very good programmes, so all that really holistically results in a strong improvement. Therefore, another year of strong share gains is just one of the indicators.

You are right, FX in Nigeria is one of the points that could be better. We have been encouraged over the last two weeks with some opening of availability that we have leveraged. And I have to say also that together with The Coca-Cola Company and us, had some very productive meetings in Davos with the senior representatives of the Nigerian government, Vice-President as well as the Minister of Finance. And we have really heard some very pragmatic and strong views in the way how they plan to tackle the thing. So, we really left cautiously optimistic. And this thing that we have seen in the last two weeks gives us some encouragement and evidence that there may be some really walking the talk that we heard over there. That is it.

Sanjeet Aujla: Just to clarify that point quickly, Zoran, just on the last few weeks you have seen a bit more availability of FX, is it? Or what has really changed?

Zoran Bogdanovic: Yes, we had some availability of FX, which we have captured.

Sanjeet Aujla: I see. Thank you very much.

Operator: The next question is from Simon Hales of Citi. Please go ahead.

Simon Hales (Citi): Morning, Zoran. Morning, Ben. Morning, John. Congratulations, Ben, on the new role. Good luck. Just a couple for me then, please. Just coming back to the guidance. From an EBIT standpoint, it does look like you are getting either very little or no EBIT margin leverage in 2024. Is that lack of potential margin leverage at this point all really driven by the transactional FX headwinds you are seeing in emerging, or do you expect to see limited or no margin expansion in some of the established and developed markets, which clearly saw some good profit growth in 2024? Just trying to understand the moving parts there.

Then maybe associated with that, coming back to one of Ben's earlier comments, you talked about the fact that you could reach the upper end of the EBIT guidance range if your COGS were lower than you currently expect in the year. How much flexibility is there on COGS at this point? How hedged are you? What could drive that improvement?

Ben Almanzar: Okay, thank you, Simon. Let me start with the first part of your question, which is around the shape of the segments. As you know, we do not guide by segments, but if you think on broad terms, let me say perhaps something that can help with the modelling. If you look at 2023 results, you saw that we expanded EBIT organically across all three segments, but the performance was stronger in established and developing markets, as our emerging markets face, as you rightly say, headwinds from the currency side. Thinking broadly, in 2024, you can expect that if FX remains where it is, similar type of headwinds. Therefore, that is the kind of shape, in broad terms, that you can think about 2024.

On your second question around the COGS, so we have guided to essentially COGS in the low- to mid- single digits, and I remind you that this is really all in. It is on a comparable basis. It includes the effect of inflation, transactional and translational effects in there. That is the best view that we have at the moment. We are approximately hedged around 50% of commodities associated with input costs and will continue to try to improve that position as the year progresses.

Simon Hales: Got it. Just coming back to the first point around the shape of margins, you are not necessarily guiding for margins to be down or see contraction in established and developing?

Ben Almanzar: What I said is that we are guiding to 3-9% margin expansion. I explained the conditions that would take us to the top of that range which would imply the margin expansion.

Simon Hales: Okay, thank you.

Operator: The next question is from Edward Mundy of Jefferies. Please go ahead.

Edward Mundy (Jefferies): Hi, Zoran. Hi, Ben. I have got two, maybe two and a half questions, but let us try the first one, which is really around Sparkling and Energy. If we look at your core, i.e. Sparkling, what are the two or three things that you are most excited about the Sparkling category, and why is it so healthy relative to history? Then, as part of the same question on Energy, when you think about your penetration and your portfolio relative to more mature markets such as the US, what does it really get you excited around Energy as you progress towards double-digit of sales?

My second question is from the Coke call yesterday. They mentioned very clearly that every time a refranchising has taken place, there has been a step-up in performance, and there has a couple of pieces still left. As a pretty aligned and very well-capitalised bottler, how are you thinking about taking on more franchises? Is it just a question of valuation and ROIC, or strategically, are you pretty happy with your current footprint, given you are able to throw off quite a bit of growth on organic basis?

Zoran Bogdanovic: Good morning, Ed. Thank you. Let me start with your first part on Sparkling and Energy, the categories we really love. On Sparkling, as a reminder that Sparkling has a strong performance, has already started with really good momentum before COVID, then during COVID proved very good resilience. Now post-COVID, we have seen really Sparkling performing extremely well. It is not by chance because there are so many factors that come together. I think that The Coca-Cola Company team product reformulation addressing the sugar element, so providing now variants of zero sugar, even going further with zero sugar, zero caffeine or smaller sugar content. Thus, there is a variety of choices that really now cater to consumer needs and desires.

Then I think the whole marketing revamp and the completely new direction that The Coca-Cola Company has taken and starting with the Coca-Cola brand, but then further on with flavours, we really see the benefit of more dedicated resources, more investments, more contemporary marketing campaigns and big leverage of the digital, also recruiting and engaging with younger generations. We really see the whole suite of things happening, and then blended with our strong execution where Sparkling always has the most prominent space and attention. Whenever we make the plans, we always start with the notion that Sparkling plans have to be fully developed, fully funded, and then we continue with the rest of the plan.

I think I already mentioned, let me just say one last thing on that point is that in the last reorganisation where The Coca-Cola Company has also split on a global level, there is a focus team behind Coca-Cola trademark and then there is a dedicated team behind flavours that really plays a big role, and we see more attention, more investments, more support behind flavours. You have heard us saying how Sprite is performing very well, just as one example, but also relaunch of Kinley, what we do with Schweppes. So, I could go on, but I think that the history shows very well Sparkling performance, and it gives us very strong confidence that it will continue so.

Moving on to Energy, eighth year of strong double-digit growth happens with the fact that we know this category well, through close partnership with Monster. We know that brand stratification does play a role, so that we have proposition for each consumer segment, either in the lower end or top mainstream or the premium. The level of innovation that Monster's team comes up with every year constantly gives novelty in the category, and we see how the cohort is expanding, that more and more users are coming into the Energy category. We have been constantly investing in coolers, also in the execution in the market, and we see how emerging markets are reacting really well. I mentioned Nigeria and Egypt. We are encouraged that Energy will continue driving strong growth. That is why exactly those two categories, plus Coffee, we really see the data-based info that this is where the biggest chunk of growth will come.

And then on the point of refranchising, first of all, we really love the current set of territories we have. We really think we have a fantastic pool of variety of markets, which really gives us the opportunity to deploy our strategy in a tailored way. However, equally, as you have seen, our balance sheet is very strong. We know we have a strong team, we have strong capabilities, we have a strong balance sheet. So, we are very open. However, refranchising is fully in the hands of our partners of The Coca-Cola Company. And time will tell in the future if there can be any opportunities. However, what I only can say on behalf of Hellenic is that for the right opportunities, we are always open and keen. Thank you.

Edward Mundy: Thanks, Zoran.

Operator: The next question is from Olivier Nicolai of Goldman Sachs. Please go ahead.

Olivier Nicolai (Goldman Sachs): Hi. Good morning, Zoran, Ben. Two quick ones, please. First of all, can you give us a bit more details on the low- to mid-single digit COGS inflation guidance that you gave? What are the building blocks? Is it driven by glass? Is it sugar? It would be great to have a bit of an idea within the different input costs that you are using.

Secondly, in developed markets, is it fair to assume that pricing should moderate more in line with inflation in 2024? And are you able to share any updates on the negotiations you had so far with your retailers in key markets in developed countries? Thank you.

Ben Almanzar: Thank you, Olivier. Let me give you some colour about what are the drivers of that COGS per case guidance. While we are counting on some moderation in commodities like aluminium, PET, we are also anticipating more pressures in sugar in

2024. It is also important to remember that nearly a third of our COGS is actually concentrate, and it moves with revenue growth. That guidance that we provided incorporates also the transactional effects impacts in 2024, such as the devaluation of the Naira that we have already seen, which increases the cost of ingredients in general.

Zoran Bogdanovic: Olivier, hello. I will touch on pricing. As I mentioned earlier, pricing remains an important driver of our revenue generation. We do see that it will be on a more moderate level than the last two years. However, it will remain a driver. This really depends from market to market. We start with inflation levels across our countries. There are no countries with negative inflation. We do see that it is on a lower level than the year before. So, there are a number of markets with either low- or mid- or even high-single-digit. However, there are also markets with double-digit inflation. It is going to be specific for markets and as much as needed. That will inform our revenue growth management together with currency movements, competitive play, of course, all the time following elasticities. All that and other factors taken into account, the bottom line is that we do see pricing happening this year, and, in conclusion, on a more moderate level than last year.

I am extremely pleased that the last two years, when there has been a lot of pricing, we have worked collaboratively with our customers. Therefore, we did not have any issues with any negotiation with customers, because we really do not approach it on a transactional level. This is on a partnership level where revenue growth management genuinely helps us to drive the joint value creation with customers, so that this has to work for us, but equally for customers, but also has to provide a value for our shoppers and consumers. That is why this is blended with marketing elements, with promotional elements. There is a whole suite of things that actually we put on the table when we talk with our customers; and I can say that also any recent negotiations have been successful and fully aligned with our customers.

Thank you, Olivier.

Olivier Nicolai: Thank you very much.

Operator: The next question is from Fintan Ryan of Goodbody. Please go ahead.

Fintan Ryan (Goodbody): Good morning, Zoran, Ben, John. Fintan Ryan here from Goodbody. Firstly, just congratulations, Ben, on the years he's had at CCH. And best luck with everything in future. In terms of my questions, I have got one larger question on mix. Specifically, could you talk us through some of the moving parts we should think about for 2024 in terms of pack mix and format mix? I am thinking specifically around single-serve product mix. What is your best-in-class, single-serve penetration, and where are you in terms of that journey of getting that across different markets or regions? Then also in terms of category mix, we have seen quite significant declines in Water volumes in 2023, both in established and developing. How much of that is going to sort of follow through into 2024? Are there any other sort of big category mix drivers like that that we should be thinking about in terms of our volumes, revenues and EBIT growth for the following year?

Then just a small follow-up in terms of Egypt, I see you have taken a quite substantial impairment of your Egyptian business. Could you talk about the main drivers of that? Is that purely the FX depreciation you have seen since acquisition, or has there been any change in terms of your midterm growth ambitions for the Egyptian market? Thank you.

Zoran Bogdanovic: Hi, Fintan. On the mix, excellent question because this is one of our focus areas year-on-year, and every year we are making progress with mix improvement, and 2023 was no exception. This is because we focus on single bottles of single-serve, both in out-of-home. However, more and more also in the at-home. Connected with that is multipacks of single-serve that we are more consciously driving in creating the consumer habit of buying single-serve versus the bigger multi-serve bottles. This is where we are also leveraging our mixability programmes both in the away-from-home, for example, in the bars, and in that way stimulating the more frequent consumption of the single-serve, but also in at-home.

We have also, as a part of our revenue growth management, we identify opportunities where we need to launch different sizes of single-serves. Also taking into account the affordability, which we take very much into account in these days. I can give you some examples where we introduce some of the new entry packs, like a 300 ml PET in Hungary and Romania, we launched 250 ml can in Ukraine. There are more of multipacks of mini-cans in a number of countries. I am very pleased to see how all countries are moving their mix of single-serve higher and higher.

Coming back, Fintan, to your question about some of the best markets, I can mention Ireland, which is on around 78-79% single-serve mix. Then we have several markets, about 50%, which is like Greece, Italy, Switzerland, is on a high level. We have a pool of countries from which other markets can learn and get inspired. That is exactly what we do when we transfer good practises among the countries.

Moving on to category mix. I reinforce that our biggest priorities are Sparkling, Energy and Coffee. These are more valuable categories than, for example, Water or Juices. This is where our priority is. That is why we do expect that category mix should also be a positive contributor next to the package mix in how we will drive the overall revenue.

The point on Egyptian impairment, I already earlier said a number of things for Egypt. I would just say that this impairment is a reflection of short-term volatility. However, I really want to emphasise that we remain very confident on the importance and potential of this business, and we just felt this was the prudent thing to do at this point. Does that help, Fintan?

Fintan Ryan: Thank you very much.

Zoran Bogdanovic: Thank you.

Operator: The next question is from Charlie Higgs of Redburn Atlantic. Please go ahead.

Charlie Higgs (Redburn Atlantic): Hey, Zoran. Ben. Hope you are well. I have got two quick ones, please. The first is just going back to the organic sales growth guidance, 6-7%. I think there has quite a few things coming in that are going to help the pricing, like three DRS schemes, sugar tax and then half the year of sugar tax in Russia. Can you maybe just walk us through how those impact the top-line and what you are assuming the consumer response will be? Do you think it will just be business as usual as all these things come in?

My second is just, Zoran, can you maybe just comment on the health of the consumer in some of your markets? Has anything changed dramatically in Q3 versus Q4 or at the start of the year? Appreciate there has quite a lot of bad weather involved as well. Thank you.

Zoran Bogdanovic: Hi, Charlie. Good morning. So, on this 6-7%, specifically on several markets, you pointed out very well that there are some markets where there are either regulatory or taxation drivers that are also pushing our pricing. Romania is probably the most active one where, let me just remind already that last year from 1st January, they increased the VAT by ten percentage points. Then this year they started with excise tax, which also then initiated that we fully pass on that taxation to consumers, as we always do. Then DRS started, as I mentioned, then we have in Ireland DRS that started, and there is a kind of a soft DRS start in Hungary. So, all that is causing that pricing to customers, but then also to consumers because there is a domino effect of how this works.

Now, we do know that in the first year when something like this happens, we do expect that it is going to have an impact on demand. However, we also know that beyond one year when the things are cycled out, we know that then every single market so far has always bounced back, and we expect the same from these markets. Needless to say, we were fully ready with our plans incorporating all this in the whole revenue growth management, so we are just now in the execution phase.

Then on consumer, look, we do not see any major change, because we have seen that all categories and markets have been growing, even on a volume level, last several months. The whole NARTD is in the positive territory. Consumer remained fairly resilient in this volatile environment. We follow very closely consumer sentiment; and whenever we see any signs, we respond in an agile way and very quickly adapt our plans. Now, truth is also that affordability remains very relevant in this environment, and this has been fully embedded in our plans. As I said, we monitor it very closely. However, always we pay attention not only to affordability, but also premiumisation, which even in this kind of environment has its role and purpose. That is all I could say, Charlie.

Charlie Higgs: Thanks, Zoran.

Operator: The next question is from Andrea Pistacchi of Bank of America. Please go ahead.

Andrea Pistacchi (Bank of America): Morning, Zoran, Ben, John. Two questions, please. The first one is on Coffee, which is clearly growing very strongly for you. I think you said it has got to about 1% of revenue. The question is, how is profitability evolving here? Have you broken even yet this year? What sort of scale do you need in Coffee for margins to approach Group level, please?

The second question, really following up on this last question on the consumer environment, you are saying that you haven't seen major changes. The question is, how are you feeling about the sort of outlook for volume, particularly in developing and established markets? I think when I look at consensus forecasts on the macro for a lot of Eastern Europe countries, there should be quite an improvement in GDP growth in Eastern Europe this year, and you'll be facing easy comps in both regions. Do you think you'll be able to grow volumes in these regions in 2024? Thank you.

Zoran Bogdanovic: Thank you, Andrea. On Coffee, which we take as a strategic bet, and that is why we call it out in those top three Pan-Hellenic categories, we are front-loading our investments in the teams, in capabilities, we have Coffee Academy, in equipment, in our baristas. It is a whole suite of things and technology that we are investing. This is, for us, it is a marathon, it is not a sprint. We know that our profitability will gradually improve. We do see how last year it went in the right direction, and we do expect that it will come to the positive level, and then it will continue. We do have a strong expectation from this category, because the category overall is a profitable one. However, we are also very mindful that building our right to win in the right way takes time. We are very patient because we are really building this for the mid and long term, and I am very encouraged that every year we are doing clear, proper steps in the right direction.

On the second one, I would bring back to, Andrea, our overall outlook that we said that we see all segments contributing to our overall growth algorithm of 6-7%. We do see that also established and developing really fit in that space with all three levers of price, mix and volume.

Andrea Pistacchi: Thank you.

Operator: The next question is a follow up from Sanjeet Aujla of UBS. Please go ahead.

Sanjeet Aujla (UBS): Yes, hi. Just a quick follow-up on Nigeria and Russia again. Can you just give us a sense of how much of your COGS in those markets are dollar-denominated? Within the transactional FX guidance, are you hedged in any way, shape or form on transaction? Thanks.

Ben Almanzar: Yes. Sanjeet, thanks for the question. We do not disclose the COGS by individual business unit, but on your question around whether we hedge in those markets, yes, to the extent possible, we do.

Sanjeet Aujla: Okay, thanks, Ben.

Zoran Bogdanovic: I would like to thank everyone for taking part in today's call. Let me just briefly conclude that we are very pleased with our performance last year, and we feel exceptionally well-positioned to continue our growth story in 2024 and beyond. Thank you very much and goodbye.