COCA-COLA EUROPEAN PARTNERS

THIRD-QUARTER TRADING UPDATE CONFERENCE CALL

24 OCTOBER 2019

CORPORATE PARTICIPANTS

Damian Gammell - *CEO*
Nik Jhangiani - *CFO*
Sarah Willett -*VP of Investor Relations*

CONFERENCE CALL PARTICIPANTS

Andrea Pistacchi *Deutsche Bank AG, Research Division - Research Analyst*
Bonnie Lee Herzog *Wells Fargo Securities, LLC, Research Division - MD and Senior Beverage & Tobacco Analyst*
Kevin Michael Grundy *Jefferies LLC, Research Division - Senior VP & Equity Analyst*
Lauren Rae Lieberman *Barclays Bank PLC, Research Division - MD & Senior Research Analyst*
Nico Von Stackelberg *Liberum Capital Limited, Research Division - Research Analyst*
Richard Withagen *Kepler Cheuvreux, Research Division - Research Analyst*
Robert Edward Ottenstein *Evercore ISI Institutional Equities, Research Division - Senior MD, Head of Global Beverages Research & Fundamental Research Analyst*
Sanjeet Aujla *Crédit Suisse AG, Research Division - European Beverages Analyst*
Sean Roberts King *UBS Investment Bank, Research Division - Equity Research Analyst of Beverages*

PREPARED REMARKS

Damian Gammell - *CEO*

As was the case at Q1, the focus of our opening remarks will relate only to our top line performance.

I will keep my comments brief to allow for your questions. Key highlights are pulled out in the release both by geography and by category.

Overall, we are pleased with our year-to-date performance, with revenue up 4 percent, or 3 percent when excluding the impact of soft drink taxes.

This was driven by solid growth in revenue per unit case as we continue to drive price and mix. This alongside growth in volumes year-to-date of approximately 1 percent. Transactions outpaced volume growth and overall we have taken both value and volume share year-to-date according to Nielsen.

Looking at the third-quarter specifically, we continued to focus on our revenue management growth initiatives driving good growth of 2 percent in revenue per unit case. As a reminder, we have now completely cycled the sugar tax impacts in both

GB and France so you will no longer see this called out in our revenue or COGS on a quarterly basis.

We continue to benefit from our efforts to drive the away-from-home channel, priority small packs and more efficient promotional activity.

Our volumes declined 1 ½ percent during the third-quarter as we lapped very strong volume growth of 5 percent in the third-quarter of 2018. You may recall the fantastic weather last year in markets like Great Britain, Germany and Northern Europe, as well as the benefits from the CO_2 crisis and private label shortages in GB. This was partly offset by stronger trading in Iberia against a challenging summer last year as well as several recent innovation launches.

In France, despite cycling the customer disruption which has benefitted our volumes year over year, market trends overall have softened. In fact, year-to-date according to Nielsen, volumes in the measured channel are down around 3 percent. And while we have increased our volume share by approximately 40bps year-to-date in France, the overall trading environment remains challenging.

Whilst we are pleased to have continued to gain market share year-to-date across all our geographies, we are starting to see early signs of slowing market conditions particularly in France and Great Britain, with unfavourable weather in October across most of our markets.

We are also keeping a close eye on how the macro situation evolves in GB given the uncertainty surrounding the timing of Brexit.

Importantly, we continue to focus on managing what is within our control. A great example of that is our focus on driving joint value creation with our customers and we continue to be the largest value creator in the retail channel for FMCG, growing our customers' revenues in the measured channels by 5 percent year-to-date through to the end of August.

Now to an update on innovation. We continue to build on last year’s momentum behind Fuze Tea and have expanded our ready-to-drink coffee portfolio outside of Honest and Monster Espresso to now include Costa Coffee. The initial customer reaction to Costa, available in three flavours, has been positive but for now is only available in GB.

Coke Energy is now available in all our markets and the recently acquired juice brand, Tropico, is proving popular with customers in France and Belux.

We’ve also launched Fanta Dark Orange this Halloween and, from the end of the month, new Diet Coke Festive Clementine will be available for Christmas.

We have also made great progress with our sustainability agenda and I am particularly pleased that we have accelerated our 50% recycled PET target to 2023, two years earlier than planned. We are now transitioning our Smartwater, Honest and Chaudfontaine brands to 100% rPET and we continue to reduce the amount of plastic used in our secondary packaging, moving to cardboard packaging for our can multipacks rather than shrink wrap.

We continue to make investments in our business to support top line growth, including the innovations in brands and packaging I've mentioned already. While these innovations have a positive impact on revenue, the cost of manufacturing these products is higher, and so is adversely impacting our COGS per unit case from a mix perspective. This is reflected in slightly updated guidance for 2019 COGS per unit case growth of 3 percent, up from 2 ½ percent previously, excluding the 1 ½ percent impact from incremental soft drinks taxes.

These are the right investments to be making for the long term as we drive towards becoming a total beverage company.

So moving on to our revised outlook for 2019. We expect to deliver fx-neutral revenue growth of approximately 3 percent excluding the impact of incremental soft drinks taxes, at the top-end of our guidance. However, given the slower than expected start to the fourth-quarter and higher COGS per unit case growth, we now expect operating profit growth of approximately six percent and diluted earnings per share growth of approximately ten percent, both on a comparable and fx-neutral basis and at the low-end of our previously guided ranges. And finally we expect strong free cash flow of €1.1 billion, at the top of our previous guidance range.

Our ultimate goal remains to drive sustainable shareholder returns. This is evidenced by our almost completed share buyback programme, and today declaring our second half interim dividend, up 15 percent versus last year. This translates into a 17 percent increase in the full year dividend and an annualised dividend payout ratio of approximately 50 percent.

So thanks for your time. Nik and I will now be happy to take your questions.

Q & A

Operator
(Operator Instructions) Your first question comes from the line of Bonnie Herzog with Wells Fargo.

Bonnie Lee Herzog *Wells Fargo Securities, LLC, Research Division - MD and Senior Beverage & Tobacco Analyst*
I guess my first question is on your guidance. You mentioned you expect your top line to come in at the higher end of your original expectations, but your EPS is

coming at the low end. So is this a direct result of higher COGS? And maybe you could kind of touch on, for us, what exactly is going on that you now expect your COGS to be higher? And then just highlight if there's anything else that we should be considering for EPS coming in a little bit more at the low end.

Nik Jhangiani CCEP - CFO

Sure, Bonnie. I think it's primarily our COGS, and it's COGS linked to our innovation. So I think as we've talked about -- with some of the innovation, take Fuze for instance, right, we aren't necessarily producing everything in-house. So clearly, that has an implication on margin or whether it's Honest Coffee or a variety of other products.

So with that growth that we're seeing, which is actually very positive on the top line, it's not necessarily translating today to operating profit growth until we bring some of that capability in-house, and the business becomes a lot more established so you're actually spreading your marketing dollar spend across a larger base of volume and revenue. So it's primarily that piece that's impacting us at the lower end versus the top end on revenue.

We feel very good still around the fact that our free cash flow continues to be strong and at the top end. So even though we have slightly lower operating profit, we feel good about what we're doing from a work capital perspective and how we continue to tightly manage some of our restructuring expenses that allows us to still deliver our free cash flow at the top end of that range.

Bonnie Lee Herzog *Wells Fargo Securities, LLC, Research Division - MD and Senior Beverage & Tobacco Analyst*

Okay. That helps. And then -- and I just...

Damian Paul Gammell *Coca-Cola European Partners plc - CEO & Director*

Sorry, Bonnie. Just to add, I mean, clearly, our strategy, and it's in line with our guidance for CapEx, we will continue to migrate that manufacturing in-house over time. And we've already -- to our capital spend this year and into early 2020, we've put in place the capacity. So as those brands reach the right scale we will in-source and therefore, obviously, improve the COGS situation in those specific brands.

So as Nik said, I mean, our revenue performance, our share performance and our free cash flow performance year-to-date, we're very pleased with. And yes, we've had a slight -- on the leverage on the COGS side. But clearly, the overall performance, we're still pleased with it.

Bonnie Lee Herzog ***Wells Fargo Securities, LLC, Research Division - MD and Senior Beverage & Tobacco Analyst***
Okay. That's really helpful. And then if I may, I just wanted to maybe ask if you guys could dig just a little bit deeper into the comments you made about France and Great Britain. Just wondering if the softening market conditions is something that you see as temporary, or do you see something more structural in the markets? And does it suggest that things might get worse before they get better? Just kind of any outlook would be helpful. And would be curious to understand in those markets, is the softness kind of broadly impacting your entire portfolio or just certain categories?

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
Yes. I think it's important to -- we've taken the opportunity on the call today to share with you our perspectives coming out of the year. But if you look at our full 9 months' results both in those markets, we've also enjoyed fairly solid revenue gained on share gains. So what we have seen, and that's as we call that today is certainly, a slight softness. It's early days in October, and as I look at my window rain and wind -- and certainly, the weather is not helping. So we don't see anything structural in nature in both of those markets. I think while we've had a good run in both markets, our revenue side -- so clearly, a number of our peer groups have called out some challenging conditions in France. And I think some of that's on the back of the legislation around price promotions. But again, we will be striking that as we move into next year. And we've continued to see good revenue growth in France in our business and a good pipeline of innovation.

Certainly, GB has been a strong performer for us for a number of years. And again, other than some of the macros around Brexit, which I think everybody in GB is living with every day, we still see a robust category outlook for GB. So we're very much in line with -- what we called out was we just -- we've seen a slight softness in both of those markets and then into Q4 but on the back of a solid 9 months as well. So we can -- we'll provide more color as the year closes out. But at this stage, nothing that dampens our enthusiasm for those markets as we move into 2020, to be honest.

Nik Jhangiani CCEP - CFO
Or for that matter, just to be clear, on our growth algorithm as we look forward, right, in terms of continuing to sustain low single-digit revenue growth and mid-single-digit operating profit growth. So...

Operator
Next question comes from Lauren Lieberman with Barclays.

Lauren Rae Lieberman ***Barclays Bank PLC, Research Division - MD & Senior Research Analyst***

A couple of just little follow-ups, actually. So the question, first, I guess, on innovation and the change in the COGS per case. So I guess, I know it's half year, but as I think back to -- and this is just going to the lower end of the range so it's not really that big of a change, but if I go back to the start of the year, how would you say innovation is trending, maybe, versus plan? Because on one hand, I could look at this and say, well, maybe innovation is ahead of plan, thus the COGS per case are a bit higher because of the cost -- I guess the margin structure of the innovation, as you mentioned. On the other hand, is it maybe a little bit below plan because there's a bit less leverage in the model if it's selling through less. And it did sound like Coke Energy is off to a little bit of a slower start than expected vis-à-vis Coke taste comments. Just on formulation and flavor not being enough like Coke. So if you can offer perspective on that, it'd be great.

Nik Jhangiani CCEP - CFO

Yes, Lauren, it's Nik. I think it's hopefully a little bit more of the former. I think it's a mixed bag. So if you look across the portfolio of innovation, it's probably some that are a little bit behind our plan. But then you've got some of the large ones, and I'll call out Fuze, and I'll also call out Tropico for instance in France, that are both ahead of our plan.

So overall, when you look at innovation as a total, it's probably a little ahead of our plan, and that clearly has an impact then on the COGS. There are some that aren't doing as well in terms of -- in relation to our plan. But then again, it's early, and we're looking, like Coke Energy, what are some of the learnings and what potentially do we need to look at in terms of taste, in terms of flavors, et cetera, to further drive repeat purchase.

So overall, I would say we're pleased with the innovation piece. It's actually slightly ahead of plan. And building on Damian's comments, actually, we've approved another aseptic line to actually bring in some of that capacity in-house on both Tropico and Fuze to help us in terms of the COGS challenge. Actually, not just from an angle of the innovation because, clearly, when you bring that in-house, we get a big benefit. So we'll see that coming in during the course of the second half of 2020, for instance.

Lauren Rae Lieberman *Barclays Bank PLC, Research Division - MD & Senior Research Analyst*

Okay. Perfect. So Fuze is, in fact, the brand that, that's produced externally, and that's part of the capital plan to bring it in for next year?

Nik Jhangiani CCEP - CFO

Honest Tea and Tropico, which is the brand that we acquired with the Coca-Cola Company in France.

Lauren Rae Lieberman ***Barclays Bank PLC, Research Division - MD & Senior Research Analyst***
Okay. Great. Then I wanted to -- if we could just talk about the container deposit scheme, either sort of -- has there been any developments on this front in terms of time line or scope of the rollout that you can share with us?

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
Lauren, it's Damian. At the moment, we're still clearly engaged across a number of our markets, particularly Scotland, GB and France. So there's no change in the time lines. And clearly, we're waiting to get some more clarity from the Scottish government on their exact timeline and rollout, and we can update you once we have that. But no significant change from the last time we spoke.

Operator
Next question comes from Sanjeet Aujla with Crédit Suisse.

Sanjeet Aujla ***Crédit Suisse AG, Research Division - European Beverages Analyst***
When you -- just coming back to innovation and when you think about the pipeline over the next few years, in your model, how long do you assume before innovation becomes neutral to gross margin?

Nik Jhangiani CCEP - CFO
It's going to vary by brand, honestly, and category because something like a Fuze or Tropico, it's probably 2 to 3 years. Something like a AdeZ, for instance, could be 5 years because it's a much newer category. And before you bring that in-house, you need to get to a certain size and scale, et cetera. So there's no one simple answer, but I would say you're probably looking at that 3- to 5-year range of what we would be looking at with our products.

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
I think just on that, it's important, if you look at our innovation pipeline, the brands and the packages, what we will get back to kind of a gross margin-neutral perspective is what we're prioritizing. So brands like Fuze Tea, our scale, good profitability, likewise on Monster. We're seeing a lot more innovation around brands like Fanta. So we're also conscious that while we'll also go on a broader range, some of them are going to remain quite small in our portfolio just because they're small categories. And where we tend to build scale, like in iced tea, energy and sparkling as well, we clearly have a more favorable margin structure for us anyway. And that's a deliberate choice we're making, and we'll continue to do that.

Sanjeet Aujla ***Crédit Suisse AG, Research Division - European Beverages Analyst***
Got it. And then just quickly back on Fuze, you seem to be quite upbeat on the progress of that brand. Are you able to share any stats at this stage on share levels and spending?

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
Well, we continue to grow share across our markets. We're continuing to innovate on the brand as well with new flavors and seasonal flavors. So it is a couple of years in now, our brand is performing extremely well, and we continue to invest behind it with the Coke Company. So we are a [trove] of the markets, more or less back to where we were, slightly ahead, and from a share perspective, continue to take share. So it's been a great product to us. So...

Nik Jhangiani CCEP - CFO
Yes. We're essentially the #2 ready-to-drink tea in most of our markets having overtaken Nestea in less than 2 years. And remember, we were distributing that brand for several years before that. So it's been doing very well. And Tropico is another one that, less than 8 months, and I think both in France and Belgium, we're doing very well with that brand.

Operator
Next question comes from Kevin Grundy with Jefferies.

Kevin Michael Grundy ***Jefferies LLC, Research Division - Senior VP & Equity Analyst***
Just to come back to the point of clarity on the reaffirmed comparable sales growth guidance. So maybe this is for Nik. Is the right way to think about this, because it was low single digits and now you're saying 3% that some of the innovation is slightly ahead, albeit with some negative mix implications? And then going the other way, there's some concerns with what's going on in France and Great Britain and the weather? Are those kind of the 3 moving parts driving the reaffirmed top line guidance? So that's...

Nik Jhangiani CCEP - CFO
Absolutely.

Kevin Michael Grundy ***Jefferies LLC, Research Division - Senior VP & Equity Analyst***

Okay. So that simple? Okay.

Nik Jhangiani CCEP - CFO
Absolutely. Innovation is slightly better than what we had planned on some of those larger brands and then the challenges that we're seeing in France and in GB. Partly macros are what we're trying to watch, but I think some weather implications, clearly, in Q3, but also into the month of October, which has been unseasonably wet across most of our markets. .

Kevin Michael Grundy ***Jefferies LLC, Research Division - Senior VP & Equity Analyst***
Okay. Perfect. And then Damian, maybe for you, kind of -- and then I'll pass it on. So the crystal ball question here, setting weather aside, obviously, transitory. How much of this is concerning as we look out to fiscal '20, particularly with respect to 2 of your larger markets, France and Great Britain?

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
Yes. Thanks, Kevin. I mean we still, obviously, remain confident in our guidance over the midterm on all our markets. And then we haven't seen anything that would make us change that view. And our year-to-date number, I think, reflect that. Obviously, we've taken the opportunity given, as Nik said, some unseasonably difficult headwinds to call that out for those markets. But -- and again, we see the category continuing to grow low single digits across all of our markets. We're gaining share, so that guides us very nicely to our revenue. And to quote Lauren, it is a slight at the lower end of our guidance on the EPS side, but it's still on a full year basis, we believe, a very strong performance both in terms of revenue share, EPS and profit.

And if you look at the delta between what we were talking about and coming into this call versus what we've guided, it is a small change on one of our metrics. So we still feel we're in the right place. And again, our cash flow, I think, demonstrates our confidence in the business.

Nik Jhangiani CCEP - CFO
And our focus in terms of value creation with both our customers and our shareholders is very much intact. We continue to declare a dividend at a 15% increase and continuing with our share buyback program, et cetera. So all on track, nothing really changed in our mind.

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
And then just, I mean, I suppose, from an operational perspective, December still remains warm, and it's not the biggest month in our calendar. And that's ahead of us. So there's still room to play for, as we come into Q4 into the biggest month, and

we've got great programs in place for a strong finish in the year. So -- and that goes for GB, France and all our markets.

Operator
(Operator Instructions) And we have a question from Robert Ottenstein with Evercore Partners.

Robert Edward Ottenstein ***Evercore ISI Institutional Equities, Research Division - Senior MD, Head of Global Beverages Research & Fundamental Research Analyst***
Looking at the energy results, they're a little surprising. You're showing up 16.5% year-to-date. But if I recall, I think you were running 17% for the first half. So I know that there's been some new laws and restrictions, I think, in the U.K. Just wondering if that is having any kind of bite here. And maybe a little bit more granularity in terms of what's going on in that important sector.

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
All right, Robert, and thank you. I mean there's nothing to see there other than the comps versus last year. So as we called out -- and I think we're particularly pleased that our revenue comp on Q3 is very solid when you look at what we were cycling last year, where we obviously had fantastic summer and end of summer. And energy was also impacted by that last year. So that's purely a comp issue. The energy category and their performance within it remains very robust and exciting. A lot of innovation coming from Monster, which we're very happy with. Obviously, Coke Energy is an exciting entry into that segment for us as well. So there's nothing beyond that. I think it's a category that will continue to grow at that rate going into 2020, and we're more than well positioned to capture that growth. So that's been a very strong performer for us throughout the year, and we see that continuing.

Robert Edward Ottenstein ***Evercore ISI Institutional Equities, Research Division - Senior MD, Head of Global Beverages Research & Fundamental Research Analyst***
Okay. And then just more specifically on Coke Energy, they're coming out with 4 SKUs in the U.S., adding in the cherry, the idea to have a little bit more impact on the shelf. Is that something that you guys are planning also? And is that an issue that you see?

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
Yes, we're really looking forward to that. We think that's going to build on what we already have developed in terms of distribution and trial. We think the new flavor is a great addition. It plays into the strength of that category in terms of driving trial and excitement. So we're pretty much going to copy-paste what you heard from the

Coca-Cola Company last week and bring that into Europe, and we think it's a great development on that brand.

Operator
Next question comes from Richard Withagen with Kepler.

Richard Withagen ***Kepler Cheuvreux, Research Division - Research Analyst***
Can you discuss -- I mean, back on innovation, but can you discuss how your innovation rate had trended over the last few years? I have the impression that revenues from new products have increased, but is that right? And then how do you determine what the right level for your innovation rate is?

Nik Jhangiani CCEP - CFO
So you're right to say that the level of innovation and the contribution from innovation has clearly been ticking up. And I would say '19 is actually built on that versus '18 as well. Part of it is obviously Tropico, which is a new brand that we have launched. But the Fuze success has been building quite well, and we continue to roll out Honest, and we've actually just launched Honest Lemonade in glass bottles as well, in some markets, building on with -- on its team. So yes, absolutely. What was your second part of your question?

Richard Withagen ***Kepler Cheuvreux, Research Division - Research Analyst***
Second part really is, how do you determine what the right level for your innovation rate is, because can it become too much?

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
So I think that -- I mean, we clearly are very choiceful about where we innovate. And if you look at our track record over the last 3 years, we've continued to build out an innovation pipeline but also to maintain our guidance of low single-digit revenue, mid-single digit on the profit side and margin expansion. And that's really driven by the fact that over periods -- and it depends on the product category, as Nik said, for the lease over period of 2 to 3 years. We see those innovations being at least gross margin-neutral or in some cases, accretive because if you look at where we're innovating, it is on single packs. It isn't high premium categories, and we believe that's critical in order to protect and grow margins.

So I don't think we've innovated in areas that we cannot see a path to sustainable profit emergence for us. We've been very choiceful, and we'll continue to do that. We're also pleased that if you look at our growth algorithm as well, we continue to see a lot of growth from our core sparkling business and on-brand Coke, which clearly is an area where we enjoy great margins.

So we continue to be choiceful, and you'll see that as we talk more about 2020. But our innovation pipeline is still primarily focused on single-serve, premium-priced categories where we can command a premium and a journey over time as we in-source manufacturing or as the marketing investment scales down to where those brand impacts become a bigger part of our story around margin, not just revenue.

Nik Jhangiani CCEP - CFO

And one piece I would add to that is, I think, where we also move quickly if something isn't quite working the way we wanted to, and AdeZ is a good example of something that we've pulled back on and are launching AdeZ 2.0, which is a much better consumer and customer proposition. Damian just talked about some of the stuff that we're doing on Coke Energy, copy and pasting what they're doing in the U.S. with flavors, with the taste, et cetera.

So then I think it's about some large scale -- a couple of big bets, but also making sure that if something isn't working, we move quickly to correct

---

Operator

Next question comes from Nico Von Stackelberg with Liberum.

Nico Von Stackelberg ***Liberum Capital Limited, Research Division - Research Analyst***

Just first question, could you please clarify why free cash flow ended up at the top end of the range in light of the operating profit coming slightly down?

The next question is on rPET, and I don't know if you have any visibility on COGS for 2020, but just wondering about the growth per unit case, really. If you could provide any sort of color going into 2020 guidance for the full year in light of rPET inflation? And letting you answer those two, then maybe -- I have one more, if I can just squeeze it in.

Nik Jhangiani CCEP - CFO

So we'll do those 2 and then you can come back in line, just so we can give others a chance. But on free cash flow, I think there's a couple of different moving parts. So clearly, EBITDA would be slightly down based on what we have guided towards but -- and then our CapEx is at the top end of our range as we continue to make the right investments for the future. For instance, a new line aseptic line to support some of the in-house production of Fuze and Tropico, for instance.

But then on the flip side, what we have continued to be very focused on is driving some further improvements on working capital, which are continuing to deliver good results for us on a 3-year basis now as well as managing some of the restructuring-related costs. We have estimates, obviously, on those. And as we close out the program and as we have been able to actually maybe redeploy some people, et cetera, which is great for our business but -- in terms of keeping people but then also not paying out a certain amount of cash restructuring costs.

So those puts and takes have allowed us to actually continue delivering strong free cash flow.

In terms of rPET, we continue to stay focused on being able to meet those commitments. We are in the process right now of finalizing some of our commodity exposures. We are pretty well hedged, I would say, relative to where we were at this point last year as well, when we look at commodities. We're obviously still working through some of the broader COGS issues in terms of price/mix and what that would mean in terms of our incidence model as well as some of the manufacturing. As I've said, we'll bring some of that in-house. What's the timing of some of that? So I can't give you very clear indications right now. Clearly, we'll provide that update in February as we're working through our plans now. But back to the original point, outside of what we see as some challenges, weather-related or some issues in a couple of markets, we still feel good about our long-term growth algorithm in terms of low single-digit and mid-single-digit revenue and operating profit growth.

Operator
Next question comes from Andrea Pistacchi with Deutsche Bank.

Andrea Pistacchi ***Deutsche Bank AG, Research Division - Research Analyst***
Just a question on the fact that PET is being demonized across all media here in Europe. Are you actually seeing any detectable change in consumer behavior towards PET in any of your markets here?

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
Not a lot of, I suppose, relative to the comments you've made around some of the media commentary. I think the work we've been doing, going back since the formation of CCEP, are prioritizing more premium packaging around glass, moving to slim and sleek cans, has probably insulated some of that impact on us a little bit. Clearly, with our customers, we are looking at ways to protect the PET business using recycled PET. I think obviously, our engagement on deposit systems will make PET a more sustainable pack for the future.

So as I talked about in the results, we are seeing small packs grow faster, particularly cans and glass. And that's on our strategy, commercially, because we believe that provides, obviously, margin and a better beverage, again, for consumers. It could also be supported by some of the headwinds on plastic. Hard to separate at this stage, but I'm sure it's playing a role. I think for us, we're well positioned to capture the opportunity that presents, and we're actually seeing that in our results with our small pack growth continuing to be impressive.

Nik Jhangiani CCEP - CFO
So when we look at our year-to-date numbers, for instance, building on Damian's point, cans are obviously growing very well than glass and outpacing PET growth, slightly down overall when you look at PET. So again, very hard to separate what market trends, consumer perception, but we are seeing glass and cans build out. So...

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
And just to comment, I mean, I think Europe is obviously quite different, and certainly, GB's at the front end of that challenge. But you got to remember markets in Scandinavia and Germany have had a very solid PET recycling in place for many years. So the headwinds on some of the sentiment is obviously tapered by that effect. So it is really different market by market. And obviously, GB is one where we're engaged heavily on, but in a lot of our markets because of their existing recycling systems, we're not seeing the same conversations around plastic. So I think it is -- it's not a uniform picture across Europe, and I think that's also important.

Operator
Next question comes from Sean King with UBS.

Sean Roberts King ***UBS Investment Bank, Research Division - Equity Research Analyst of Beverages***
So it looks like you survived quite a difficult comp in GB. Is there any innovation pipeline fill in that market in Q3 that we should be aware of when we think about Q4?

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
Pretty much our innovation is in-situ. What we're focused now on coming into Q4 is, obviously, Christmas is a huge -- it's the biggest time of the year in GB and across all our markets. So you'll see our focus in market now returning back to more of our core brands, particularly brand Coke, which is huge at Christmas. We have just relaunched Diet Coke in GB. So that's in the market now. And as I mentioned in my comments, we've got some great Fanta innovation coming into the market for Halloween.

So as we move through Q4, it's going to skew much more back towards our core sparkling portfolio, which obviously supports our growth and profit ambitions in the fourth quarter.

Operator
Your last question comes from Nico Von Stackelberg with Liberum.

Nico Von Stackelberg ***Liberum Capital Limited, Research Division - Research Analyst***
My notes say that your group average in terms of packs that are less than 250 ml -- 250 ml or less is around 5% to 6%. Do you have an idea of where it might end up over this year, next year, maybe 3 to 5 years even? Could you just tell us about the evolution and the pace of that? That would be helpful.

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
Yes, we haven't guided specific pack targets over time. But clearly, if you look at our commercial focus, we would expect those packs to continue to outpace the category and our own growth. And I think that will continue. So you will see them improving in our mix. What we're obviously very focused on is making sure that they also drive margin, and that's something that we're very conscious of. But we're seeing a lot of consumer and customer engagements around small packs, choice, portion control, premiumization across all our brands including Schweppes in GB. So it will continue to lead our growth along with some other categories like energy as well. So -- but again, we haven't given a specific target. But it's fair to say that will continue to become a bigger part of our business.

Nik Jhangiani CCEP - CFO
And Nico, you're just looking at the 250 ml, which is obviously, as you called out, what we had in our annual report, being at that circa 5%. But when you look at what we are looking at as small priority packs, that's about -- year-to-date, about 20% to 21% of our mix. So it's about a broad range of small priority packs, including glass, including small PET and small cans. So all of those combined.

Operator
At this time, I will turn the call over to the presenters.

Damian Paul Gammell ***Coca-Cola European Partners plc - CEO & Director***
So thank you, again, everybody. Just a few closing comments. We continue to be excited about our business. And I think if you look at our results, we continue to grow revenue share, profit and free cash flow. We continue to build a great shareholder value story today around our dividends and our buybacks this year. It's a great organization. Over 24,000 committed and engaged employees, serving millions of customers every day across Europe.

We're really excited as we look forward to 2020 on the back of the investments we've made in 2019 that will support our growth story, but also a solid pipeline of commercial innovation and product innovation and partnership with the Coke Company and Monster, in particular.

So thank you for joining us. We look forward to updating you on our full year in early 2020. And again, thank you for taking the time to join our call.

Operator
Ladies and gentlemen, this concludes today's conference call. Thank you for participating, you may now disconnect.