COCA-COLA EUROPACIFIC PARTNERS
Q3 2023 Trading Update
Analyst Call Transcript
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CORPORATE PARTICIPANTS OF PREPARED REMARKS
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PREPARED REMARKS

Sarah Willett:

Thank you all for joining us today. I'm here with Damian Gammell, our CEO, and Nik Jhangiani, our CFO.

Before we begin with our opening remarks, a reminder of our cautionary statements. This call will contain forward-looking management comments and other statements reflecting our outlook. These comments should be considered in conjunction with the cautionary language contained today, as well as the detailed cautionary statements found in reports filed with the UK, U.S., Dutch, and Spanish authorities. A copy of this information is available on our website at www.cocacolaep.com.

Prepared remarks will be made by Damian. We will then turn the call over to your questions.

Unless otherwise stated, metrics presented today will be on a comparable and FX neutral basis throughout.

Following the call, a full transcript will be made available as soon as possible on our website.

I will now turn the call over to our CEO, Damian.

Damian Gammell:

Thank you, Sarah, and thank you to everyone joining us today.

I'm very pleased that 2023 continues to be a strong year for CCEP. We have delivered year-to-date revenue growth of 8.5 percent, reflecting solid growth in revenue per unit case, as we continued to drive price and mix through our smart and successful revenue growth management strategy. Excluding our strategic portfolio alignment choices primarily in Indonesia but also the exit of bulk water in a number of markets, underlying volumes also grew around 0.5 percent. And, we again grew transactions ahead of volume in Europe, Australia and New Zealand.

Following a strong first half, we achieved top-line growth of 4 percent in the third quarter, with solid revenue per case growth of 9 percent reflecting positive headline price across all markets and our continued focus on promotional spend optimisation. Favourable brand mix also contributed, led by the outperformance of our Monster portfolio.

Volumes in Europe declined by 4 percent. As previously flagged, we were cycling a strong summer with volumes up 12 percent last year. This was largely driven by the weather, which was mixed across Europe, most notably in GB, Northern France and Northern Europe across the key summer months of July and August. We saw improved performance in September. And, on a two year stack, volumes in Europe in Q3 were up around 7.5%.

In API, the solid momentum in Australia & New Zealand continued, with both markets in volume growth. This reflected continued solid execution, supported by fantastic Women's World Cup activation, focusing on Trademark Coca-Cola and Powerade. Australia's volume growth was achieved despite strategic de-listings within our bulk water portfolio, as we flagged at the half year. Excluding this, Australia volumes would have been up around 2.5 percent.

This volume growth was however offset by Indonesia with API volumes overall declining by 7 percent.

As highlighted previously, consumer spending in Indonesia remains under pressure, impacted by wider market inflation and the reduction in fuel subsidies. And, as you all know, we are in the early stages of our long-term transformation journey in this exciting market.

We have successfully executed our portfolio rationalisation plans. We now have a much tighter portfolio, focused on winning in Sparkling and ready-to-drink Tea. This rationalisation of a significant number of our SKUs started late last year and so continued to impact this year's third quarter.

As you would expect, we are fully aligned with The Coca-Cola Company on our brand priorities in Indonesia – a good example being the recent launch of Coca-Cola Zero

Sugar and Sprite Zero. A really great opportunity for the future and off to a promising start.

Beyond the brand portfolio, we are executing our wider playbook. We are currently preparing a new price pack channel strategy for 2024 incorporating a deeper understanding of Indonesian consumer sensitivities and affordability. This, alongside working on building out new drinking occasions across the calendar. And, we are starting to take the right decisions to re-engineer both our cost base and route to market to be fit for the longer term, which we are starting to roll out in Q4. Early days but despite all of this change, we are beginning to see progress. We will share more detail on our transformation journey in due course.

Now to the NARTD category overall year to date. It remains resilient, growing in value terms by 7% in Europe and 9% in API. Within the category, we have delivered value share gains both in-store and online and volume share gains ahead of value. And, in Europe, around seventy five percent of households purchased from our NARTD portfolio, up fifty basis points versus last year.

We again retained our position as the largest value creator for our retail channel customers within FMCG in Europe, delivering over 600 million euros of absolute revenue growth year to date, and within NARTD in Australia and New Zealand. We were also ranked the number 1 supplier in the FMCG retail customer Advantage Survey results in 6 of our markets this year.

However, we are not complacent.

Although consumer spending has held up reasonably well, we fully understand that some of our consumers are feeling the pressure. We are seeing some shifting into retailer brands across a few categories, less in Colas and flavours, and more shopping in Discounters. This channel has been and will remain a core focus for CCEP where we continue to grow and gain share.

Our consumer-centric approach remains focused on maintaining affordability and relevance for ALL consumers.

We have great brands, which our consumers love, across a broad price pack architecture which enables shoppers to access our products across a wide spectrum of price points. It is essential, now more than ever, that we continue to balance premiumisation for those that seek it with more affordable packs for those that need it. For example, in France we activated additional promotional activity across our large PET Zero range of Coke, Fanta and Fuze Tea over the summer months.

We continue to invest in our brands, Coca-Cola Zero Sugar being a great example. We delivered fantastic activation for the Women's World Cup, as I mentioned just now, and launched an AI generated limited edition Coke Creations. Volume in the third quarter for Coca-Cola Zero Sugar was up 1 percent and gained value share of 50 basis points.

Monster continued to outperform in the third quarter driving overall Energy volume growth up 12 percent versus last year. Fantastic innovation continues to help drive recruitment and distribution, including securing Monster in Burger King in GB from November. We also launched Monster Green Zero Sugar. This has been well received and soon to be launched across our markets. In fact, so advanced are today's low sugar reformulations, I challenge you to try it alongside the original to see if you can tell the difference!

As you know, Jack Daniel's & Coca-Cola was launched earlier in the year and has enjoyed great momentum across a number of markets. In GB, it is now the number 1 value brand in alcohol ready to drink segment.

On sustainability, I wanted to share the recent news that CCEP's carbon emission targets have been validated by the Science Based Targets initiative across all our markets, including API. This includes both our 2030 30% greenhouse gas reduction and our long-term 2040 net-zero targets, thus confirming that our company-wide climate ambitions are in line with the latest climate science. And crucially, in line with SBTi's 1.5°C pathway.

A couple of examples of how we continue to reduce our carbon footprint are provided in today's release.

Onto our great people. Earlier this year I mentioned we were recognised as one of Australia's best places to work for 2023 from over 700 nominated organisations. Last month we were also recognised as a Top Employer in Europe by the Top Employers institute. So, I would like to take this opportunity to thank all of my great colleagues at CCEP for their hard work and dedication to our customers and to our business.

Now onto the full year. We raised guidance with our first half results. Given our strong year to date performance, we are very pleased to be re-affirming our full year guidance.

We are also declaring our second half dividend of 1 euro 17 cents per share. This level of dividend maintains an annualised payout ratio of approximately 50 percent, representing an absolute full year dividend increase of almost 10% versus last year. This collectively demonstrates the strength of our business and our ability to continue to deliver shareholder value.

For the remainder of this year, we expect the NARTD category to return to volume growth. And in October, we have seen a return to solid volume growth across our markets. We are now focused on executing our exciting plans as we head towards Christmas, from the summer season in API to the winter season in Western Europe.

Looking now to next year. We remain confident in the resilience of our categories, despite some of the ongoing macroeconomic and geopolitical volatility. Whilst too early to provide detailed guidance, which will be provided with our full year results in February, we do expect our top line growth algorithm next year to be more balanced between volume and price/mix compared to this year.

And, there is much to be excited about as we look forward to 2024. Following the Women's World Cup down under this year, we are excited about leveraging The Coca-Cola Company's sponsorship of big sporting events next year in Europe, again in our markets. The Euro football championships in Germany, the America's Cup in Barcelona and of course the Olympics in Paris, last held there 100 years ago! A great platform for our brands, especially Powerade.

From a cost perspective, we are now over 70 percent hedged for 2024 on our basket of commodities. We continue to work through our plans, though we are seeing significantly higher sugar pricing for next year in part offset by lower pricing elsewhere.

We are excited about what lays ahead. We have fantastic brands in the NARTD category which we expect to continue to be robust into 2024. We have increasing exposure to the fast growing ARTD category and are already excited about Absolut Vodka & Sprite coming to Europe early next year.

And, as you know, we have geographic expansion underway with the proposed joint acquisition of Coca-Cola Beverages Philippines. As a reminder, this will create an even more diverse footprint, support Indonesia's transformation journey whilst underpinning our mid-term strategic objectives. We have been working closely with The Coca-Cola Company and Aboitiz as we continue on finalising the agreements, and so we remain on track to close the transaction early next year. We look forward to sharing more in due course.

To close, I would like to thank our customers, our brand partners, and again our great people, whose hard work and commitment mean we are able to go further together for all our stakeholders.

Again, thank you for your time. Nik and I will now be happy to take your questions.

Q&A

Edward Mundy - Jefferies LLC, Research Division - Equity Analyst

So my question is really around, I think you mentioned in your opening comments that you're seeing fourth quarter volumes coming back into growth. But at the same time, you saw a little bit of a shift into own label and not in the discount channel. So is it really a major shift in the consumer environment? Or is it just a sort of slightly sluggish environment?

And as part of the same question, could you remind us about your target today versus, say, 5 years ago as you lean into a potentially weaker consumer environment? And how do you think about your portfolio, your data analytics, and then also your relationship to your key customers?

Damian Gammell

That was a good one question, Ed. You managed to fit in quite a few. So maybe just back to volume. So yes, so as I called out, I mean, we have seen volumes recover as we come out of the summer. And I think if you look, it's really a Northern European dynamic, and it's really -- it was really in July and August, where we saw softer volumes predominantly on the back of really poor weather and also in the context of that 12% comp from last year. So I think you got to look at it in and around. We did see volumes recover in September, and we're seeing volumes recover again in October. So from that perspective, that gives us confidence on our volume outlook for the rest of the year and our guidance.

Turning to retailer brands. We've continued to gain share. So we do see retailer brands growing, but we're also growing and growing faster in terms of gaining share in value and volume. So again, nothing surprising relative to some of the consumer pressures that we've seen in terms of cost of living and inflation.

And we did, on the back of some of the tools that you called out, benefit from having a much broader pack offering in retail than we would have had 5 years ago, a much better understanding of where the consumers and shoppers who are feeling that pressure live and shop. So we could really make sure we could offer the right pack price architecture. And that's been a pretty consistent theme since really the middle of last year. And I think that's allowed us to grow our household penetration, which we've done in Europe, and it's allowed us to grow share.

So as we've talked about previously, we have really been mindful of reflecting the pressures on some of our consumers to our pricing and promotional calendar, and that's held up well. So despite that bad weather, we did gain share. The category is growing. So we're very pleased with that. And I do think through our investment in technology, which has been a multiyear journey, it has given us access to those insights and that data analytics to allow us to continue to tailor our promo pricing and strategy smarter.

And as I mentioned, just to come back, I think we have seen a different volume dynamic in Europe in October and September. So that's obviously something we're pleased to see.

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

After Ed asked all the questions, I'm not sure what -- sorry. One thing that I noticed in the release today was actually some of the constructive commentary on results on non-CSD part of the portfolio. So the strong growth, you called out Fuze, you called out Monster, even the Jack and Coke kickoff in GB.

So just curious maybe, in a slightly tougher consumer environment, if you can talk about the role or the allocation of resources towards some of the non-CSD categories. If retailers express more or less interest in these because they tend to be higher price *points? But just any thought about that kind of resource allocation and the attention paid across different segments of the portfolio outside of CSDs?*

Damian Gammell

I think when we speak to our retailers, particularly in -- well, in all our markets, really, I think the energy behind the sparkling category has remained consistent. And the level of value creation that sparkling is delivering for us and for our retailers continues to be really impressive. And we've seen that return to Australia on the back of some of the changes we've made since the acquisition in New Zealand is, obviously, a very healthy sparkling and NARTD business.

There is, obviously, from a resource allocation perspective, with our partners, whether it's the Coke Company on Fuze, whether it's with Monster on their portfolio, we have an ambition to grow our portfolio and to diversify and our resource allocation reflects that. So -- we've been investing heavily behind Energy now for a couple of years. That's continued into 2023. The innovation pipeline is fantastic. We've had really good early results on Jack and Coke, particularly in GB. So that's a new category. That's a good margin structure for us and our retailers. So there's a lot of interest in our ARTD.

We've announced Absolut Sprite as a potential coming as well. And clearly, we've been more choiceful in stills and really, I suppose, we've exited a number of categories, whether that was dairy previously and focused on Fuze, particularly in Western Europe, where we see the margin structure of the tea category and our ability to be a relevant player and it's stronger. So we'll continue to innovate on tea.

So when you look kind of beyond 2023, I think our resource allocation will be continue to invest in our sparkling portfolio, particularly to sugar free, continue to drive the Energy category with Monster, take more share in the Tea category in Europe with Fuze and then selectively roll out our ARTD portfolio across Europe. And clearly, we're looking at Australia and New Zealand as well.

So I suppose those 4 pillars give us a lot of confidence against that midterm growth algorithm that we've called out. So -- and that's really how we're allocating resources.

Nik Jhangiani

And I would just add one more, which is advanced hydration. You've seen Aquarius in Spain, Lauren, that continues to perform very well and Powerade out in Australia and New Zealand and bringing back a lot of those learnings into Europe as well, which should be great.

Bryan Spillane - BofA Securities, Research Division - MD of Equity Research

I wanted to pick up, in the press release, you described transactions growing faster than volume in both segments. So can you just give us a little bit more color on that? Is that a function of mix, meaning channel mix? Or is it a function of consumers maybe opting for small packs versus larger packs because they're economizing? And I guess that we *think about that dynamic as we look into '24, like would we -- should we still -- should we be expecting that there's kind of more of a shift to smaller pack sizes?*

Damian Gammell

Thanks, Bryan. And so I think there's a number of dynamics at play. So clearly, our single-serve business remains very healthy, both in retail and away from home. So that clearly drives transactions at a good price for us and our retailers. So that continued. What's interesting despite some of the consumer challenges, there's still a large cohort of consumers across all of our markets to value premiumization. So we've continued to see our smaller packs in retail at a higher price per litre perform well, whether that's our mini cans, our multipack cans. So that's also driving transactions ahead of volume.

And in large PET, we are seeing our affordability packs, 1 litre or 1.25 doing really well, particularly in the discount channel. And again, that's supporting that transactions ahead of volume dynamic. As we look into next year, we -- as we called out, would see a more balanced mix between volume and price mix. And I think that's really how you should look at it for 2024. So it's a combination of doing better with consumers, who are under a bit of price pressure on single bottles and smaller packs in retail, but not losing that premiumization opportunity because that still exists and also a very robust away-from-home business where we drive a lot of single-serve.

So all of that is leading to that transaction growth.

Mitch Collett - Deutsche Bank AG, Research Division - Research Analyst

And my question is on COGS. You said that you're 70% hedged for 2024. I think at the (inaudible) stage, you said that the element of COGS, where you were a bit less hedged was sugar. And you also said in your prepared remarks that sugar is one of the inputs that has gone up. So can you give us at this stage, your best estimation of the COGS headwind or tailwind for '24? I think you said at (inaudible) that you thought it would be slightly up, and therefore, a slight headwind?

Nik Jhangiani

Yes. So I mean, I think from an angle of the overall hedge coverage at 70% that Damian talked about in the prepared remarks, that's across both Europe and API. And when you look at sugar in particular, I would say it's slightly over that number, so probably around 75% coverage. Obviously, that coverage, though, will still be at a headwind versus where we were for '23 and '22, and that's probably offsetting the gains on the other areas that we would see.

So again, we will -- as the year progresses, continue to finalize that and give you some more color. But just again, as a reminder, COGS commodities is about 30% of our total COGS. The other elements are really back to concentrate, which will be in line with revenue growth. And as Damian talked about, you would expect to see a more balanced return on volume and rate mix versus what you've seen in the last few years.

And then on manufacturing costs, while we continue to see salary inflation, clearly, our strong focus has been around our accelerate competitiveness program. We've laid out some new targets. So clearly, a lot of that will be offset by those benefits coming forward. So again, probably a headwind, but we'll give you some more color on that as we close out the year.

Bonnie Herzog - Goldman Sachs Group, Inc., Research Division - MD & Senior Consumer Analyst

I had a quick follow-up on Bryan's question. Could you clarify if transactions were positive in the quarter and if they accelerated versus Q2? And then on pricing, you recently implemented additional price in Germany and the Netherlands. So could you touch on how that's been received, any pushback from consumers?

Nik Jhangiani

So on that clarification, depending on the market, so if you look at volumes being down 4%, what we're seeing is our transactions was lower than that as in a decline. So the transactions outpaced volume growth. And to your question around was it in positive territory? In some markets like in Iberia and Germany calling out 2 of those, they were positive in terms of our transaction growth, even though volumes were down. But obviously, that's a mixed across our markets, depending on the mix of packs, etc.

Because you are seeing where you would see a lot more of that volume growth in large PET, as Damian referenced to, there might be single packs as opposed to multipacks based on, again, what people are putting into their basket, but maybe coming back more frequently, right? So -- but that's a clarification on that.

Damian Gammell

And sorry, Bonnie, your question on pricing, sorry, could you repeat that for me, please?

Bonnie Herzog - Goldman Sachs Group, Inc., Research Division - MD & Senior Consumer Analyst

Yes, sure. Just asking about the additional pricing you put in Germany and the Netherlands recently. So just hoping to hear a little bit of color on how it's been received, any pushback from consumers and quite frankly, thinking about ability to put through rate next year?

Damian Gammell

Yes. So we've been pretty pleased with our overall pricing in 2023 and set us up well for 2024. Like anything, I suppose there's 1 or 2 customers that we're still closing out some of those conversations with -- particularly in the Netherlands, but across all of our other markets, including Germany, we're well in line for a strong finish to the year in Q4. Clearly, a lot of what we've done in 2023 brings a benefit into '24, particularly the later year pricing, so we get the full-year benefit next year.

And again, we're pretty confident that we will be able to take price again in 2024. And that's some of the work we're doing at the moment. And I suppose, reflecting, I think, that overall balance of generating value for our customers, but also making sure that we continue to be relevant for some of our consumers and shoppers that are probably more value-focused just given some of the macros. And that's really Western Europe. I think Australia and New Zealand continues to be very robust as we head into summer.

And again, in Indonesia, we've seen our business starting to turn a little bit, so we're pleased with that as well. So yes, overall, we're in good shape on pricing as we head into the end of the year.

Nik Jhangiani

And just to break it out by market for you, Bonnie, I mean, as Damian said, we took pricing in GB. in June, and then you've got Germany and Netherlands that come through in September, October. So as Damian said, that really positions us well because you get that full-year benefit. So the 2 main markets in which you'll see pricing that Damian referred to is Iberia and France in the first quarter.

And again, just to remind you, I think you're going to see a much more balanced type of approach relative to pricing from what we've had in the past years. So -- which is positive as well in terms of managing both our customers but also from an angle of consumer and shopper dynamics.

Eric Serotta - Morgan Stanley, Research Division - Equity Analyst

So Damian, hoping to get some color from you in terms of the promotional lift or the consumer response in areas where you have had to or chosen to increase your promotions a little bit. Obviously, your promotional toolkit is a lot sharper and more homes than it's been in the past. How has consumers responded versus your expectations and versus sort of the history?

And then separately, but somewhat related and you did call out some consumer shift to store brands in some categories. How -- what have you seen in terms of retailers changing shelf space in response to or in anticipation of that?

Damian Gammell

Thanks, Eric. So I suppose on a fairly top line level, I think the metrics that we're pleased with is we've gained value share. So that promo strategy is leading to a higher share of value in most of our markets, and we've gained volume share ahead of value. So I certainly think in a high pricing inflation environment, you've got to look at your volume because I think that's a stronger reflection of your consumer franchise. And clearly, we want to retain our shoppers and our consumers. And I think we called out that our household penetration has also gone up.

So I think they are the 2 metrics that give me confidence that, that more advanced promotional analysis tools and mechanics are really landing well with our consumers *and also with our retailers. And I think getting to your second comment, I think that's continuing to support us maintaining our shelf share or growing it across our retail footprint. So we have seen retailers across many categories allocate some more space. We haven't seen that in beverages.*

We have seen more focus on leaflets. Clearly, some of our retailers are promoting that as part of a basket of retailer brands, which is normal when you get into times of purchasing pressure with the shoppers. But we haven't seen that impact our space. In fact, we're growing our space on floor through more displays, more ready to sell displays. We've got more listings, particularly in the discounter channel. So we're very conscious of that because we think protecting our space and growing it is critical. And I think as long as we're gaining value and volume share and generating more profit for our retailers, it's also in their interest to protect our brand portfolio because clearly it generates significant value. So we keep a close eye on it. It hasn't changed dramatically in the last 6 months. I mean, this is something we've talked about coming out of 2022. We were conscious of it. I think we've talked about it on every call, and we've continued to gain value and volume share. And retailer brands have gained as well, but clearly not at our expense. And I think that's the most important thing for us. Thanks, Eric.

Charlie Higgs - Redburn (Europe) Limited, Research Division - Research Analyst

I've got a question on Australia, please. And I'm just wondering if you could provide maybe a little bit more color on the Q3 performance. I know you said volumes are up 2.5% year-to-date, which implies a pretty strong performance despite trimming the water brand and a pretty tough comp last year. Just any color on Coke No Sugar, how the Sparkling flavors are performing off, they've been repositioned?

And then maybe just how you think about Q4 with the upcoming deposit return scheme in Victoria coming in?

Damian Gammell

Thanks, Charlie. So maybe just to the second part. So I think we're well along with the rest of the industry well set for the -- really the last big state in Australia to move on to the container deposit system. So plenty of experience there now. So I don't expect that to have any significant impact in Q4. Actually, once we're through it, then I think we're really well laid out in Australia. So nothing to call out on the scheme.

Generally, in our Australian business, I'm really happy, I have to say, I think the changes we made on our flavor portfolio with the company on the back of the acquisition has really worked. We're gaining share in flavors. Both our Kirks, Fanta brands are doing well. So that's helping us. Predominantly in Australia, what you're seeing on the kind of top numbers is based on the learnings out of Europe, we have taken a decision to exit some very, very low-value water packaging and brands and bulk water.

So when you strip those out, our volume growth looks really healthy in Australia and our share performance. So overall, well set coming into the summer as we head into Q4.

Coke Zero continues to do really well. And I think we're looking forward to a great summer both in Australia and New Zealand. So yes. And then on the CDS, Charlie, I think it's the last big one. So we'll be through it and then we'll have a more normalized environment as we head into '24.

Simon Hales - Citigroup Inc., Research Division - MD

I wonder if I could just ask you a little bit more about Indonesia, again, Damian. I mean clearly, we know the Q3 volumes are weak, given the SKU rationalization. But could you just talk a little bit more about some of the underlying trends that you're seeing at the consumer end, a number of companies have been flagging some weakness in the consumer in Southeast Asia, maybe less so in Indonesia. But I'd just be curious on what you're seeing there and how you think about the outlook from a consumer offtake standpoint?

And just to clarify in relation to that, you mentioned that you are going to be reengineering the cost base in Indonesia starting in Q4. Does that mean that a cost reduction or incremental cost going in or just a reallocation of existing costs?

Damian Gammell

I definitely hope it means a cost reduction, Simon.

Yes. So we've actually -- we're probably slightly ahead of our expectations. So we had a restructuring initiative in Q3 in Indonesia, where effectively, we've downsized the organization. That was something that we were working towards. I think we've laid out a transformational plan in Indonesia that started with our brands portfolio first. And that was critical because as we've talked previously, we were trying to do too many things across too many categories. That led to SKU rationalization. So that 70% of our volume reduction in Indonesia has been on the back of that.

So the remainder puts us on what you've called out, which is a bit of a weaker macro environment for the consumer. And that's really challenged the affordability. And that's really on the back of fuel rise, just general cost of living. We have seen that improve slightly. So I would say, coming out of September into October. And as we look at the rest of the year, it is improving. So that's good news. But clearly, affordability will remain a key pillar of our strategy in Indonesia.

So one of the things that we're finalizing and ready to move on is a different pack price architecture for 2024. We'll share more of that with you later. But that's clearly on the back of some of the learnings that we've seen in '23 around that affordability and the importance of price points. I mean overall, the macros look really good for Indonesia. If you look at GDP population growth per caps, massive opportunity for us when you look at the size of our category. So that doesn't change our mid- to long-term ambition.

But clearly, it's been a slightly tougher shopper environment this year, getting better, as I said, towards the end of the year. Our transformation journey will then move to its next *phase, which we're starting to execute, which is a new route-to-market model. So we weren't feeling confident that the model that we had would unlock growth for the long-term. So on the back of the restructuring, we've also started to roll out a new route-to-market. So that's exciting. And that will transition to '24, which is great.*

And we continue to challenge ourselves around the role of different pack formats. So we'll continue to look at refillable glass, we've got 2 lines now in Indonesia. So we look at how we could potentially use that pack, which is a big success in markets like Philippines to help us unlock some of that growth. So a lot's happening. I think the results in '23 probably don't fully reflect the amount of change that the team have driven in Indonesia. So I give them full credit for that. We've had a massive change agenda. I think the good news for them and for us is that we start to see that paying off as we come into Q4. So that's good news. And actually, myself and Nik are heading down there on Sunday. So I look forward to seeing it on the streets of Jakarta next week. Thanks, Simon.

Robert Ottenstein - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Global Beverages & Household Products Research

Two quick follow-ups and then my main question. Just to follow-up, can you be any more specific in terms of Europe, September, October on volumes? I know it's picked up nicely, but can you be any more specific in terms of the volume growth? Also, can you be any more specific in terms of the actual pricing you got in Germany? So those are the follow-ups. And then the main question is, can you please give us a sense to the extent you can, of any new learnings in terms of the Philippines, how that business is looking now? So how as you get it next year, what sort of momentum there is in that market? And with the competitive dynamics look like there? I know you've got an extremely strong position there, but is there a private label? What are the competitive dynamics?

Damian Gammell

Thanks, Robert. You also did a good job like Ed about getting four questions in. Just on the Philippines, I mean, clearly, we haven't closed that. So I think it's probably a topic that we'll come back to once we've closed. I think the questions you've raised will be better positioned to kind of get into the detail of that once we've closed the transaction. As I said, we're targeting that very early next year. And clearly, we'll give a bit more color on how we see those topics from competitive landscape, retailer brands, et cetera. But obviously, it's too early for us to comment specifically on that.

Other than to say what we've said already, we think the Philippines is a fantastic Coke business in Asia and demonstrates a great opportunity for both CCEP and the Aboitiz Group together once the deal closes. So if you can give me a few more months and then I'll come back and happy to get into the detail in the Philippines, but as I said, better to do that once we've got the transaction closed.

On the earlier questions, I mean, we're not going to give specific numbers on volume and pricing. All I can say is that we're pleased that we've seen solid volume growth back in Europe, both coming out of September and even more in October. So I think that's good news. And on the pricing, I think we've landed it in Germany, and we feel, as I've talked earlier, it's sensible pricing in the context of our cost pressures, which are real, and we continue to deal with, but also in terms of protecting that consumer franchise and shopper base.

So again, as we close out the full-year when we talk again in February, we'll give a bit more color on how that looks for '24. But needless to say, both on volume and pricing, we're pretty pleased with where we've ended up coming out of the summer and into Christmas in Europe. Thanks, Robert.

Brett Cooper - Consumer Edge Research, LLC - Senior Analyst & Managing Partner

If we look back a few years and look at retail data, it would seem that retailers have taken more price on your products than you've gotten out of those, and that may not be the case in all categories across consumer staples. So I was hoping you could offer some insights into where retailer margins on your products today, if there's any significant deviation by market? And then just any insights into how that positions you into '24 and beyond?

Damian Gammell

Thanks, Brett. That's a good observation. I mean, we've seen -- and again, I'll talk in a kind of general rather than specific by market, but we have seen across our developed markets in particular. So Australia and Western Europe, New Zealand, that retailers have taken pricing ahead. So we have seen margin expansion. That's a conscious decision of the retailers, clearly, it's up to them to set the retailing price, but it's something that we've seen have a number of benefits.

I think one, now you look at -- we talk about it quite often the size of CCEP's value creation for our retailers, both in terms of revenue, transactions, but more and more in terms of profit. And I think if you go back probably more than 2 years, Brett, and I think it was one of the catalysts for the success of CCEP when we created the business back in 2016 that we acknowledge that the Sparkling category, particularly in Western Europe needed to start growing, and that was our first priority, but also needed to create more value for our customers, and that was our second priority.

So our pack pricing architecture allowed our customers to take a little bit more pricing on shelf than we did. So that led to margin expansion. And I think that's put the category and obviously CCEP in a better place in terms of growth and focus and prioritization, whether that's in store, in terms of space, on leaflets, promo space online. And we think we've reached across all of our markets, really good -- or retailer has reached a really good margin percentage on our brands. And they'll probably continue to take a little bit *more. But like us, they will obviously be conscious about what that means for the shopper and consumer.*

So yes, spot on, they have expanded margins, probably a couple of points ahead. And I think that's been good. Nik, I don't know if you want to?

Nik Jhangiani

No. I was just going to say, just building on Damian's point, I think, Brett, it's actually good from an angle that if you then think about what we've been able to do this year is effectively land pricing, and you can see obviously what the impact is when you think about our revenue per case growth without disruption, right, which also says that they realize the margin and the profit and the cash flow from our category is solid and strong.

I think as Damian has also said, we manage the spectrum of pricing, including what we do on promo on those that are more price-sensitive packs or ones where the consumer feels the elasticities a little bit more. So I think that's all helping them, and that should actually position us well as we go into '24 as well.

Damian Gammell

Yes. I think the other dynamic is that we've continued to invest behind the brands with the Coca-Cola Company. So I think if you look at our absolute marketing investment, it's increasing year-on-year, the quality of that, I believe, is improving online and in traditional. And clearly, that's driving more brand relevance for the consumer, and that supports that slightly higher margin for our customers. So I think that investment piece is critically important as well. Thanks, Brett.

Charlie Higgs - Redburn (Europe) Limited, Research Division - Research Analyst

Damian, I wonder if you could just comment on Germany, I mean, 9% FX neutral growth, the strongest in Europe in the quarter. I mean, the Monster volume is up 42%. Can you maybe just talk about what the team is doing differently there and what the scope is for the Energy drinks portfolio ahead? And then maybe just a broader comment on the category and the pack mix opportunity left in Germany?

Damian Gammell

Yes. So German business has had a number of really strong quarters. I think you quite rightly called that Q3, the Energy performance. So just a couple of perspectives. I mean, the Energy category is large in Germany. It's growing. So our share still has an opportunity to get higher, and we've identified that as a key market with our partners at Monster. I think in Q3, you saw the benefit of innovation coming through in Germany. So we have a really strong pipeline of innovation. We've also looked at some of our pricing and our promo pricing, and we've seen the benefit of that coming in Q3.

I mean, the numbers are very high in the quarter. I'd probably just look more at the year-to-date numbers to get a better reflection of the trend, which is still really impressive. So *we continue to be a great challenger in that category in Germany on the back of innovation. And I think those new price points definitely helped us unlock some more growth and some more share.*

Nik Jhangiani

Just calling out specifically in Germany, clearly, we've benefited from a recovery in Edeka. If you recall, last year, we were -- we did have a disruption there. And this goes back to my point. This year, we've landed pricing and actually had no disruption, which is a very positive story. And then we've also been supported by some new listings in Kaufland as well. So both of those are definitely positive drivers of that volume growth in Q3 in Energy in Germany.

CLOSING REMARKS

Damian Gammell

So again, a big thank you to everybody for joining us this afternoon and this morning. And as you've heard from both myself and Nik, another strong year, 2023, for CCEP, very pleased we're reaffirming guidance. We are continuing to grow our share and volume ahead of value. Our whole organization now is very much focused on the remainder of the year. And as I've called out, we are pleased to see, particularly in Europe, volume growth returning as we've come out of the summer. Really excited about next year, great pipeline of innovation, both in terms of product packaging, but also a year of great asset activation, particularly in Europe with the America's Cup, the Olympics, and the Euro Football Championship. So a lot for our teams and our customers to get excited about.

And we very much look forward to talking to you again in February when we can share with you how the year ended and more importantly, how we see 2024 on the back of a very, very resilient NARTD category. So thank you, and have a great rest of the day.

END